

**REGISTERED MAIL**

Muslim Association of Canada  
2270 Speakman Drive  
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**MAR 17 2021**

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**Attention: Mr. Sharaf Sharafeldin, Executive Director****Subject: Audit of the Muslim Association of Canada**

Dear Mr. Sharaf Sharafeldin:

This letter is further to the audit of the books and records of the Muslim Association of Canada (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period from July 1, 2012 to June 30, 2015.

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

AREAS OF NON-COMPLIANCE		
	Issue	Reference
1.	Ceased to comply with the requirements of the Act for its continued registration	149.1(1)
1.1	Advancement of an unstated non-charitable collateral purpose	149.1(1); 168(1)(b)
	1.1.1 Advancement of non-charitable purpose – the Muslim Brotherhood organization	
	1.1.2 Advancement of an unstated, collateral, non-charitable purpose – the accumulation of real property	
1.2	Activities contrary to public policy and failure to conduct due diligence	149.1(1); 168(1)(b)
1.3	Lack of public benefit	149.1(1); 168(1)(b)
1.4	Failure to devote resources to charitable activities	149.1(1); 188.1(4); 168(1)(b)

1.5	Lack of direction and control over the use of the Organization's resources/Failure to carry out its own charitable activities	149.1(1); 168(1)(b)
1.6	Conferring an undue benefit and resourcing non-qualified donees	149.1; 188.1(4)(a); 188.1(5); 168(1)(b)
2.	Issuing official receipts not in accordance with the Act and/or its Regulations	149.1(2); 168(1)(d); 188.1(7); 188.2(1)(c); Regulation 3500 or 3501
3.	Failed to maintain and provide books and records as required	168(1)(e); 188.2(2); 230(2); Regulation 200
4.	Failure to file a complete and accurate Registered Charity Information Return (T3010)	149.1(14); 188.2(2.1); 168(1)(c)
5.	Failure to prepare proper documentation for payments to employees (T4 Statement of Remuneration Paid and T4A Information for payers)	6(1)(a); 168(1)(b); Regulation 200(2)

The purpose of this letter is to describe the areas of non-compliance identified by the CRA during the course of the audit as they relate to the legislative and common law requirements applicable to registered charities. The Organization will be provided with an opportunity to address our concerns and submit a written representation, accompanied by any relevant documentation, as to why the Organization's status as a registered charity should not be revoked, or it should not be imposed a monetary penalty.

### **Background**

The Organization was established on August 8, 1997 with the purpose to advance the religion of Islam. On January 26, 1998, the Organization applied for charitable registration and it was granted and became effective on January 1, 1999.

Under the direction of the Organization's Board of Directors, Executive Council and head office, the Organization is structured into various Chapters across Canada, including Montreal, Ottawa, Waterloo/Kitchener, Mississauga, Toronto, Edmonton, Calgary, and Vancouver. The Executive Council is led by the Executive Director and a representative of each of the Organization's five departments (Tarbiyah/Education, Youth, Outreach, Institutions, and Intellectual Contribution<sup>1</sup>). These department representatives co-ordinate the department's activities at the Chapter level to ensure the board's objectives are met.<sup>2</sup> The Chapters oversee smaller programs, community and youth events. A Chapter's larger programs are classified as projects and undertake a specific operation such as a school, centre, or mosque. Projects have their own project management board and run their own day-to-day operations.<sup>3</sup>

<sup>1</sup> During the February 29, 2016, audit interview, the CRA was told this was not an operational department.

<sup>2</sup> Audit interview, February 29, 2016.

<sup>3</sup> Audit Interview, January 26, 2016.

In May 2014, the Organization's legal counsel, Mr. Terrance S. Carter of Carters Professional Corporation, emailed the Charities Directorate's Director General, Cathy Hawara, detailing the Organization's concern about online commentary that connected the Organization to the Muslim Brotherhood in Egypt.<sup>4</sup> Mr. Carter's email proposed to arrange a meeting between himself, representatives of the Organization, and representatives from the CRA, to answer any questions that may have arisen out of the online commentary about the Organization. Mr. Carter also provided a fact sheet in an attempt to dispel any misunderstandings about the Organization. Of particular note, the fact sheet advised:

- [the Organization's] mission is to establish a Muslim presence in Canada that is balanced, constructive, and integrated though distinct, in the social fabric and culture of Canada.
- [the Organization] has no organizational connection to any political group.
- [the Organization] has no organizational ties with organizations or groups outside of Canada.<sup>5</sup>

On February 25, 2015, Mr. Carter emailed Ms. Hawara to inform the CRA that the Organization, in response to media articles, "took the initiative to write to the RCMP on January 28, 2015 to offer to meet with the RCMP to answer any questions that they might have and to seek their advice concerning any additional measures that the RCMP might recommend that MAC may want to consider adopting. In this regard, I thought that you would want to have a copy of the letter to the RCMP for your records."<sup>6</sup> Mr. Carter provided a copy of the Organization's letter that was sent to the RCMP, which stated:

Recent press reports have raised issues with respect to alleged fundraising activities by those suspected of having links to groups that have been listed as terror organizations by the Government of Canada.

MAC does not, and would not, support any group that has been listed as a terrorist group. We reject any threats against the safety and security of our fellow Canadians, and consider it a civic duty on all to oppose such threats. MAC is entirely focused on operations in Canada and has no affiliations or ties to any other organizations.

We do not permit or tolerate unauthorized groups or individuals to raise funds or solicit support at our events or on our premises.<sup>7</sup>

On December 8, 2015, the CRA informed the Organization, via telephone, that it had been selected for audit. On December 22, 2015, the CRA issued an Audit Commencement Letter to the Organization confirming that it was to be audited for the fiscal periods ending June 30, 2013, June 30, 2014, and June 30, 2015.<sup>8</sup> The CRA expanded the scope of the audit on October 5, 2016, to include all of the Organization's real property purchases.<sup>9</sup>

<sup>4</sup> Email from Terrance S. Carter to Cathy Hawara May 29, 2014.

<sup>5</sup> Email from Terrance S. Carter to Cathy Hawara May 30, 2014, Factsheet.

<sup>6</sup> Email from Terrance S. Carter to Cathy Hawara February 10, 2015.

<sup>7</sup> Letter from Muslim Association of Canada to RCMP National Security Community Outreach, January 28, 2015.

<sup>8</sup> The Audit Commencement Letter dated December 22, 2015.

<sup>9</sup> Letter dated October 5, 2016.

As part of the audit, the CRA undertook a series of audit visits to interview key officials, visit the Organization's centres and schools, and collect documentation on the Organization's activities.<sup>10</sup> The CRA provided a copy of the interview notes to the Organization in a letter dated April 18, 2017. As detailed in that letter, the interview notes have been reviewed by the CRA attendees to ensure the information contained in the notes is complete and accurate. The Organization has made some representations regarding the substance of the interview notes in a letter dated December 21, 2018,<sup>11</sup> and the CRA has considered these representations in our analysis and findings.

As part of the collection of the Organization's books and records, the CRA requested copies of several of the Organization's email accounts to understand the Organization's activities and determine if it is operating in furtherance of its charitable purposes. The CRA collected two sets of emails—head office email accounts (HOE) and project emails (PE). The former were requested during the audit visit to the Organization's head office and the latter were collected at various visits to the Organization's projects.

#### **Solicitor-client privilege concerns**

After the CRA notified the Organization's Executive Director of its desire to collect certain HOE accounts as part of the audit records collection, the Organization indicated that some of the accounts requested by the CRA may contain information that is protected under solicitor-client privilege.<sup>12</sup> A conference call was arranged between the CRA, the Organization and representatives from its legal counsel, Carters Professional Corporation.

During this call, all parties agreed on a method for providing the email accounts requested that may contain solicitor-client privilege information. It was agreed that a copy of the original personal storage table (.pst) files for each HOE account would be retained by the Organization until the end of the audit. A second copy was to be made of each file where the Organization could review, identify, and isolate solicitor-client privileged items. A third copy of the files was made where the items identified and isolated as solicitor-client privileged were removed by the Organization's legal representative, leaving information that was not subject to solicitor-client privilege. In order to limit the volume of emails, the CRA also permitted the Organization to restrict the HOE accounts to only emails that fall within the audit period. This third copy of the HOE accounts, that had been reviewed for privilege and restricted by date, was provided to the CRA on May 10, 2016, after several extensions were provided.<sup>13</sup>

The Organization and its legal representatives were entirely responsible for restricting the HOE by

<sup>10</sup> Initial Visit Interview- January 26, 2016, Second Visit Interview Part I-February 29, 2016, Second Visit Interview Part II-Centre Questions- March 2, 2016.

<sup>11</sup> Letter from Carters Professional Corporation, dated December 21, 2018.

<sup>12</sup> Specifically, the Organization identified 15 head office accounts that it claimed privileged information.

<sup>13</sup> Initial pickup of .pst files was on April 25, 2016, as per April 18, 2016, correspondence to L. Rains. As per the Organization's request, an extension was granted to April 29, 2016. A further extension was granted to May 10, 2016.

date and reviewing the records to identify information that was protected by solicitor-client privilege.<sup>14</sup>

Over the next year, the CRA visited most of the Organization's projects.<sup>15</sup> At some of these site visits, the CRA requested copies of certain project email (PE) accounts. At the time of collection, the CRA ensured that an exact copy of all the files obtained from each computer was left on the computer from which it was obtained, and, as requested, a duplicate copy of those files were placed on the Organization's Executive Director, Mr. Sharaf Sharafeldin's portable hard drive. In so doing, the CRA ensured that the Organization had an exact copy of the data the CRA obtained. At each site visit where the CRA opted to collect PE accounts, the CRA provided the list of requested PE accounts to Mr. Sharafeldin. Mr. Sharafeldin then arranged for the Organization's local staff to facilitate the transfer of the PE accounts to the CRA auditors.

In a letter dated April 10, 2017, over ten months since the first PE accounts had been provided to the CRA, the Organization's legal representative expressed concern about the potential for solicitor-client privileged information in the various PE accounts.<sup>16</sup> At no point, during the collection of PE, at several different projects, did the Organization express concerns that the PE accounts may contain solicitor-client privilege information nor that the accounts ought to be restricted by date. As part of its letter, the Organization's legal representative requested the return of both HOE and PE accounts so that the Organization could re-review the accounts for privilege information and restrict the accounts by date.

Recognizing the Organization's concerns, the CRA sent a letter on April 28, 2017, to the Organization proposing a solution to address the Organization's concerns regarding the potential inclusion of solicitor-client privileged content in the site visit email accounts.<sup>17</sup> The Organization did not respond to the CRA's proposal, which appeared to suggest that the Organization was content with our position with respect to the emails.

Over 600 days later, the Organization's legal representative wrote on December 21, 2018, suggesting that the CRA may have in its possession, folders from email accounts marked "privilege" and "beyond scope."<sup>18</sup> Included with this letter was a USB key with copies of site visit email accounts that had been vetted for privilege. While it was unclear as to why the Organization

<sup>14</sup> Letter to CRA auditor re email file transfer, March 1, 2016]; and letter from legal representatives to the CRA dated April 10, 2017.

<sup>15</sup> Canadian Institute of Islamic Civilization (CIIC)- May 30, 2016, 371 Jean Talon - May 30, 2016, MAC Islamic Centre of Verdun (ICV)- May 30, 2016, Centre Communautaire Laurentien (CCL)-May 31, 2016, MAC Information Center of Québec (MICQ) – June 2, 2016, MAC Islamic Centre- October 18, 2016, Islamic Community Centre of Cold Lake- October 17, 2016, MAC Islamic School - October 17, 2016, MAC Learning Centre- October 20, 2016, MAC Calgary Chapter- October 20, 2016, MAC Youth Centre-September 19, 2016, Southdale Project- September 19, 2016, Islamic Community Centre of Ontario (ICCO)-January 31, 2017, Olive Grove School- February 1, 2017, Abraar School Grenon- December 12, 2016, Abraar School Fieldrow- December 13, 2016, Al Furqan School- December 13, 2016, Masjid Toronto Dundas- January 30, 2017 and February 2, 2017, York Islamic School (YIS)- February 2, 2017, MAC Community Centre- March 2, 2017, Islamic Centre of Waterloo- September 21, 2016, Kitchener Masjid- September 20, 2016, Maple Grove School- September 20, 2016, Masjid Aisha- September 21, 2016, Rose City Islamic Centre- September 19, 2016.

<sup>16</sup> Letter from legal representatives to the CRA dated April 10, 2017.

<sup>17</sup> Letter from CRA dated April 28, 2017.

<sup>18</sup> Letter from legal representatives dated December 21, 2018.

or its representative would believe this was the case, the CRA sought to alleviate the Organization's concerns and, in a January 10, 2019 letter to the Organization's legal counsel, agreed to verify it had not used any emails that may contain information that was protected by solicitor-client privilege and agreed to use the new email accounts provided by the Organization if additional analysis was needed.<sup>19</sup>

The Organization responded to the CRA's January 10, 2019, correspondence on April 30, 2019, stating that the letter "was of assistance in clarifying the CRA's position regarding MAC email correspondence and the assurance that MAC's right to privileged communications (particularly solicitor-client) was protected."<sup>20</sup>

As we detailed in our letter of February 20, 2019, the CRA is transparent with respect to how it reaches its audit conclusions. As such, this letter is fully sourced and details which emails were used in developing the CRA's preliminary audit findings. In addition, to facilitate the Organization's review and response to the CRA's preliminary audit findings, the CRA has included in Appendix A, a complete copy of each of the Organization's emails referenced in this letter and the attached appendixes.

Solicitor-client privilege is an issue the CRA takes seriously and it should be noted that to the best of our knowledge, none of these emails include privileged information. In addition, the emails referenced in this letter are generally not dated either before or after the audit period. As we indicated in our letter of March 21, 2017, the CRA would review emails and other documentation outside the audit period if it pertained to something that occurred within the audit period. Such instances were rare, but the CRA felt it was necessary to include them as it showed a consistent pattern of activity that occurred during the audit period that either began before, or continued after, the audit period.

#### **General comment and observation by the CRA about the audit**

As detailed above, the CRA began the audit of the Organization in December 2015. The CRA has spent the ensuing time analyzing the Organization's records and information provided verbally by its Executive Director and by its project representatives as well as electronic correspondence obtained during the audit visits. After reviewing electronic correspondence and the Organization's financial records it appears to the CRA that the Organization has been less than forthright with the public, the media, and with the CRA about its activities and how it undertakes them.

The CRA has identified numerous instances where the Organization has made representations on an issue only to be contradicted by the Organization's own documentation and financial records. In other instances, the Organization's representatives appeared to be vague when responding to the CRA's inquiries only to have been identified in the Organization's emails as being intimately aware of the subject of inquiry. While many of these issues will be expanded on further below, a non-exhaustive list of examples include:

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<sup>19</sup> Letter from CRA dated January 10, 2019.

<sup>20</sup> Letter from legal representatives dated April 30, 2019.

- In 2011, the Organization invited a controversial group, Islamic Education and Research Academy, to speak at the Centre Communautaire Laurentien (CCL). In preparation for the media attention, the Organization's President, Wael Haddara, contacted a public relations firm to prepare a statement and acknowledged that the Organization does "not run background checks on organizations or individuals."<sup>21</sup> The Organization subsequently issued a public statement advising "MAC does however undertake a background check on each group that makes a request to rent" the facilities to ensure "they do not promote nefarious causes or engage in hateful speech."<sup>22</sup>
- During the audit interview, the CRA was told that Al-Otrojah's project manager, [REDACTED] travel to Kuwait in 2015 was not for fundraising purposes. Mr. Sharafeldin indicated that the trip was personal and that the Organization did not pay for the ticket.<sup>23</sup> In the Organization's emails, the CRA found: a trip report that indicated the travel was for fundraising purposes, records indicating the Organization paid \$2,073.12 for the flight and that [REDACTED] was provided a letter by Mr. Sharafeldin which stated that [REDACTED] was travelling on behalf of the Organization "to collect funds needed for the projects."<sup>24</sup> This is contrary to the Organization's representations.
- The Organization stated during the audit interview that it did not fund projects outside of Canada. Further, its General Operating By-Laws indicate that it "is a wholly independent Canadian organization that only operates within Canada,"<sup>25</sup> and its website that its "mission is to establish an Islamic presence in Canada that is balanced, constructive, and integrated, though distinct, in the social fabric and culture of Canada."<sup>26</sup> However, a review of the Organization's records appears to suggest that it undertook activities outside Canada in Libya and Turkey. See section 1.5.4 below for more details.
- When allegations about the Organization supporting the International Relief Fund for the Afflicted and Needy (IRFAN-Canada) arose in the media, Mr. Sharafeldin issued a statement stating "MAC has not supported IRFAN in any way since the allegations that led to its delisting as a charity by the Government of Canada in 2011."<sup>27</sup> During the audit interview, Mr. Sharafeldin stated that once IRFAN-Canada had its charitable status suspended the Organization no longer provided any money to IRFAN-Canada.<sup>28</sup> According to the Organization's own documentation, the Organization not only continued its relationship with IRFAN-Canada, but it allowed IRFAN-Canada to fundraise and promote itself at the Organization's events and properties. See section 1.2 for details.

<sup>21</sup> Email from Wael Haddara [REDACTED], "Re: Event in Montreal," October 21, 2011.

<sup>22</sup> "Statement regarding the rental of the Centre Communautaire Laurentien a Montreal facility in Montreal," October 21, 2011.

<sup>23</sup> Follow up discussion regarding [REDACTED] travel, February 1, 2017, Olive Grove School.

<sup>24</sup> Email from Hoda Kurabi, July 27, 2015, "FW: Expedia travel confirmation/e-Ticket - 10 Aug - Itin#III2235937978,"; Email from Hoda Kurabi, August 18, 2015, "I.letters to Charity,"; Email from [REDACTED]

October 22, 2015, "The letter in Arabic."

<sup>25</sup> General Operating By-Law No. 13, Preamble

<sup>26</sup> MAC, [http://www.macnet.ca/English/Pages/Our\\_Vision\\_and\\_Mission.aspx](http://www.macnet.ca/English/Pages/Our_Vision_and_Mission.aspx).

<sup>27</sup> Muslim Association of Canada, CNW, January 28, 2015, <http://www.newswire.ca/news-releases/a-statement-by-the-muslim-association-of-canada-516561721.html>; MAC Statement "For Internal Release - January 28th, 2015."

<sup>28</sup> Audit interview February 29, 2016.

- During the audit interview at the Islamic Community Center of Ontario (ICCO), the CRA asked the Organization's representatives about its relationship with the Muslim Youth Soccer League (MYSL). In response, the Organization denied anything more than a casual working relationship.<sup>29</sup> Our review of information provided by the Organization, combined with publicly available sources, suggested that MYSL is in fact more likely to be viewed as the Organization's activity. See section 1.4.4 for details.

In addition, the CRA has observed that some of the Organization's financial transactions are structured, or conducted, in a manner that seems to obfuscate many of the transaction's pertinent details. The use of third parties appears to be prevalent in the Organization's transactions to either conceal the destination of certain expenditures or shroud the identities of certain donors or source of funds. Other times, members of the Organization appear to have entered into transactions and created ways to circumvent charity laws and regulations. These concerns will be expanded on below, but some examples include:

- From August to October 2012, the Organization's leadership was engaged in an email discussion about how to support a non-qualified donee, the Muslim Resource Centre for Social Support and Integration in London (MRC). After raising approximately \$10,000 for the MRC, the Organization realized it could not simply gift the funds to the MRC as intended since it was not a registered charity.<sup>30</sup> Based on our review, it appears that a false invoice was created in order to transfer the funds to the MRC. See section 1.6.5 for details.
- In March 2016, officials with the Organization discussed methods of funding the Muslim Student's Association (MSA)—a non-qualified donee which was dealing with some debt. They discussed "how we can help the MSAs knowing that they are not registered charities. But they are part of the Universities. Can we donate to the university and ask the university to give the money to the MSA?"<sup>31</sup> See section 1.6.6 for details.
- The Organization sought money from overseas donors in Saudi Arabia. The donors were instructed to send the money through Islamic Development Bank. The Organization did not report receiving money from the original donors on its Form T3010, Registered Charity Information Return. In another instance, money was collected from a donor in Saudi Arabia; however, the charitable tax receipt for the donation was issued to someone in Canada. See sections 2.3 and 3.8 for details.
- In Edmonton, the MAC Islamic Centre structured third party payments through the accounts of Serene Core Technologies Inc. preventing an accurate accounting of revenue generated by the Organization. See section 1.5.2.3 for details.
- The Organization structured foreign transactions related to an international school in Turkey through [REDACTED] which seemingly was an attempt to conceal the destination and source of funds. See section 1.5.4 for details.

<sup>29</sup> Audit interview, ICCO, January 31, 2017.

<sup>30</sup> Emails: from Nabil Sultan, nsultan@uwo.ca, August 24, 2012, "Fwd: we're at \$10,000 for MRC,"; emails from S. Sharafeldin, August 24, 2012; Emails from N. Sultan October 24, 2012 and from [REDACTED] October 16, 2012.

<sup>31</sup> Email from El-Tantawy Attia, [REDACTED] dated March 3, 2016, "Re: Fwd: MSA at UofT needs your help!"



While the audit found inconsistencies in representations made by the Organization, our preliminary findings are based on our review of all the information and documentation provided during the audit as well as publicly available information. The remainder of this letter will outline in detail the CRA's concerns as it relates to the Organization's operation, management, and financial practices. The letter will clearly and transparently identify the issues and the Organization's own source documents used to make our preliminary audit findings. Should the Organization choose to respond to this letter, it will need to address each of our concerns below.

### **I. Ceased to comply with the requirements of the Act for its continued registration**

#### **General legal principles**

Subsection 149.1(1) of the Act requires that a charitable organization devote all of its resources to "charitable activities carried on by the organization itself." Generally speaking, in order to maintain charitable registration, an organization must demonstrate that it is constituted and operated exclusively for charitable purposes, and that it devotes its resources to its own charitable activities carried on in furtherance thereof.<sup>32</sup> To be exclusively charitable, a purpose must fall within one or more of the following four categories (also known as "heads") of charity<sup>33</sup> and deliver a public benefit:

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

An organization with a mix of charitable and non-charitable purposes and/or activities will not be eligible for registration.

As outlined by the Supreme Court of Canada in *Vancouver Society of Immigrant and Visible Minority Women v. Minister of National Revenue*, the determination as to whether an organization qualifies as a charity under the Act is, in essence, a two-part test:

1. the purposes of the organization must be charitable, and must define the scope of the activities engaged in by the organization; and

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<sup>32</sup> *Vancouver Society of Immigrant and Visible Minority Women v. Minister of National Revenue* (Vancouver Society) [1999] 1 S.C.R. 10, at para. 155-159.

<sup>33</sup> The Act does not define charity or what is charitable. The exception is subsection 149.1(1) which defines charitable purposes/objects as including "the disbursement of funds to qualified donees." The CRA must therefore rely on the common law definition, which sets out four broad categories of charity. The four broad charitable purpose/object categories, also known as the four heads of charity, were outlined by Lord Macnaghten in *Commissioners for Special Purposes of the Income Tax v Pemsel*, [1891] AC 531 (PC) [Pemsel]. The classification approach was explicitly approved of by the Supreme Court of Canada in *Guaranty Trust Co of Canada v MNR*, [1967] SCR 133, and confirmed in *Vancouver Society*, supra note 32.

2. all of the organization's resources must be devoted to these activities.<sup>34</sup>

The requirement that a charity's purposes, or objects, be exclusively charitable was described as follows in *Vancouver Society*:

It is not sufficient that the society should be instituted "mainly" or "primarily" or "chiefly" for the purposes of science, literature or the fine arts. It must be instituted "exclusively" for those purposes. The only qualification—which, indeed, is not really a qualification at all—is that other purposes which are merely incidental to the purposes of science and literature or the fine arts, that is, merely a means to the fulfillment of those purposes, do not deprive a society of the exemption. Once however, the other purposes cease to be merely incidental but become collateral; that is, cease to be a means to an end, but become an end in themselves; that is, become additional purposes of the society; then, whether they be main or subsidiary, whether they exist jointly with or separately from the purposes of science, literature or the fine arts, the society cannot claim the exemption.<sup>35</sup>

In addition, for an organization to be considered charitable under the Act, it must be found to operate for a public benefit.<sup>36</sup> The determination of the public benefit requirement also involves the application of a two-part test:

1. The first part of the test generally requires that a tangible or objectively measurable and socially useful benefit be conferred.
2. The second part of the test requires the benefit be directed to the public or a sufficient section of the public. This means a charity cannot have an eligible beneficiary group that is negligible in size, or restrict eligible beneficiaries based on criteria that are not justified by its charitable purpose(s); and provide an unacceptable private benefit as it pursues a charitable purpose.

To summarize, the CRA must be satisfied that an organization's purposes are charitable at law, that there is a clear relationship and link between the activities and the purposes, and that the activities themselves do not fall outside the bounds of what has been judicially recognized as charitable. In conducting this review, we take into account, and draw reasonable inferences from, all of the relevant information that may be available.

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<sup>34</sup> *Vancouver Society*, supra note 32, at para. 159. The only qualification relates to other purposes which are merely incidental to charitable purposes - better construed as activities in direct furtherance of a charitable purpose. The organization will not fail to qualify as charitable because it described an activity as a purpose (see para. 158).

<sup>35</sup> *Vancouver Society*, ibid, at para. 156, where Mr. Justice Iacobucci, speaking for the majority, cited with approval the comments of Denning L.J. in *British Launderers' Research Association v. Borough of Hendon Rating Authority*, [1949] 1 K.B. 462, as applied by the Supreme Court of Canada in *Guaranty Trust Co. of Canada v. Minister of National Revenue*, [1967] S.C.R. 133.

<sup>36</sup> See CRA Guidance CPS-024, *Guidelines for Registering a Charity – Meeting the Public Benefit Test*, available at [canada.ca/charities-giving](http://canada.ca/charities-giving).

Finally, subsection 149.1(1) of the Act requires that a registered charity devote all of its resources to charitable activities carried on by the organization itself. A registered charity, therefore, can only use its resources (for example, funds, personnel, and property) in two ways, whether inside or outside Canada:

1. on activities undertaken by the organization itself, that is to say, on its own activities (those which are directly under the charity's control and supervision and for which it is able to render itself fully accountable for the funds expended); and
2. on gifts to qualified donees.<sup>37</sup>

### **1.1 Advancement of an unstated non-charitable collateral purpose**

The courts have confirmed that in determining whether an organization qualifies for registration, it is necessary to consider both the purposes for which it was established and the nature of the activities carried on by the organization as a potential indicator of whether it also operates for other unstated collateral purposes.

As noted above, the determination of whether an organization qualifies as a charity is, in essence, a two-part test. The question of whether an organization is constituted exclusively for charitable purposes cannot be determined solely by reference to its stated purposes, but must take into account the activities in which the organization currently engaged:

In *Guaranty Trust*, supra at p. 144, this Court expressed the view that the question of whether an organization was constituted exclusively for charitable purposes cannot be determined solely by reference to the objects and purposes for which it was originally established. It is also necessary to consider the nature of the activities presently carried on by the organization as a potential indicator of whether it has since adopted other purposes. In other words, as Lord Denning put it in *Institution of Mechanical Engineers V. Can.* [1961] A.C. 696 (H.L.), at p. 723, the real question is, “for what purpose is the Society at present instituted?”<sup>38</sup>

Where an activity is, or becomes, a substantial focus of an organization, it may no longer advance a stated purpose. Rather, the activity may be in support of a separate or collateral unstated purpose—or form a separate or collateral purpose in and of itself.<sup>39</sup> An organization is not permitted to pursue purposes that are not authorized by the terms of its governing documents.

As stated in *Vancouver Society of Immigrant and Visible Minority Women v. Minister of National Revenue*:

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<sup>37</sup> A “qualified donee” means a donee defined in subsection 149.1(1) of the Act.

<sup>38</sup> *Vancouver Society* supra note 32. See also *Guaranty Trust Company of Canada v. Minister of National Revenue* [1967] S.C.R. 133.

<sup>39</sup> *Vancouver Society* supra note 32, at paragraph 156, where Mr. Justice Iacobucci, speaking for the majority, cite with approval the comments of Denning L.J. in *British Launderers' Research Association v. Borough of Hendon Rating Authority* [1949] 1 K.B. 462 (C.A. at pp. 467-68, as applied by the Supreme Court of Canada in *Guaranty Trust Company of Canada v. Minister of National Revenue* [1967] S.C.R. 133.

It is not sufficient that the society should be instituted "mainly" or "primarily" or "chiefly" for the purposes of science, literature or the fine arts. It must be instituted "exclusively" for those purposes. The only qualification – which, indeed, is not really a qualification at all – is that other purposes which are merely incidental to the purposes of sciences and literature or the fine arts, that is, merely a means to the fulfilment of those purposes, do not deprive a society of the exemption. Once however, the other purposes cease to be merely incidental but become collateral; that is, become additional purposes of the society; then, whether they be main or subsidiary, whether they exist jointly with or separately from the purposes of science, literature or the fine arts, the society cannot claim the exemption.

During the audit, the Organization operated with the following purposes:

1. To preach, promote and advance the teachings of Islam according to the Quran and the sunnah of the Prophet Muhammad (PBUH), by practising the religious observances, tenets and doctrines associated with the faith of Islam;
2. To educate Muslims and non-Muslims as to the teachings of Islam;
3. To support and maintain programs and activities in order to propagate the faith of Islam
4. To acquire and hold land for places of worship, residences for its religious leaders, burial grounds or cemeteries, theological seminaries or similar institution of religious instruction for the religious purposes herein;
5. To operate printing or publishing offices in order to print, publish and distribute religious books, magazines, papers and other religious literature directly related to the charitable purposes for the religious purposes herein;
6. To provide assistance, goods and services to needy immigrants to Canada;
7. To provide educational programs to children, youth and adults;
8. To operate schools and/or libraries for the educational purposes herein;
9. To acquire and hold land for schools and/or libraries for the educational purposes herein;
10. To establish and operate community centres providing education, workshops, programs, athletics, drama, art, handicrafts, hobbies and recreation for the benefit of the general public;
11. To provide supportive services and visitation programs to the aged, disabled, and "shut-ins" in hospitals, nursing homes, prisons or in other institutions or residences;
12. To provide general counselling, translating, interpreting, assistance, advice and to liaise with other bodies providing similar or complimentary services or benefits for purposes incidental and ancillary to the objects aforementioned; and
13. Such other ancillary or complimentary purposes not inconsistent with the above objects.

It is our view that during the audit period the Organization operated beyond these purposes, and as detailed below, the Organization advanced unstated non-charitable, collateral purposes.

### **1.1.1 Advancement of non-charitable purpose - the Muslim Brotherhood organization**

Before we address the substantive findings of the audit, we will address the Organization's comments on this matter in its letter of December 21, 2018. In this letter the Organization expressed its concern that the CRA was asking questions about what it means to follow the Muslim Brotherhood<sup>40</sup> ideology.<sup>41</sup>

The Organization has acknowledged, the concept of the Muslim Brotherhood appeared in its governing documents. It is standard procedure for the CRA to inquire about elements that appear within an Organization's governing documents. Furthermore, prior to the audit, the Organization's adherence to the Muslim Brotherhood ideology was the dominant theme about the Organization raised in the media. For example, we note several articles<sup>42</sup> that featured this exact topic prior to the audit. For the CRA to not ask questions pertaining to the Organization's adherence to the Muslim Brotherhood ideology would be negligent and would be a failure to understand the very essence of the Organization. Without such context, it would be impossible to determine if the Organization operated in furtherance of charitable purposes.

The questions pertaining to the Muslim Brotherhood were asked to representatives at the Organization's head office and the staff at multiple projects in order to get clarity on the subject. The response the CRA received from the head office was less than clear which prompted the CRA to seek clarity in the responses to the Organization's other project locations. However, once it became evident that the Organization had prepared the project's representatives on how to respond to this line of questioning—each project conveyed virtually the same response—the CRA ceased inquiring about it.

The Organization has consistently expressed it follows a mainstream, balanced view of Islam.<sup>43 44</sup> While this appears appropriate and could deliver a charitable benefit, it is vague and offers no insight into what it means to follow the Muslim Brotherhood ideology as defined by Hassan al-Banna. When pressed on the subject, the Organization failed to provide clarity. With the ambiguity of the Organization's words, the CRA was compelled to look to the Organization's activities to reveal what it means to follow the Muslim Brotherhood ideology.

Words that are spoken in the midst of an audit are often measured, calculated, and sometimes vague. Documents, emails, and financial transactions that occur during an audit period are snapshots of an event in time. They are written, produced, or transacted in an environment where there is little need for the person or organization to be cautious. They are often a realistic glimpse

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<sup>40</sup> The Muslim Brotherhood is also known as the al-Ikwhan al-Muslimun.

<sup>41</sup> Letter from the Organization, December 21, 2018.

<sup>42</sup> Ian MacLeod, Ottawa Citizen, "Beware of the Muslim Brotherhood, expert warns," May 16, 2015, <https://ottawacitizen.com/news/politics/beware-of-the-muslim-brotherhood-expert-warns>; Brian Daly, Toronto Sun, "Canadian Muslim group funnelled \$300K to Hamas-linked charity: Documents," January 28, 2015, <https://torontosun.com/2015/01/28/canadian-muslim-group-funnelled-300k-to-hamas-linked-charity-documents/wcm/2b8e3db1-fd84-4173-bb83-e8b3cce0cb6d>; Jessica Hume, National Post, "Cancelled debate highlights tension among Canadian Muslims," February 7, 2011, <https://nationalpost.com/holy-post/cancelled-debate-highlights-tension-among-canadian-muslims>.

<sup>43</sup> MAC Islamic School interview, October 17, 2016: the Organization advised that it follows mainstream Islam, well balanced views, and that is what they try to do in their school. They follow a holistic mainstream view of Islam.

<sup>44</sup> MAC Islamic Center interview, October 18, 2016, the Organization advised that it follows a mainstream, holistic view of Islam. It is a balanced and constructive view.

at the Organization's true intentions. As detailed in *Canadian Arab Federation v. Canada (Citizenship and Immigration)*, 2013 FC 1283 "[p]rivate statements are often more indicative of a person's true state of mind, than public statements."<sup>45</sup>

While the CRA has considered the Organization's representations on what it means to follow the Muslim Brotherhood ideology, the CRA finds the Organization's statements to be contradictory and not representative of what is depicted in the Organization's own books and records.

There appears to be a significant difference between what the Organization represents it stands for and the activities that it appears to conduct. During the audit interview, the Organization's Executive Director noted that the media was mixing the Muslim Brotherhood philosophy/school of thought with the Muslim Brotherhood organization.<sup>46</sup> However, based on the information available to the CRA, it appears as though many of the Organization's activities appear to be in furtherance of the Muslim Brotherhood organization, and the extent to which they occur, would constitute the advancement of a non-charitable, collateral, purpose.

### **Background to the Muslim Brotherhood and its ideology**

The Muslim Brotherhood, also known as al-Ikhwan al-Muslimun in Arabic, was founded in June of 1928 by Hassan al-Banna and is headquartered in Egypt.<sup>47</sup> The Washington Post describes it as a "movement among members of Islam's majority Sunni branch that combines political activism with charity work. The Brotherhood and the mainstream Islamist parties it has inspired across the Muslim world believe Islamic law and values should play a central role in public and political life."<sup>48</sup>

On its website, the Muslim Brotherhood describes itself as an "international Muslim Body, which seeks to establish Allah's law in the land by achieving the spiritual goals of Islam and the true religion."<sup>49</sup>

### **The Muslim Brotherhood internationally**

According to the UK government's 2015 review on the Muslim Brotherhood,

From at least the 1950s the Egyptian Muslim Brotherhood also developed an international network, within and beyond the Islamic world... National chapters developed individual concerns and tactical approaches, but shared a common ideology. The Egyptian Muslim Brotherhood's Supreme Guide remained, at least in theory, the spiritual leader of the

<sup>45</sup> *Canadian Arab Federation v. Canada (Citizenship and Immigration)*, 2013 FC 1283  
<https://www.canlii.org/en/ca/fct/doc/2013/2013fc1283/2013fc1283.html>.

<sup>46</sup> Audit interview February 29, 2016.

<sup>47</sup> Ikhwanweb, "Bylaws of the International Muslim Brotherhood," January 18, 2010,  
<http://www.ikhwanweb.com/article.php?id=22687&ref=search.php>.

<sup>48</sup> Caroline Alexander, The Washington Post, "Who Are the Muslim Brotherhood? Are They Terrorists?"  
[https://www.washingtonpost.com/business/who-are-the-muslim-brotherhood-are-they-terrorists/2019/05/14/392ddbce-76b5-11e9-a7bf-c8a43b84ee31\\_story.html](https://www.washingtonpost.com/business/who-are-the-muslim-brotherhood-are-they-terrorists/2019/05/14/392ddbce-76b5-11e9-a7bf-c8a43b84ee31_story.html).

<sup>49</sup> Ikhwanweb, "Bylaws of the International Muslim Brotherhood," January 18, 2010,  
<http://www.ikhwanweb.com/article.php?id=22687&ref=search.php>.

movement as a whole. The Egyptian Muslim Brotherhood dominated (and continues to dominate) the International Guidance Bureau, whose influence has waxed and waned...<sup>50</sup>

The wider international network of the Muslim Brotherhood now performs a range of functions. It promotes Muslim Brotherhood ideology (including through communications platforms), raises and invests funds, and provides a haven for members of the Brotherhood who have left their country of origin to continue promoting Brotherhood activity.<sup>51</sup>

The existence of an international network appears to have been confirmed by Ibrahim Mounir, the Deputy Supreme Guide of the Muslim Brotherhood and Head of its International Section when he spoke to the UK House of Commons Foreign Affairs committee:

There is a real coordination among members of the Muslim Brotherhood, all of its branches and all people who embrace its ideology in almost the whole world. This kind of coordination of those principles does exist in more than one country... This coordination does not necessitate adopting the name "Muslim Brotherhood" or its ideology. The only requirement for this coordination is that it occurs under the principle of Islam's comprehensiveness which focuses on deeds for this world and the hereafter.<sup>52</sup>

Lorenzo Vidino,<sup>53</sup> a renowned expert on the Muslim Brotherhood, testified at Canada's Standing Senate Committee on National Security and Defence on May 11, 2015. On the subject of the growth of the Muslim Brotherhood internationally and their relation to the Muslim Brotherhood proper, he advised:

We do have individuals that have come to the West over the last 40, 50 years, and some of them more recently, from a variety of Muslim majority countries and have established a life for themselves and organizations in North America and in Europe. These individuals that come from the Muslim Brotherhood background have created many organizations in the West, which is on some level, from a formal point of view, improper to call them Muslim Brotherhood. They do not answer to orders coming from Cairo or any other Arab capital. They are independent in the way they operate in Canada, the United States or any European country, but nonetheless are part of an informal network where you have strong links based on personal and financial connections and at the end of the day what matters the most—ideology. They all embrace a certain world view.<sup>54</sup>

We're talking about a very small number of people, but they are very sophisticated, politically savvy, well funded, and they have created organizations that represent a very

<sup>50</sup> Muslim Brotherhood Review: Main Findings, December 17, 2015, London, UK

<sup>51</sup> Muslim Brotherhood Review: Main Findings, December 17, 2015, London, UK

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/486932/Muslim\\_Brotherhood\\_Review\\_Main\\_Findings.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/486932/Muslim_Brotherhood_Review_Main_Findings.pdf), 4.

<sup>52</sup> "Political Islam," and the Muslim Brotherhood Review, UK House of Commons Foreign Affairs Committee, November 1, 2016, <https://publications.parliament.uk/pa/cm201617/cmselect/cmfaff/118/118.pdf>.

<sup>53</sup> Director, Program on Extremism, Center for Cyber and Homeland Security, George Washington University Source: The George Washington University, Lorenzo Vidino, <https://extremism.gwu.edu/dr-lorenzo-vidino>.

<sup>54</sup> The Standing Senate Committee on National Security and Defence Evidence, May 11, 2015, <https://sencanada.ca/en/Content/Sen/committee/412/sectd/52124-e>.

small part of any Muslim community in any Western country but nonetheless exert a disproportionate influence. They're extremely vocal and visible. They basically aim to be the gatekeepers to Muslim communities, so that whenever politicians, governments or the media try to get the Muslim voice, if there were such a thing, they would go through them.<sup>55</sup>

As the Organization is aware, Mr. Vidino specifically named it in his testimony when asked about Muslim Brotherhood organizations in Canada:

The Muslim Association of Canada would be the first name that comes to mind. There are clear links there where you have prominent individuals that for 20 or 30 years have been involved in Brotherhood groups both in Canada and in the United States.<sup>56</sup>

As detailed below, the audit findings appear to indicate that there is a close association between the Organization and the Muslim Brotherhood organization.

### **The Muslim Brotherhood and connections to violent extremism and terrorism**

Concerns about the Muslim Brotherhood and its connections to violence have existed since the 1940's and 1950's<sup>57</sup> when its members were connected to political violence in Egypt.<sup>58</sup> While the group renounced violence in the 1970's at the behest of Egyptian President Anwar el-Sadat, it has not always maintained this approach.<sup>59</sup>

More recently, the UK's Muslim Brotherhood Review concluded that "the Egyptian Muslim Brotherhood, through the vehicle of the FJP (Freedom and Justice Party), did not do enough to demonstrate political moderation or a commitment to democratic values when in power in Egypt. It found that parts of the Muslim Brotherhood have a highly ambiguous relationship with violent extremism... although some senior Muslim Brotherhood leaders had publicly reiterated their commitment to non-violence others had failed to renounce calls for retribution in Egypt and it had been alleged that Muslim Brotherhood supporters have engaged in violence."<sup>60</sup>

Internationally, the spread of the Muslim Brotherhood has led to different interpretations of the ideology. In some countries, groups and individuals have used the Muslim Brotherhood ideology

<sup>55</sup> The Standing Senate Committee on National Security and Defence Evidence, May 11, 2015, <https://sencanada.ca/en/Content/Sen/committee/412/secd/52124-e>.

<sup>56</sup> The Standing Senate Committee on National Security and Defence Evidence, May 11, 2015, <https://sencanada.ca/en/Content/Sen/committee/412/secd/52124-e>.

<sup>57</sup> BBC, "Profile: Egypt's Muslim Brotherhood," December 25, 2013, <https://www.bbc.com/news/world-middle-east-12313405>.

<sup>58</sup> Zachary Laub, Council on Foreign Relations, "Egypt's Muslim Brotherhood," August 15, 2019, <https://www.cfr.org/backgrounder/egypt-muslim-brotherhood>.

<sup>59</sup> Zachary Laub, Council on Foreign Relations, "Egypt's Muslim Brotherhood," August 15, 2019, <https://www.cfr.org/backgrounder/egypt-muslim-brotherhood>; Al Jazeera, "What is the Muslim Brotherhood?" <https://www.aljazeera.com/indepth/features/2017/06/muslim-brotherhood-explained-170608091709865.html>.

<sup>60</sup> House of Commons Foreign Affairs Committee (UK), "Political Islam," and the Muslim Brotherhood Review; Government Response to the Committee's Eighth Report of Session 2016–17, September 12, 2017, p5.



as the foundation for extreme ideologies that encourage, or support, violence and terrorism. This has led some states to proscribe the Muslim Brotherhood as a terrorist entity.<sup>61</sup>

The Organization is seemingly aware of the Muslim Brotherhood's increasing presence on lists of terrorist entities in countries around the world. When the United Arab Emirates (UAE) announced its decision to list the Muslim Brotherhood, Al Qaeda, and Deash, as terrorist entities in November 2014, the Director<sup>62</sup> of the Masjid Toronto, El-Tantawy Attia wrote, "MAC is not included in the list. You can go and fund raise over their (sic) in UAE."<sup>63</sup> It is not clear why the Organization would be concerned about the possibility of it being included on a list of terrorist organizations if it were not concerned about the activities it were undertaking or with the groups it is associating.

With respect to links to terrorism in Canada, Mr. Vidino testified:

Are these organizations problematic or not, particularly from a security perspective? I would argue that there's no direct link of terrorism. I think it would be an analytical mistake to lump them, as some do, with al Qaeda or ISIS. These are not organizations that plan attacks in the West, and actually in many cases they do condemn them.

The problem is more indirect. First of all, these organizations have not, from an ideological point of view, completely condemned violence. I'm talking about heterogeneous transnational movements, so I'm simplifying things. Generally speaking, the movement has not abandoned violence as a tool to advance its agenda. It's abandoned its tactics, but it's not heartfelt.

Secondly, in some cases, they do directly support violence. I think we have many cases of Brotherhood organizations, including here in Canada, funding terrorist-designated

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<sup>61</sup> The Muslim Brotherhood was banned in Iraq (1954), Syria (1964), Russia (2003), Egypt (2013), Saudi Arabia (2014), United Arab Emirates (2014), Bahrain (2017) and Libya (2019). The logo of the Muslim Brotherhood was also banned in Austria (2019) under The Symbol Act of 2019 with the country's government claiming that "the symbols and gestures of the organizations mentioned in the amended law are against the constitution and contradict our basic democratic values." Sources: Reuters, "Explainer: Who is targeting the Muslim Brotherhood?" May 3, 2019, <https://www.reuters.com/article/us-usa-trump-muslimbrotherhood-explainer/explainer-who-is-targeting-the-muslim-brotherhood-idUSKCN1S90YX>; Farid Hafez, Anadolu Agency, "Austria's ban on Muslim Brotherhood symbols has further aims," April 24, 2019, <https://www.aa.com.tr/en/analysis/austria-s-ban-on-muslim-brotherhood-symbols-has-further-aims-/1461284>; Ahmed Megahid, The Arab Weekly, "Authorities remove and ban ten Muslim Brotherhood's preachers from mosques," January 12, 2019, <https://thearabweekly.com/authorities-remove-and-ban-ten-muslim-brotherhoods-preachers-mosques>; Walaa Ali, Egypt Today, "Libyan parl't votes to ban Muslim Brotherhood, designates it 'terrorist group'", May 14, 2019, <https://www.egypttoday.com/Article/2/70401/Libyan-parl-t-votes-to-ban-Muslim-Brotherhood-designates-it>; 9 Bedford Row, "The History of the Muslim Brotherhood", April 2, 2015, <http://9bri.com/wp-content/uploads/2015/04/Report-on-the-History-of-the-Muslim-Brotherhood1.pdf>, p.136; Reuters, "UAE lists Muslim Brotherhood as terrorist group", November 15, 2014, <https://www.reuters.com/article/us-emirates-politics-brotherhood/uac-lists-muslim-brotherhood-as-terrorist-group-idUSKCN0IZ0OM20141115>; Al Jazeera, "Bahrain FM: Muslim Brotherhood is a terrorist group," July 6, 2017, <https://www.aljazeera.com/news/2017/07/bahrain-fm-muslim-brotherhood-terrorist-group-170706140931861.html>.

<sup>62</sup> Project Management Boards document provided by the Organization.

<sup>63</sup> Email from El-Tantawy Attia, November 16, 2014, Subject: Fwd: [GTA Muslim Leaders] UAE publishes list of terrorist organizations - Gulf News Nov 15, 2014.

organizations: Hamas and what we see in Libya now, for example, with the Brotherhood being actively involved in violence, together with jihadist groups. That's a very interesting dynamic.<sup>64</sup>

As detailed below, preliminary audit findings appear to suggest that the Organization has connections to individuals or groups associated with extremism, violence, and/or terrorism.

### **The Organization's representations on the Muslim Brotherhood**

The pre-amble to the Organization's bylaws states that its roots are traced back to the "vigorous intellectual revivalist effort that occurred in the early 20th Century. This revival aimed at reconciling faith with the challenges of modernity and providing a clear articulation of balance and moderation in understanding Islam. An important manifestation of this revival culminated in the writings of the late Imam Hassan al-Banna and the movement of the Muslim Brotherhood."<sup>65</sup> When asked what that meant, the Organization responded that it is a mainstream school of thought and that it was an ideology not an organization.<sup>66</sup> The Organization went on to advise that the media was mixing the philosophy of the Muslim Brotherhood with the organization. As such, the Organization represented that it intended to alter this perception by focusing on its adoption of the ideology of the Muslim Brotherhood and affirming the absence of an association with the Muslim Brotherhood organization.<sup>67</sup> Later on, the Organization would indicate that there may be Muslim Brotherhood members in Canada, but they are not part of the Organization.<sup>68</sup>

In further representations on this issue, the Organization's legal representative wrote: "MAC categorically denies that it has any connection with any Muslim Brotherhood outside of Canada or that it receives guidance from any organization."<sup>69</sup> It elaborated on how the bylaws came to include reference to the Muslim Brotherhood:

MAC was always envisioned to be a Canadian organization with no attachment to any other organizations or entities. MAC's roots are deeply enshrined in the message of Prophet Mohammad, and its modern roots can be traced to the vigorous intellectual revivalist effort that took hold in Muslim societies starting in the early twentieth century. This revival aimed at reconciling faith with the challenges of modernity and providing a clear articulation of balance and moderation in understanding Islam.

In the Arab world, this revival culminated in the writings of the late Imam Hassan al-Banna. These writings were very influential across the Islamic world and beyond. This articulation was commonly known and identified within the Muslim communities as the "Muslim Brotherhood" Philosophy or Understanding.

<sup>64</sup> The Standing Senate Committee on National Security and Defence Evidence, May 11, 2015, <https://sencanada.ca/en/Content/Sen/committee/412/secd/52124-e>.

<sup>65</sup> Muslim Association of Canada, General Operating By-Law No. 13.

<sup>66</sup> Audit interview February 29, 2016.

<sup>67</sup> Audit interview February 29, 2016.

<sup>68</sup> Audit interview February 29, 2016.

<sup>69</sup> Letter from the Organization's legal representatives, December 21, 2018.

Within the context of Islamic societies and by extension the Muslim communities in the West, the "Muslim Brotherhood" represents far more than just an Egyptian movement or organization, but a school of thought with clear and well-articulated community development framework. It was through this prism that the original preamble of MAC was written.

However, as the organization grew in size and influence, and with the rise of the Islamophobia, together with the events occurring in the Middle East post-the Arab Spring era, it became clear that the "Muslim Brotherhood" label could be misunderstood, or misinterpreted and can lead to unintended confusion and associations. After such process, it was concluded that it is best to define the organization in terms of the core ideas of Imam Al-Banna rather than just the "Muslim Brotherhood" Philosophy.

The decision to focus on the core ideas of Imam Al-Banna as opposed to the Muslim Brotherhood philosophy appears to be a decision made at the September 12-13, 2015 Board of Directors retreat. According to the retreat report, the purpose of the retreat was:

...to engage in both a broad and an in-depth discussion regarding our Islamic organization and work in the current environment; the current environment being shaped by unprecedented new developments in both domestic and international events... We need to confirm who we are and then decide how to best articulate this given the current context. The articulation should include short and long-term strategies which may include structural changes, public relations and legal considerations.<sup>70</sup>

During the first day of the retreat, a discussion was held which outlined some of the changes in the environment in which the Organization operates. It includes:

Lack of clarity and consensus within our organization regarding the exact nature of our relationship with the Muslim Brotherhood organization and how or when it should be promoted, and to what degree. All membership should have a common understanding and expectations of the movement. We need to address how we keep alive the objectives and core values of the movement within the framework of a visible and functional organizational entity.<sup>71</sup>

After an apparent discussion that included "apprehension about us [the Organization] not continuing to include HB [Hassan Al-Banna] and/or MB [Muslim Brotherhood] in our identity"<sup>72</sup> the board of directors agreed that the Organization's core value statement to be:

We are an Islamic movement that follows the principles of understanding and working for Islam as articulated by HB within a Canadian context, including the articulation of the ten 10 pillars (20 principles).<sup>73</sup>

<sup>70</sup> BOD Retreat report September 12-13, 2015 p.3.

<sup>71</sup> BOD Retreat report September 12-13, 2015 p.8.

<sup>72</sup> BOD Retreat report September 12-13, 2015 p.3.

<sup>73</sup> BOD Retreat report September 12-13, 2015, p.4.

The Organization has subsequently removed any reference to the Muslim Brotherhood from its bylaws.<sup>74</sup>

The Organization was registered with a purpose to advance the religion of Islam. During the registration process, very little was mentioned about what this meant. Common law has established that not everything done in the name of religion is charitable.

Audit findings appear to suggest that key members of the Organization are involved in the organization of the Muslim Brotherhood. In the Organization's case, for example, advancing the Muslim Brotherhood ideology is more than advancing religion, it also appears to mean advancing the Muslim Brotherhood organization.

### **Key individuals support for the Egyptian Muslim Brotherhood**

The CRA is not typically concerned with the activities of directors/employees outside of the Organization, as they are usually personal in nature. When the beliefs of a director, or employee, begin to affect or influence the Organization and manifest themselves in the activities of the Organization, that can be cause for concern if it negatively impacts the Organization or exposes the Organization to increased risk where charitable resources may be used to undertake activities that do not support charitable purposes.

Over the course of the audit, the CRA has identified several individuals who are clearly engaging in activities that would be considered in support of the Muslim Brotherhood organization. While the CRA has considered these instances in the context of personal partisan activities on behalf of the individuals involved, the fact that it involves or affects the Organization, often materially, in some capacity renders that presumption moot. Furthermore, as detailed below, support for the Muslim Brotherhood by the Organization's senior leadership appears to be manifesting itself in the activities and decisions made within the Organization.

### **Dr. Wael Haddara, former President of the Muslim Association of Canada**

Sometime in early 2012, during his tenure as President of the Organization, Dr. Wael Haddara began to work on the Egyptian Presidential campaign of Dr. Mohamed Morsi<sup>75</sup> who represented the political wing of the Egyptian Muslim Brotherhood, the Freedom and Justice Party (FJP). Rather than announcing his intention to participate in the Morsi campaign and resign from the Organization's board, Dr. Haddara attempted to hide his involvement in the Morsi campaign from the public.

- In an email dated June 12, 2012, Dr. Haddara wrote: "As some of you became aware, a picture was posted on FB [Facebook] with me standing behind Dr. Morsy (sic) the intermission of the talk show with Amr Ellaithy. The pic was posted to the FJP FB page and then was shared by Ahmed Khalil on the MAC FB page and from there by about a half

<sup>74</sup> As of Bylaw #14, June 28, 2017.

<sup>75</sup> Dr. Morsi was President of Egypt from June 30, 2012 to July 3, 2013. He was removed from power by the Egyptian military and replaced by Abdel Fattah al-Sisi. Source: Declan Walsh and David D. Kirkpatrick, The New York Times, "Mohamed Morsi, Egypt's First Democratically Elected President, Dies," June 17, 2019, <https://www.nytimes.com/2019/06/17/world/middleeast/mohamed-morsi-dead.html>.

a dozen brothers. The good news is that the picture has been wiped from the FJP, MAC and personal pages. The pics were up from around 9pm-6am EST."<sup>76</sup>

- When asked for guidance on how to respond if someone were to ask about the picture Dr. Haddara suggested the response, "MAC is not aware of Dr. Haddara's personal activities but he is away on Egypt for personal reasons. The next level would be I am there in my personal capacity through a friend who is working on the campaign."<sup>77</sup>
- According to an email exchange between Dr. Haddara and the Organization's Executive Director, Sharaf Sharafeldin, in July 2012, the Morsi campaign appeared to be creating disinformation about Dr. Haddara's involvement in the campaign by suggesting "Wael" was someone named Wael Fawzi.<sup>78</sup>
- On July 29, 2012, Dr. Haddara wrote "I will be leaving to Egypt right after eid and will not be back until the end of September."<sup>79</sup>
- On August 23, 2012, Dr. Haddara wrote, "I mentioned to Sharaf over SMS that it looks like it will not be possible to realistically keep them unofficial. There is a severe human resource shortage here and I have already been asked to take on some tasks outside of the strict communications portfolio. I think that there is a lot that can be done inshallah even in the short time i have with them. He [Mohamed Morsi] is going to china, then Iran then likely Italy all in the next three weeks and there are only four weeks remaining to the US visit so the prep for the US visit will likely have mostly on the plane going there and so they've asked for me to travel with him. So ... I think we need to make a decision at the board. Either they accept this level of risk, or I'm out."<sup>80</sup>
- On September 16, 2012, a link to a YouTube video was sent to a few of the Organization's members including Wael Haddara with the subject line "Pickaboo I see you :)."<sup>81</sup> Mr. Sharafeldin replied, "This makes quite difficult now. We should have come to a conclusion before it is public."<sup>82</sup> Dr. Haddara responded, "I gave the bod a lot of warning about this several times before the visit including [REDACTED], Yasser and [REDACTED] directly."<sup>83</sup>

On December 12, 2012, the Organization announced that due to personal reasons Dr. Haddara had stepped down "from the Board of Directors of the Organization and resigned from his role as President."<sup>84</sup>

While no longer acting as president, Dr. Haddara maintained his membership in the Organization<sup>85</sup> and continued to contribute to high level discussions about the direction of the Organization. In fact, when the Organization's board of directors and key members met to discuss

<sup>76</sup> Email from President, dated June 12, 2012, "Picture."

<sup>77</sup> Email from President, dated June 12, 2012, "Re: [BOD] Picture."

<sup>78</sup> Emails from Wael Haddara, [REDACTED], July 21-23, 2013.

<sup>79</sup> Email from Wael Haddara, [REDACTED], July 31, 2013, "Fwd: Meeting Saturday/Sunday August 4/5."

<sup>80</sup> Email from Wael Haddara, [REDACTED], August 23, 2012, "Egypt."

<sup>81</sup> Email from [REDACTED], September 16, 2012, "Pickaboo I see you :)"

<sup>82</sup> Email from S. Sharafeldin, September 17, 2012.

<sup>83</sup> Email from Wael Haddara, [REDACTED], September 17, 2012, "Re: Pickaboo I see you :)"

<sup>84</sup> [www.macnet.ca/press-releases/2012/press\\_release\\_-\\_2012-12-12.php](http://www.macnet.ca/press-releases/2012/press_release_-_2012-12-12.php)

<sup>85</sup> MAC Membership Lists, 2013-2015, Active MAC Member (London, Ontario)

the Organization's "future direction" and whether it should continue to reference and be associated with Hassan al-Banna and the Muslim Brotherhood, Dr. Haddara was present.<sup>86</sup>

#### **Sharaf Sharafeldin, Executive Director**

Mr. Sharafeldin has been with the Organization since its inception. No person appears to have had more of an influence on the direction of the Organization than Mr. Sharafeldin. It appears as though Mr. Sharafeldin worked in support of the election of Mr. Morsi in Egypt. According to email correspondence provided to the CRA, Mr. Sharafeldin and Dr. Haddara were among a group of individuals<sup>87</sup> who appeared to be strategizing for Mr. Morsi's campaign for President in Egypt.<sup>88</sup>

In addition, Mr. Sharafeldin appears to have an ongoing relationship with senior members of the Muslim Brotherhood. While the exact nature of the relationship between Mr. Sharafeldin and the senior Muslim Brotherhood leadership is unclear, some communications appear to indicate that the leadership of the Muslim Brotherhood appears to exhibit some authority over Mr. Sharafeldin. For example, on May 17, 2013, Mr. Sharafeldin received an email from Ehab El-Komy, a member of the Organization,<sup>89 90</sup> indicating that "Dr. Ezzat wanted me to remind you of the feed back on nominations."<sup>91</sup> A follow up email from Mr. El-Komy on May 18, 2013, "Dr. Mahmoud Ezzat just called me and hopes to hear from you asap."<sup>92</sup>

Dr. Mahmoud Ezzat is described as a leading Muslim Brotherhood official since the 1960s.<sup>93</sup> Dr. Ezzat, a Deputy General Guide of the Muslim Brotherhood, assumed the role of Supreme Guide of the Muslim Brotherhood in August 2013 after Egyptian security forces arrested the Supreme Guide Mohamed Badie.<sup>94</sup> It is unclear as to why Mr. Sharafeldin would be communicating with the Deputy General Guide of the Muslim Brotherhood, and why Dr. Ezzat would be asking for Mr. Sharafeldin's feedback on nominations.

<sup>86</sup> BOD Retreat report September 12-13, 2015.

<sup>87</sup> Other prominent members of the Organization who have gone to work with Morsi include [REDACTED] (Moris [REDACTED]) and Khalid Al-Qazzaz.

Source: CNN, "Egypt's new president to pick woman, Christian VPs," June 26, 2012, <https://edition.cnn.com/2012/06/26/world/meast/egypt-politics>.

<sup>88</sup> Email from Sharaf Sharafeldin to [REDACTED], May 30, 2012.

<sup>89</sup> MAC member from 2013-15.

<sup>90</sup> E. El-Komy is Managing Director for Trilex Security (see section 1.6.3). The Organization's records suggests he is a member and was present, when the Organization's board of directors and key members met to discuss the Organization's "future direction" and whether it should continue to reference and be associated with Hassan al-Banna and the Muslim Brotherhood in September of 2015. (BOD Retreat report September 12-13, 2015).

Email from Ehab el-Komy to Sharaf Sharafeldin May 18, 2013, "Please call Dr. Ezzat ASAP."

<sup>91</sup> Email from Ehab El-Komy to Sharaf Sharafeldin May 17, 2013, "Salaam+."

<sup>92</sup> Email from Ehab el-Komy to Sharaf Sharafeldin May 18, 2013, "Please call Dr. Ezzat ASAP."

<sup>93</sup> BBC News, "Who's who in Egypt's Muslim Brotherhood," April 28, 2014, <https://www.bbc.com/news/world-middle-east-23726995>.

<sup>94</sup> Richard Spencer, The Telegraph, "Egypt crisis: Muslim Brotherhood names interim leader after supreme guide Mohammed Badie arrested," August 20, 2013,

<https://www.telegraph.co.uk/news/worldnews/africaandindianocean/egypt/10253714/Egypt-crisis-Muslim-Brotherhood-names-interim-leader-after-supreme-guide-Mohammed-Badie-arrested.html>,

Further, Mr. Sharafeldin appears to have also received at least four invitations to conferences that appear to be Muslim Brotherhood conferences with leaders of the Muslim Brotherhood from countries all over the world. Mr. Sharafeldin received these invitations from email account [REDACTED] which the CRA has attributed to Mahmoud El-Abiary<sup>95</sup>, who is described as one of the most senior leaders in Muslim Brotherhood's headquarters outside of Egypt.<sup>96</sup> The conferences identified were as follows:

1. The Current Community Mobilization in the Arab World and its Recent Developments, Case Study: Egypt, Tunisia, Yemen, Libya, Syria and Palestine. 22-24 February. 2012, in Beirut, Lebanon. This event is hosted by Azzam Al-Ayoubi.<sup>97</sup>
  - Azzam Al-Ayoubi is the name of the leader of al-Jama'aa al-Islamiya (Lebanon's Muslim Brotherhood).<sup>98</sup>
2. "Islam in the West"<sup>99</sup> Conference in London, UK, March 30-April 2, 2012.<sup>100</sup>
  - Mr. Sharafeldin emailed Dr. W. Haddara to say, Mr. Sharafeldin appears to have attended this event as he forwarded an itinerary which had him arriving in London, UK, on March 30, 2012, and departing April 2, 2012.<sup>101</sup> Further email correspondence by Mr. Sharafeldin suggests that 'Br. Mahmoud' [presumed to be Mahmoud el-Abiary] had taken care of the hotel.<sup>102</sup>
3. The International Symposium for Muslim Women, in Istanbul, Turkey from March 24-26, 2012.<sup>103</sup>
  - Of note, in response to Mr. Sharafeldin's email about the conference Dr. W. Haddara wrote, "so we dont [sic] have a women's section, but should we go [sic] this one? sounds [sic] like we should."<sup>104</sup> "Mahmoud [possibly Mahmoud El-Abiary, head of the Muslim Brotherhood, and the person who sent the invitation] called me a while ago and they need us there."<sup>105</sup>
4. "New World and Erbakan," 2-3 March, 2013. Ankara, Turkey.<sup>106</sup>
  - Notable speakers of this event include: Dr. Mohamed Badie, Supreme Guide of the Muslim Brotherhood; Ibrahim Munir, Syed Munawar Hasan, leader of the

<sup>95</sup> Mahmoud El-Abiary is listed as the sender on some emails (6015-02-532) Publicly available information links the email account to the Senior Muslim Brotherhood leader, <https://www.alnaharegypt.com/168792>.

<sup>96</sup> <https://extremism.gwu.edu/sites/g/files/zaxdzs2191/f/MB%20in%20Austria-%20Print.pdf>

<sup>97</sup> Email from Sharaf Sharafeldin dated January 24, 2012.

<sup>98</sup> <https://studies.aljazeera.net/en/centernews/2016/03/160310115412636.html>

<sup>99</sup> The themes for the seminar are :

1. Determining the working environment in the West and its features from the existing brothers.
2. Knowing the business needs in the West.
3. How to serve Islamic work in the West.
4. How Islamic action in the West can serve the Islamic idea in general and advocacy in particular in light of its strategy and plan of action And its project for the renaissance of the nation.
5. The role of Islamic action in the West in supporting the efforts of the Islamic Call and spreading the idea in Latin, South and South America.

<sup>100</sup> Email from Sharaf Sharafeldin to Lazhar Aissaoui, March 15, 2012

<sup>101</sup> Email from Sharaf Sharafeldin to Wael Haddara, March 15, 2012.

<sup>102</sup> Email from Sharaf Sharafeldin to Wael Haddara, March 15, 2012.

<sup>103</sup> Email from Sharaf Sharafeldin, January 24, 2012.

<sup>104</sup> Email from Wael Haddara to Sharaf Sharafeldin, January 24, 2012.

<sup>105</sup> Email from Sharaf Sharafeldin to W. Haddara, January 24, 2012.

<sup>106</sup> Email from [REDACTED] February 23, 2013.

Jamat-e-Islami,<sup>107</sup> and Rached al-Ghannouchi, leader of the Ennahada party<sup>108</sup> (a Tunisian political party inspired by Muslim Brotherhood),<sup>109</sup> among others from 16 other countries.

It is concerning that Mr. Sharafeldin appears to receive regular invitations from a Senior member of the Muslim Brotherhood, for apparent Muslim Brotherhood conferences with Muslim Brotherhood leaders from all over the world, and yet Mr. Sharafeldin suggests to the CRA that the Organization has no connection to foreign Muslim Brotherhood organizations.

#### Email review

The CRA reviewed, the email accounts belonging to both Dr. Haddara (president@macnet.ca) and Mr. Sharafeldin (ed@macnet.ca). The CRA is concerned with the messaging these two key individuals are receiving from accounts that appear to be associated with senior figures within the Muslim Brotherhood. For example:

- On May 25, 2013, the email account president@macnet.ca received and forwarded an email message with "A statement by the Muslim Brotherhood regarding the situation in Syria,"<sup>110</sup> which read:

We the Muslim Brotherhood, assert our unwavering support of the Syrian people and the complete backing of the official and popular Egyptian position. We call on all Arab and Muslim governments to take a strong political position to counter the continuous aggression against the Syrian people, whether from the oppressive regime or its sectarian supporters. We also call on all Egyptians, as well as all Arabs and Muslims to do more and provide more financial and moral support and assistance to the Syrian people in Syria and abroad, until freedom is achieved, God willing.

- On May 20, 2013, the account president@macnet.ca received an email from [REDACTED]<sup>111</sup> an email address that appears to be associated with the Syrian Muslim Brotherhood.<sup>112</sup> Contained within the email was a letter from Mohammad Riad Al-Shaqfeh, the Comptroller General of the Muslim Brotherhood in Syria. The letter notes:

Brothers, our people in the City of AL – QUSAYR are being eradicated as they beg for your aid; our women cry out, our children are slaughtered and our elderly are calling out

<sup>107</sup> Hasan was the leader of Jamaat-e-Islami from March 2009-March 2014.

<sup>108</sup> <https://www.britannica.com/biography/Rachid-al-Ghannouchi>

<sup>109</sup> <https://www.bbc.com/news/world-africa-15442859>

<sup>110</sup> Email from Ali Issa [REDACTED], May 25, 2013.

<sup>111</sup> Email from [REDACTED] to president@macnet.ca, May 20, 2013.

<sup>112</sup> According to CRA research, this email account is associated with the Muslim Brotherhood in Syria (SMB), PO Box 54879, London, UK. The username "aliahmadissa@" on Twitter is associated with Ali Al Bayanouni, Former Comptroller General and head of the "Aleppo faction" of the SMB (1996-2010).

Sources: [www.asharqalarabi.org.uk/ruiah/b-ruiah-341.htm](http://www.asharqalarabi.org.uk/ruiah/b-ruiah-341.htm), January 20, 2009; Twitter, <https://twitter.com/aliahmadissa>, Lefevre, Raphael. "New Leaders for the Syrian Muslim Brotherhood," *Carnegie Middle East Center* (December 11, 2014); <http://carnegie-mec.org/2014/12/11/new-leaders-for-syrian-muslim-brotherhood-pub-57453>



for relief and succour. Is anyone willing to help them? God almighty says: "How is it that you do not fight for the cause of God and in support of the helpless men, women and children." Supporting them is a religious duty as they support their brothers in the land... This support must be translated to good works and noble stands starting with issuing messages of support for the Syrian people demanding decent life for them denouncing the crimes committed against them by the evil Regime and its partners. We must facilitate marches and demonstrations everywhere to put pressure on governments and regimes to end their relations with this evil and criminal group. We must utilise media to support our strong and unbending people that are being starved and subjugated by this evil entity.

Between April 2013 and December 2015, the CRA noted that the Organization received at least 27 emails from [REDACTED]

- The account president@macnet.ca received emails from admin@mb-newsletter.org.<sup>113</sup> which outlines how members can rally support for the Muslim Brotherhood and its principles.<sup>114</sup>
- Mr. Sharafeldin received at least one newsletter email from newsletter@ikhwan-media.com.<sup>115</sup> This newsletter contains several articles about and by the Muslim Brotherhood. For example, one article is written by Deputy General Counsel of the Muslim Brotherhood; another calls for Egyptians to stand with the Egyptian Revolutionary Council and topple the coup government; another discusses the theft of assets of the Muslim Brotherhood by the Egyptian Government, and another article refers to the Muslim Brotherhood in Syria mourning its commander the "Martyred Mohammed Ibrahim al-Asi."<sup>116</sup>
- Mr. Sharafeldin also received news via email from [REDACTED]<sup>117 118</sup> that provides Muslim Brotherhood current events such as:
  - Dr. Muhammad Al-Baltaji, imprisoned member of the Freedom and Justice Party and former Member of Parliament mourned the death of an imprisoned colleague hours before his release from Tora Prison.
  - Dr. Rafiq Habib confirmed that the Coup Government hopes to undermine all Islamic institutions in Egypt starting with the largest, the Muslim Brotherhood, but he also

<sup>113</sup> The CRA was able to identify at least 4 emails sent to president@macnet.ca. Email from admin@mb-newsletter.org, November 3, 2013, to Executive Director.

<sup>114</sup> Topics include:

- Promote the features and ideas of Islam wherever possible (i.e. Homes, streets, mosques, schools, shops and factories)
- Use varying methods to promote these ideas - A social media campaign that includes a series of tweets, hashtags and social media blogs to promote these ideas amongst the youths. - Printed material based on the social media campaign that can be distributed throughout the country (Egypt).

Source: November 3, 2015 Newsletter, original document: email from admin@mb-newsletter.org, November 3, 2015, "In service of the call, within the obligations of the time."

<sup>115</sup> August 17, 2014.

<sup>116</sup> Email from Ikhwan Newsletter newsletter@ikhwan-media.com, August 17, 2014, "(Muslim) Brotherhood message 818, 2014-8-15."

<sup>117</sup> The CRA identified at least 89 emails from the account [REDACTED] during the audit period.

<sup>118</sup> Email from Muslim Brotherhood [REDACTED], October 19, 2013, "The World This Morning: Saturday 19 October 2013."

admonished the Egyptian people for believing that the Egyptian Army is working in their service.

- ed@macnet.ca received news from. [REDACTED]<sup>119</sup> also provides a 'weekly letter' from the Muslim Brotherhood's General Guide Dr. Muhamad Badi.<sup>120</sup>

As detailed below in the Syrian Muslim Brotherhood section, Mr. Sharafeldin was also the recipient of many emails from individuals associated with the Syrian Muslim Brotherhood. It is interesting to note, that on a least one email dated March 12, 2013, both Mr. Sharafeldin's personal and work emails are listed among recipients that appear to belong to leading individuals associated with the Muslim Brotherhood in countries from around the world. Considering the Organization's representations of no association or relationship with foreign Muslim Brotherhood organizations, it is unclear as to why Mr. Sharafeldin would be included in an email with Muslim Brotherhood groups from Sudan, Syria, Lebanon, Jordan, and Tunisia. See Appendix B for a summary of the translated email to Mr. Sharafeldin from Mahmoud El-Abiary and a list of the other recipients.

The CRA is concerned about Mr. Sharafeldin's apparent relationships with high ranking Muslim Brotherhood officials and the potential impact and influence these individuals could have on Mr. Sharafeldin and the Organization.

### **Membership in the Organization**

During the audit interview, the CRA inquired on how individuals became members of the Organization. The Executive Director explained that prospective members were identified through different channels. This included schools, universities, mosques, general activities, asking people, and some people self-identify. Then the prospective members undertake an educational program from one to three years, which allows both the Organization and the individual to get to know each other. If both parties agreed, an evaluation process is undertaken based on commitment, teamwork, and being a "good fit," and then the prospective member could become a member of the Organization. The evaluation of each prospective member was done by those working with the participant, sometimes at a camp or in larger meetings, and was done through MAC's Education Department, and not at the head office.<sup>121</sup>

This appears to be similar to the process the Egyptian Muslim Brotherhood undertakes to recruit new members. For example, the Bylaws of the Muslim Brotherhood outline that a member must first serve one year probation, and if he performs his duties adequately, he becomes a regular member for three years. If the member proves to be an active member for those three years, he is "entitled to be accepted as an active member."<sup>122</sup>

<sup>119</sup> Appears to be associated with the MB – the sender of the email is listed as "muslim brotherhood muslim brotherhood [REDACTED]."

<sup>120</sup> Email from Muslim Brotherhood [REDACTED] May 30, 2013, "Fwd: His honorable, the General Guide of the Muslim Brotherhood's weekly letter."

<sup>121</sup> Audit interview February 29, 2016.

<sup>122</sup> Ikhwanweb, "Bylaws of the International Muslim Brotherhood," January 18, 2010, <http://www.ikhwanweb.com/article.php?id=22687&ref=search.php>.

During the audit interview Mr. Sharafeldin clearly stated that “[t]here may be Muslim Brotherhood members in Canada but they are not a part of MAC.”<sup>123</sup> However, a review of the Organization’s records appears to indicate that membership in the Organization is not only transferrable to organizations outside of Canada, but that members of other organizations, in other countries, appear to be granted membership in the Organization on the basis of their membership in the foreign organization. In some cases, the foreign organization was identified in emails and in other documentation obtained during the audit, but in other cases the language used was cryptic, making it difficult to identify which foreign organization members were requesting membership transfer to or from. However, based on the Organization’s position of only accepting members that share its vision and values, it is reasonable to conclude that these foreign organizations similarly follow, or are a part of, the Muslim Brotherhood. For example, according to our review of the Organization’s emails:

- One woman had been sitting in “Regular Usra in Egypt” and had been assumed as a regular member when she arrived back in Windsor.<sup>124</sup>
- Another individual, joining the Calgary Chapter, was described as a member in Lebanon.<sup>125</sup>
- A third individual was also “a member in Lebanon” and appeared to have fast-tracked membership.<sup>126</sup>
- An email dated January 8, 2014, describes a member of the Organization who “transferred from MAS [Muslim American Society] in Detroit to Edmonton's chapter.”<sup>127</sup>
- In an another instance, the Organization received a recommendation letter for membership into the Calgary Chapter for an individual who appears to have been going through the stages of membership—having completed the preparatory stage and ready for the academic one—in one of the Gulf States. To justify his knowledge on the subject, the letter indicated the prospective applicant read “Membership into the Muslim Brotherhood.” by Sa'id HAWA among other books.<sup>128</sup>

In other instances, it appears that the Organization’s members are able to transfer their membership to foreign organizations. For example,

- In an email dated, July 20, 2012, an Organization member writes “We request official transfer for our membership to Cairo, Egypt (Mokattam).”<sup>129</sup>
- The October 2013 Waterloo Chapter meeting minutes note that a member of the Organization is leaving the country at the beginning of November. The “Action Item” states “Provide transfer letter for [the member] to MAS.”<sup>130</sup>

<sup>123</sup> Audit interview February 29, 2016.

<sup>124</sup> Email from ██████████, dated October 2, 2014, “Re: Windsor chapter members.”]

<sup>125</sup> Email from ██████████, December 30, 2014.

<sup>126</sup> Email from ██████████, December 30, 2014.

<sup>127</sup> Email from ██████████, January 8, 2014, “br. Nael.”

<sup>128</sup> Original document with attachment and translation, email from ██████████, “Fwd Brother Mohammed Bahjat Membership,” December 17, 2013.

<sup>129</sup> Email from Sharaf H. A. Sharafeldin, ed@macnet.ca, “FW: [Ee] TR: Leaving Halifax to Egypt,” July 20, 2012. Note: despite the Organization’s Executive Director responding to the request by asking that the names be taken off the membership list (as per his email dated July 20, 2012), both ██████████ and ██████████ are on the Organization’s membership lists for 2013-2015.

<sup>130</sup> Waterloo Chapter Head, Meeting Minutes, October 24, 2013.

- In an email dated August 19, 2014, the question was asked “For a MAC member moving to the U.S., is there any protocol to introduce them to MAS?” to which the Executive Director responded: “Yes, we give them a letter and we can contact the chapter or national if needed.”<sup>131</sup> The communications continued, “[A member of the Organization] is moving to California, Bay Area. He will be moving around mid to late September. Can we please get a reference letter and connect him to the chapter there?”<sup>132</sup>

It is not entirely clear how the Organization, which purports to be entirely Canadian based with no foreign activities, is able to transfer memberships to and from foreign organizations. Considering the Organization’s leadership’s interaction with Muslim Brotherhood leaders, it would appear reasonable to conclude that the transfer of memberships is possible due to the Organization’s close association with these seemingly foreign Muslim Brotherhood organizations.

#### **Support for pro-Egyptian Muslim Brotherhood organizations**

As detailed above, despite representations that the Organization is not affiliated with, or supportive of, any foreign Muslim Brotherhood organization, audit findings suggest that is not the case. Further audit documentation, in fact, suggests that the Organization is actively supporting groups that are openly pro-Egyptian Muslim Brotherhood or support the former Egyptian President Morsi of the Egyptian Muslim Brotherhood’s Freedom and Justice Party.

The Organization appears to be supporting mainly two groups: the Ottawa-based Egyptian Canadian Coalition for Democracy (ECCD), the Montreal-based Egyptian Canadian Home Organization (ECHO).

According to our review of the Organization’s general ledger, it does not appear that these organizations were paying rent for the use of the Organization’s premises. In addition, we note that several of the Organization’s members are involved with these groups. The unpaid use of the Organization’s premises and the extent of cross membership appears to indicate that the Organization is not only aware of the activities of these groups, but also is supportive of their overriding purpose.

#### **Support for the Egyptian Canadian Coalition for Democracy (ECCD)**

Based in Ottawa, and incorporated November 21, 2013, the Egyptian Canadian Coalition for Democracy (ECCD) opposes the military coup in Egypt,<sup>133</sup> and was formed to coordinate activities of pro-democracy Egyptian Canadian groups in different provinces.<sup>134</sup>

The CRA has identified several instances where the ECCD held events at the Organization’s facilities or the Organization’s resources were used to support the ECCD. For example:

- In November 2013, a team was apparently set up in one of the Organization’s project locations in Mississauga, Islamic Community Centre of Ontario (ICCO), which included a MAC project

<sup>131</sup> Emails from [REDACTED] and from Executive Director, ed@macnet.ca, August 19, 2014.

<sup>132</sup> Email from [REDACTED] August 19, 2014, “Re: moving to US.”

<sup>133</sup> “Donate,” Egyptian Canadian Coalition for Democracy <https://www.eccd.com/donate>.

<sup>134</sup> [https://www.facebook.com/pg/Egyptiancanadiancoalitionfordemocracy/about/?ref=page\\_internal](https://www.facebook.com/pg/Egyptiancanadiancoalitionfordemocracy/about/?ref=page_internal)

committee member,<sup>135</sup> chapter head,<sup>136</sup> along with the Organization's member<sup>137</sup> and ECCD director Yaser Haddara.<sup>138</sup> According to emails provided, the team would be working to set up a website "documenting Khaled's [Khaled Al-Qazzaz]<sup>139</sup> contributions," online media work, appeals to human rights organizations, and writing opinion pieces, requiring a commitment of two to three hours per week for a few months.<sup>140</sup> It is unclear if this event and/or team was linked directly to the Organization or to the ECCD itself.

- January 25, 2014: "Edmonton Car Rally" hosted by the ECCD, to mark the third year "since the Egyptian Revolution that overthrew the Mubarak regime." Participants were asked to meet at the Rahma Mosque/MAC Centre in Edmonton, and media would be attending the event.<sup>141</sup>
- March 1, 2014: "Shaheed Night," hosted by ECCD and held at Abraar School, 1085 Grenon Avenue, Ottawa. Described as a night to honour "Mohamed Abdelkawi Alshawanani from Montreal" who joined the protests against the military regime and was shot in Alexandria, Egypt.<sup>142</sup>
- August 15, 2014: "First BBQ Event," a fundraiser hosted by ECCD and the Middle Eastern Coalition against Injustice and Oppression,<sup>143</sup> held at the ICCO in Mississauga.<sup>144</sup>
  - Of note, the funds collected were reportedly to go "towards raising awareness to the Canadian public about the situation in the Middle East, motivating revolutionists in all Arab countries, and getting Media Attention on what is happening."<sup>145</sup>
- December 25, 2014: The ECCD applied to rent space at the Abraar Secondary School (1085 Grenon Avenue) for an Iftar event.<sup>146</sup>

<sup>135</sup> Asma Maryam Ali, [Asma Ali] Project Management Committee Member, 2013.

<sup>136</sup> Ahmad Attia, Chapter Head Mississauga 2013-14.

<sup>137</sup> MAC Membership List 2013-15.

<sup>138</sup> [www.egyptnow.ca/bio.html](http://www.egyptnow.ca/bio.html).

<sup>139</sup> K. Al-Qazzaz was appointed foreign relations secretary to Egypt's former president, Mohamed Morsi, in July 2012. In 2013, he was arrested after the removal of M. Morsi from political office, accused of "providing a platform for" the Muslim Brotherhood, which Egypt's new government had listed as a terrorist organization. He was incarcerated in Egypt, was reportedly not charged with a crime, and was subsequently released in January 2015. (Khaled Al-Qazzaz, The New York Times, "Why Is the World Silent?" June 27, 2014,

<https://www.nytimes.com/2014/06/28/opinion/khaled-al-qazzaz-disappeared-by-egypts-military.html>; Christina Comisso, CTVNews.ca, "Fahmy's conviction worries Canadian, whose husband is due in Egyptian court," June 24, 2014, <https://www.ctvnews.ca/ctv-news-channel/fahmy-s-conviction-worries-Canadian-whose-husband-is-due-in-egyptian-court-1.1883248>; Jason Spencer, Brampton Guardian, "Egyptian authorities place travel ban on Khaled Al-Qazzaz. Mississauga family stranded", <https://www.bramptonguardian.com/news-story/6083852-egyptian-authorities-place-travel-ban-on-khaled-al-qazzaz-mississauga-family-stranded/>.

<sup>140</sup> Emails, "Help with campaign for Khaled Al-Qazzaz," November 2013.

<sup>141</sup> "Events," Facebook, <https://www.facebook.com/events/1431406900429187/>.

<sup>142</sup> "Events," Facebook, <https://www.facebook.com/events/602670046487826/>.

<sup>143</sup> Incorporated October 15, 2014, dissolved by the corporation on February 15, 2016,

<https://www.ic.gc.ca/app/scr/cc/CorporationsCanada/fdriCrpDtls.html?corpId=9051864>. Canadian non-profit organization which aims to raise awareness and "motivate the revolutionists in all Arab countries to stay strong and walk their path," in order to put more pressure on the Canadian Government to "stand up against any injustice and oppression." Its Facebook page promotes events organized by the ECCD and ECHO. (Middle Eastern Coalition against Injustice and Oppression, Facebook, "About,"

[https://www.facebook.com/pg/mecio.canada/about/?ref=page\\_internal](https://www.facebook.com/pg/mecio.canada/about/?ref=page_internal).

<sup>144</sup> "Events," Facebook, <https://www.facebook.com/events/757568324299405/>.

<sup>145</sup> "Events," Facebook, <https://www.facebook.com/events/757568324299405/>.

<sup>146</sup> Application for Community Use of School, December 14, 2014.

- August 13, 2016: ECCD and Egyptian Canadian Home Organization (ECHO) held an event at the Centre Communautaire Laurentien (CCL) in Montreal<sup>147</sup>
- Revolution Talk organized by the ECHO and ECCD, held at the Centre Communautaire Laurentien (CCL) February 19, 2017, with Mohamed Jamal [Gamal] Heshmat<sup>148</sup> and Mohamed Kamel.<sup>149</sup>

In addition to these events, we note that several of the Organization's directors, like officials, or members hold senior positions within the ECCD. Specifically, we note:

- [REDACTED], Vice Chair of ECCD<sup>150</sup> and member of the Organization<sup>151</sup>
- Ehab El-Komy, ECCD Secretary General, Founder<sup>152</sup> and member of the Organization<sup>153</sup>
- Yaser Haddara, ECCD Director and member of the Organization<sup>154</sup>
- [REDACTED], ECCD Ottawa representative and member of the Organization<sup>155</sup>
- [REDACTED], ECCD Toronto Representative and member of the Organization<sup>156</sup>
- [REDACTED], ECCD Vancouver representative and member of the Organization<sup>157</sup>

### Support for Egyptian Canadian Home Organization (ECHO)

Egyptian Canadian Home Organization (ECHO) is a non-profit organization founded in December 2012<sup>158</sup> that "aims to enrich the cooperation between Egypt and Canada in the fields of scientific and academic research and commercial activity and investment in addition to the consolidation of social relations between the Egyptians in Canada."<sup>159</sup> Many of its activities appear to be activities that a registered charity are prohibited from undertaking; namely, direct or indirect support of, or opposition to, any political party or candidate for public office.<sup>160</sup> According to its online presence, the ECHO supports former Egyptian President Mr. Morsi and

<sup>147</sup> <https://www.facebook.com/events/1760367437556026>.

<sup>148</sup> Dr. Gamal Heshmat is a leading member of the Muslim Brotherhood and its political wing, the Freedom and Justice Party. In addition, Dr. Heshmat belongs to the Brotherhood's 110-member legislative body, the Shura Council. Source: Ikhwanweb, "Gamal Heshmat: Muslim Brotherhood Against Iran Expansionism", May 5, 2015, <https://www.ikhwanweb.com/print.php?id=32119>, and Resume, <http://gamalheshmat.com/resume/?lang=en>.

<sup>149</sup> [https://www.facebook.com/EgyptianCanadianHomeOrganization/?ref=page\\_internal](https://www.facebook.com/EgyptianCanadianHomeOrganization/?ref=page_internal), posted February 15, 2017.

<sup>150</sup> [www.egyptnow.ca/bio.html](http://www.egyptnow.ca/bio.html).

<sup>151</sup> MAC Membership List 2013-15.

<sup>152</sup> [www.egyptnow.ca/bio.html](http://www.egyptnow.ca/bio.html).

<sup>153</sup> MAC Membership List 2013-15.

<sup>154</sup> MAC Membership List 2013-15.

<sup>155</sup> MAC Membership List 2013-15.

<sup>156</sup> MAC Membership List 2013-15.

<sup>157</sup> "ECCD Statement Condemning the Attack on the Christian Churches in Egypt," April 9, 2017, [www.eccd.ca/news/press-releases.html](http://www.eccd.ca/news/press-releases.html).

<sup>158</sup> "About," Facebook, [https://www.facebook.com/EgyptianCanadianHomeOrganization/about/?ref=page\\_internal](https://www.facebook.com/EgyptianCanadianHomeOrganization/about/?ref=page_internal).

<sup>159</sup> [www.egyptiancanadianhome.org/en/about-us](http://www.egyptiancanadianhome.org/en/about-us).

<sup>160</sup> <https://facebook.com/events/1760367437556026>.

opposes the military coup,<sup>161</sup> and has made public statements opposing the Canadian Conservative government.<sup>162</sup>

Our review found that the Organization permitted ECHO to host events at its CCL location, which were described as follows:<sup>163</sup>

- February 7, 2014: Details translated from Arabic to English: “Night of the Fourth Nights”, event occurring after evening prayer at the CCL and featuring the Organization’s Al Rawdah mosque Imam, [REDACTED]<sup>164</sup>  
[English translation] “Remove your shoes and kiss its dirt..... Rabi’a’s dirt is made of the corpses of its youths. The Egyptian Canadian House [ECHO] invites you to participate in one of Rabi’a’s nights of resistance and perseverance which starts at 7:30 pm following evening prayer, at Al Rawda mosque and will continue until 10:00 pm. It will feature prayer, songs, supplication and a speech by Sheikh [REDACTED].”<sup>165</sup>
- September 4, 2017: ECHO Eid Gathering<sup>166</sup>
- June 18, 2017: ECHO event [English translation: “Egyptian Canadian House Breakfast”]
- April 16, 2017: Egyptian Breakfast by ECHO<sup>167</sup>
- February 9, 2017: Event hosted by ECHO<sup>168</sup>
  - Details translated from Arabic to English: “... [for] hero Mohammed Al Shanwani. Martyr of the coup in Egypt.”

In addition to ECHO being permitted to use the Organization’s premises, we note that at least one of the Organization’s members appears to work for, or in support of, the ECHO.

- [REDACTED] ECHO Director and Past President<sup>169</sup> and active member of the Organization.<sup>170</sup>

It is extremely concerning that the Organization is permitting the use of its facilities for groups that are apparently advancing activities related to the Muslim Brotherhood, including prohibited activities: directly, or indirectly, supporting or opposing a political party or candidate for public office. As detailed above, there were no records of payment for use of the property in the general ledger and there appears to be a significant overlap in membership between the Organization and the ECCD and ECHO. This would appear to indicate that the Organization is permissive of the

<sup>161</sup> “Timeline,” Facebook, [https://www.facebook.com/EgyptianCanadianHomeOrganization/?ref=page\\_internal](https://www.facebook.com/EgyptianCanadianHomeOrganization/?ref=page_internal), posted August 8, 2016.

<sup>162</sup> “Timeline,” Facebook, [https://www.facebook.com/EgyptianCanadianHomeOrganization/?ref=page\\_internal](https://www.facebook.com/EgyptianCanadianHomeOrganization/?ref=page_internal), posted July 17, 2014.

<sup>163</sup> “Events,” Facebook, <https://www.facebook.com/events/211715242355035/>.

<sup>164</sup> First meeting of the new CCL committee formed on April 2016, “Thursday 14,” April 14, 2016.

<sup>165</sup> Original post, <https://www.facebook.com/events/211715242355035/>.

<sup>166</sup> “ECHO Eid Gathering,” Facebook, <https://www.facebook.com/events/1915846348683287/>, posted August 30, 2017.

<sup>167</sup> “Timeline,” Facebook, <https://www.facebook.com/EgyptianCanadianHomeOrganization/>, posted April 14, 2017.

<sup>168</sup> “Events,” Facebook, <https://www.facebook.com/events/740565192642809/>.

<sup>169</sup> [www.egyptnow.ca/bio.html](http://www.egyptnow.ca/bio.html).

<sup>170</sup> MAC Membership List 2013-15.

activities and events occurring at its properties and is supportive of the ECCD and ECHO's purpose in general.

For additional information on prohibited activities the Organization is encouraged to consult our draft guidance CG-027, Public policy dialogue and development activities by charities, available on our webpage at [canada.ca/charities-giving](http://canada.ca/charities-giving).

### Summary of section 1.1.1

The audit found that the Organization appears to conduct and support activities that further the advancement of the Muslim Brotherhood organization.

We also note that despite its representation as not being affiliated with the Egyptian Muslim Brotherhood, the Organization appears to have engaged in an Organization wide memorial of the late Egyptian President Mohamad Morsi's death on June 17, 2019. Various projects and institutions of the Organization held, or allowed its premises to be used for, special prayers and/or events in his honour. In total, research findings suggested that the Organization held 13 such events in 11 of its properties<sup>171</sup> within less than four days of his passing.

Based on the above, it appears as though the Organization may not be operating in furtherance of exclusively charitable purposes; rather, the Organization appears to be advancing the interests of the Muslim Brotherhood organization and its political party the Freedom and Justice Party.

Accordingly, it is our position that the Organization has failed to meet the requirements of subsections 149.1(1) of the Act that it be constituted and operated exclusively for charitable

#### <sup>171</sup> Events:

- Call for Salat-ul-Ghaib after Friday Prayer on June 21st for Dr. Morsi
  - MAC Youth Centre (Ottawa, ON), Islamic Community Centre of Ontario (Mississauga, ON), Al-Salam Centre (Calgary, AB), Bridgeland Musallah (Calgary, AB)
- Funeral prayer in absentia for M. Morsi at Al-Salam Centre at 6:15 PM on June 17, 2019
- MAC Edmonton Chapter accepted condolences at the MAC Islamic Centre on June 18, 2019 from 8 to 10 PM. The poster advertising the event noted: "The Ummah will not forget his firm stance!"
- MAC's Kitchener Masjid held a Salut ul Gai'b for M. Morsi on June 18, 2019
- A funeral prayer in absentia for M. Morsi held at the Rose City Islamic Center (RCIC) in Windsor, June 18, 2019.
- Salat Gaeb for M. Morsi at Masjid Toronto (168 Dundas St. W. and 86 Adelaide St. E.)
- Salat Al-Ghaib and Symbolic Funeral for Dr. Morsi hosted by the ECCD and held at 1085 Grenon Avenue in Ottawa, property of MAC (Abraar School), on June 21, 2019.
- The Al Rawdah mosque shared an event on its Facebook page for a condolence ceremony and absentee funeral prayer for the "martyred President Dr. Mohamed Morsi," June 18, 2019 organized by the ECCD and the Egyptian Canadian Home Organization (ECHO) at the Embassy Plaza in Montreal.
- Salat-ul-Gaeb for M. Morsi, Al-Rawdah Mosque, Montreal, June 21, 2019

Sources: Facebook, Muslim Association of Canada – Calgary, June 17, 2019;

[www.facebook.com/Egyptiancanadiancoalitionfordemocracy/](https://www.facebook.com/Egyptiancanadiancoalitionfordemocracy/);

<https://www.facebook.com/Egyptiancanadiancoalitionfordemocracy/>; Facebook, Mohamed Youssef, posted June 17,

2019; <https://www.facebook.com/kitchenermosque/>; [www.facebook.com/alrawdah.ca/](http://www.facebook.com/alrawdah.ca/);

<https://www.facebook.com/MAC.RCIC/>; <https://www.facebook.com/Egyptiancanadiancoalitionfordemocracy/>;

<https://www.facebook.com/events/395874034360375/>, <https://www.facebook.com/MYCentreOttawa/>;

<https://www.facebook.com/Egyptiancanadiancoalitionfordemocracy/>.



purposes, with all its purposes falling within one or more of the four categories of charity and delivering a public benefit. For this reason it appears there may be grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

### **1.1.2 Advancement of an unstated, collateral, non-charitable purpose - the accumulation of real property**

During the audit period, and since, the Organization has undergone tremendous expansion and growth. As far back as 2006, the Organization had \$12,081,562<sup>172</sup> in assets and in approximately nine years the Organization's assets have grown over 400% to \$51,158,044.<sup>173</sup> The Organization has also devoted significant resources (human and financial) to the pursuit of its expansion of its real property holdings.

Typically, the accumulation of real property during the course of charitable activities is not a concern as long as this is done in pursuit of the charity's stated charitable purposes and does not form a non-charitable purpose unto itself.

In this regard, it is the CRA's position that the Organization's expansion activities in relation to the accumulation of real property has grown to the point that these activities are undertaken in furtherance of an unstated, collateral, non-charitable purpose: namely, acquiring rental property to create revenue generating investments. The CRA's concerns are as follows:

- 1.1.2.1 The Organization has expended significant resources on the search for properties.
- 1.1.2.2 The Organization purchased properties that are not used in charitable activities.
- 1.1.2.3 The Organization purchased property with the intent to generate rental income.

#### **1.1.2.1 The Organization has expended significant resources on the search for properties**

In the review of the Organization's books and records related to the purchase of real property, the CRA noted significant resources devoted to the process of acquiring properties, many of which, the Organization failed to procure. The pursuit of real property has become such a focus for the Organization and has consumed so much of its resources that such activity appears to be advancing a non-charitable collateral purpose.

Since the beginning of the audit period, the CRA analysis indicates the Organization has expended significant resources in pursuit of 35 properties that it failed to purchase. This is in addition to the 11 real estate transactions the Organization was able to successfully close. The properties consisted of land, schools, churches, and commercial buildings. In addition, it appears that the Organization also pursued the purchase of a rural property for the potential use as a future campground.

The 35 properties do not include properties where the CRA could not establish a timeline or location which appears to suggest that the extent of resources used to pursue property acquisition

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<sup>172</sup> Muslim Association of Canada, T3010 return for fiscal period ending June 30, 2006.

<sup>173</sup> Muslim Association of Canada, T3010 return for fiscal period ending June 30, 2015.

could potentially be higher than the 35 properties the CRA was able to identify. The list also excludes properties in which the Organization was approached by other community groups for assistance in the purchase of the property. The level of interest in purchasing ranged from discussing the merits of property to submitting written purchase offers.

Due to limited information, the CRA could not quantify financial costs related to the potential purchase of properties such as legal, inspections, assessments, architects, and consultants. However, the CRA observed what appeared to be significant human resources, including paid employee and volunteer hours, devoted to researching available properties, meeting and communicating with real estate agents, driving to the properties and arranging property inspections and property tours, and preparing and reviewing purchase and sale agreements and letters of intent. It should be noted that because the Organization redacted its invoices for legal services, the CRA cannot determine the extent to which legal services were used to purchase buildings that it otherwise failed to acquire.

Given that the Organization's records indicate a large amount of its resources (including funds, time, employees, and volunteers including board members) are spent on pursuing potential properties where the intention of the use of space in charitable activities is unclear, and that the Organization consistently and continuously undertakes activities related to the rental/leasing of significant real estate space (see section 1.1.2.3 below), and purchasing properties to be held for use in a mix of charitable and non-charitable activities in the future (see section 1.1.2.2 below), it is the CRA's preliminary position that the Organization pursues property acquisition activities that further an unstated non-charitable purpose.

#### **1.1.2.2 The Organization purchased properties that are entirely or partially not used in charitable activities**

The CRA visited the majority of the Organization's properties in order to evaluate and determine the types of activities occurring at each of the Organization's locations. After careful analysis of the Organization's books and records, financial accounts, electronic communication, and social media, the CRA has determined that, generally, each of the Organization's properties have a mixture of one to four different uses: 1) charitable activity, 2) non-charitable activity, 3) rental units or leased space, 4) empty or not used at all.

Considering the amount of resources that the Organization is using to search for and possibly purchase real estate properties, it is concerning when the resulting acquisition does not yield any, or little, additional charitable benefit to the public. For example, we note several purchases where properties were purchased for some distant, yet to be determined, unknown charitable purpose.

In other instances, there may be a charitable intent for a purchased property but due to the segregated nature of each project's financial resources, a project does not necessarily possess the capital to fulfill its vision at the time of the acquisition. Thus, the project is required to engage in, and expend significant resources, towards extensive fundraising over an extended period of time during which the properties sit unused.

In analyzing the Organization's properties and use thereof, the CRA identified five properties that were deemed to have no charitable use, an additional five properties with less than 50% charitable use and another four properties that have between 59% and 69% charitable use. For a breakdown of properties and the charitable use, please see Appendix C.

Given that the Organization does not use the entirety of its current property holdings for exclusively charitable purposes, and that the future charitable use of new building acquisitions is not clear, the Organization's intent appears to be to purchase as much property as possible regardless of whether it will be used for charitable purposes. As such, the CRA considers the Organization to be operating to advance a non-charitable collateral purpose.

### **1.1.2.3 Purchasing property with the intent to generate rental income**

A review of the Organization's records and publicly available information suggest that generating income from properties it owns is an important part of the Organization's goals and strategic plans. The Organization's focus on this has become prominent and integral to the Organization's operation.

Records collected from the Organization appear to indicate that purchasing or renovating buildings, with the intent to generate rental income, has been a focus of the Organization since at least 2004. At that time, the Organization considered a potential expansion of the Masjid Toronto by noting that extra space adjacent to the Mosque was high visibility and would "generate revenue for the Masjid."<sup>174</sup> The Organization's long term plan was described as having the mosque on a complete block of land. The building consists of four stories of mixed use including retail and offices, with most of the building being leased as units. The Organization estimated that "the building's income will support Masjid Toronto and other projects as well."<sup>175</sup> While this was not ultimately pursued, this concept appeared to become even more important to the Organization going forward.

By May 2010, the Organization produced a "Proposal for Establishing an Educational Complex to Meet the Growing Needs of the Community" following the purchase of a building at 2270 Speakman Drive in Mississauga, Ontario. The "Business Plan and Site Usage and Sustainability" section of the document states that the project should be self-sustainable by the income it generates. The proposal noted that a feasibility study was being conducted on income generating ventures, which include the potential for a take-out restaurant that could be promising as a business idea to serve the various people employed in the vicinity of the property. The document also listed income generating activities which included rental of office space, banquet hall and classrooms. Between the rental/facilities usage and the take-out restaurant business, the proposal projected revenues from those ventures at \$915,520 by 2014.<sup>176</sup>

<sup>174</sup> PowerPoint presentation, "Muslim Association of Canada (MAC) Serving Islam and Muslims in Canada." slide: Masjid Toronto, Expansion Opportunity.

<sup>175</sup> PowerPoint presentation, "Muslim Association of Canada (MAC) Serving Islam and Muslims in Canada." slide: Masjid Toronto, Objectives of the Project.

<sup>176</sup> "Proposal for Establishing an Educational Complex to Meet the Growing Needs of the Community" Prepared for financing the property acquisition.

Since 2010, the concept of generating revenue from rental properties has become an even greater focus for the Organization with the inclusion of such a purpose in many of the Organization's corporate strategic documents. These documents formulate and govern the Organization's actions and purposes going forward. For example,

- In its Financial Stability Plan for 2014, the Organization indicated that one of its strategic goals was to "Increase the contribution of the infrastructure to the financial pool, i.e. better utilization of buildings and spaces." by developing revenue potential for all properties. The Organization noted that it targeted using 5 to 10% of its premises towards "rental/lease of space; running income-generating ventures [sic], etc."<sup>177</sup>
- In a 2014 PowerPoint presentation, The Organization also explained its strategy for ensuring that one-third of the Organization's operating budget came from sources other than donations. Part of its plan to achieve this was to "develop revenue potential for all properties," such as "exclusive rental/leasing space," "Weekend and evening rental," and "joint-use (cafeteria, take-out food, fitness center)." Specifically, the presentation added that part of any centre's annual plan and budget should include income from rental revenue, and that this should be "built on new acquisition business plan."<sup>178</sup>

Overall, the Organization appears to be using a significant amount of charitable resources with the expressed purpose of generating rental income—something that the CRA considers to be a non-charitable purpose. The CRA has observed this intention demonstrated numerous times in discussions at the board level and project management level. For example:

- In the February 2014 Chapter Head meeting minutes for Vancouver, it was noted that its "Renovation plan includes commercial kitchen and banquet hall which are revenue generating."<sup>179</sup>
- In 2015, the Organization records suggest that it had a board meeting to discuss the purchase of a house at 50 Turner Avenue in Kitchener, Ontario.<sup>180</sup> A proposal was submitted for consideration, which outlined the plan for purchasing the property and renting out two units to generate \$2,000-\$2,400 monthly income and possibly renovate the building to create a third unit.<sup>181</sup> The Organization since purchased the property and has been advertising the units for rent.<sup>182</sup>
- In minutes from an October 2015 board of directors meeting, a property purchased in Montreal was discussed, exploring the benefits of the acquisition which included that the

<sup>177</sup> MAC Financial Sustainability Plan, 2014.

<sup>178</sup> Presentation, Ensure 1/3 of MAC operating budget comes from sources other than donation.

<sup>179</sup> Chapter Head meeting minutes February 5, 2014.

<sup>180</sup> Email from Khurram Khan, [REDACTED], July 12, 2015, "Fwd: House next to Kitchener Masjid."

<sup>181</sup> Purchase of Property Adjoining Kitchener Masjid, Attachment to email from Khurram Khan, [REDACTED], July 12, 2015, "Fwd: House next to Kitchener Masjid."

<sup>182</sup> Two 2-bedroom units were advertised for rent as of October 1, 2015 at a cost of \$1,300 each plus utilities. For additional information, interested parties are referred to contact info@kitchenermasjid.com, www.facebook.com, Kitchener Masjid, "Untitled Album."

property would be a potentially good income generating space.<sup>183</sup> The motion to approve the purchase was made and seconded.<sup>184</sup>

- In September 2016, MAC Ottawa was apparently considering the purchase of a building in Gatineau, Quebec to allow for additional space for congregants at Friday prayers. The building was described as having three stories and a basement. The top floor was currently rented out to a software company “generating a fair income that can cover the operating cost.”<sup>185</sup>
- A MAC PowerPoint presentation about the Southdale Project, also known as Noor Gardens, explains that the project would include “Revenue-generating initiatives” planned for the long-term goal of making the undertaking self-sustaining. For example, the Organization identified the MAC Center in London on Oxford Street as a self-sustaining institution. The Organization explains that it uses the second floor of the building while the remaining spaces are being rented to tenants, allowing it to operate with funds covered by the revenue from rental.<sup>186</sup>
- Also related to the Southdale Project, London Chapter Head meeting minutes noted that the plan for the building included a “Multipurpose room that has 1200 people and revenue generation business plans have started to subsidize the cost of the building.” “Playground area to be used for the day-care centre that fits 90 kids.” and a “Coffee shop/bistro/food court.”<sup>187</sup>
- In addition, when designing the Southdale Project, the Organization incorporated added square footage for the sole purpose of renting the space. According to the Organization records: “This lease income is very critical to the sustainability of this enormous Southdale Project. It would bring in a net of \$340K/year for the first 2 years and then increase every year after that.”<sup>188</sup>
- In Mississauga, ICCO management announced on its website that a policy to rent the building’s space for public use to help cover operational costs would come into effect May 13, 2016.<sup>189</sup>

Looking at the properties themselves, the CRA identified several current properties where the rental income is essential to balancing budgets and maintaining operations. Please see Appendix D for more details.

Given that the Organization’s records indicate a large amount of its resources (including funds, time, and employees) are spent on acquiring property with the intention of leasing space within the property for income generating purposes, and that the Organization consistently and continuously undertakes activities related to the rental/leasing of significant real estate space, it is the CRA’s preliminary position that the Organization undertakes activities that further an unstated non-charitable purpose. These activities appear to be beyond what the CRA would consider to be ancillary and incidental.

<sup>183</sup> “The current space being sold is being used as a supermarket and it may be able to be rented out at a good return,” BOD meeting minutes teleconference, October 29, 2015.

<sup>184</sup> BOD meeting minutes teleconference, October 29, 2015.

<sup>185</sup> Email from [REDACTED] via Ottawa\_Members, ottawa\_members@lists.macnet.ca, dated September 10, 2016.

<sup>186</sup> Presentation: “The Southdale Project,” p. 15 and 29.

<sup>187</sup> London Chapter Head Meeting Minutes, June 28, 2015.

<sup>188</sup> Email from Amer E, [REDACTED], May 2, 2016, “FW: Goodwill - 457 Southdale ”

<sup>189</sup> <http://icco.ca/rental/>, captured June 24, 2016, <http://web.archive.org/web/20160624033429/www.icco.ca/rental/>.

**Summary of section 1.1.2**

Registered charities are limited in the activities which they can undertake by the scope of their purposes. In the Organization’s case, it appears as though the Organization may not be operating in furtherance of exclusively charitable purposes. Rather, the Organization appears to be operating in furtherance of the unstated, collateral, non-charitable purpose of acquiring real property to create revenue generating rental opportunities. It should be noted that the Organization continued to purchase properties after the audit period suggesting that the Organization continues to operate outside of its charitable purposes. Please see Appendix E for a list of properties the Organization purchased after the audit period.

Accordingly, it is our preliminary position that the Organization has failed to meet the requirements of subsections 149.1(1) of the Act that it be constituted and operated exclusively for charitable purposes. For this reason it appears there may be grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

**1.2 Activities contrary to public policy and failure to conduct due diligence**

Canada’s counter-terrorism strategy—Building Resilience Against Terrorism<sup>190</sup>—sets out the basic principles and elements underpinning the Government’s counter-terrorism activities. It states that all Government activity is directed towards one or more of four elements addressing the terrorist threat: Prevent, Detect, Deny and Respond. Specifically, the strategy names the Charities Directorate of the CRA as playing an integral part in detecting and addressing the risks to the charitable sector through reviewing applications for charitable registration and conducting audits. When a risk is detected, the strategy outlines the importance of the CRA’s “significant compliance measures” which include the denial of, or revocation of, registered charity status for “applicants and registered charities that do not comply with the Income Tax Act by directly or indirectly making their resources available to support terrorist entities.” In so doing, the CRA is protecting the integrity of, and maintaining the public confidence in, the charitable sector. This ensures that the benefits of charitable registration are made available only to organizations that operate exclusively for charitable purposes and charitable activities, including ensuring that registered charities do not make their resources available, directly or indirectly, to organizations or individuals that are engaged in terrorist activities, or activities intended to support terrorist activities.<sup>191</sup>

It is well established at law that a registered charity cannot be considered to be operating in support of a recognized charitable purpose if its activities are illegal or contrary to public policy.<sup>192</sup> Canadian public policy recognizes that depriving terrorist organizations of access to resources, directly or indirectly, undermines terrorist activities by weakening the supporting

<sup>190</sup> <https://www.publicsafety.gc.ca/cni/rsres/pbletns/rsinc-gnst-irrrsm/>

<sup>191</sup> CRA Guidance, CG-002, Canadian registered charities carrying out activities outside of Canada available at [canada.ca/charities-giving](https://www.cra.ca/charities-giving).

<sup>192</sup> CRA Summary policy, CSP-P13, Public policy, available at [canada.ca/charities-giving](https://www.cra.ca/charities-giving). See *Everywoman’s Health Centre Society (1988) v. Canada (Minister of National Revenue)* [1992] 2 F.C 52 and *Canadian Magen David Adom for Israel v. Canada (Minister of Revenue)* 2002 FCA 323

logistical and social infrastructures of terrorist organizations.<sup>193</sup> In this regard, it is very clear that Canada's commitment to combating terrorism extends to preventing organizations with ties to terrorism from benefiting from the tax advantages of charitable registration.

Canada has implemented the binding elements of Resolution 1373 of the United Nations Security Council and has ratified the United Nations International Convention for the Suppression of the Financing of Terrorism. The preamble to the Convention recalls General Assembly Resolution 51/210, which calls upon all States:

3 (d) To investigate, when sufficient justification exists according to national laws, and acting within their jurisdiction...the abuse of organizations, groups or associations, **including those with charitable, social or cultural goals** [emphasis added], by terrorists who use them as a cover for their own activities; and

3 (f) to take steps to prevent, and counteract, through appropriate domestic measures, the financing of terrorists and terrorist organizations, **whether such financing is direct or indirect through organizations which also have or claim to have charitable, social or cultural goals** [emphasis added]...<sup>194</sup>

Many of the policy and guidance statements for charities published on the CRA website call attention to the need to observe Canada's laws and public policy in this regard. For example, CRA Guidance CG-002, Canadian registered charities carrying out activities outside of Canada warns:

Charities have to remember their obligations under Canada's anti-terrorism legislation. As with all individuals and organizations in Canada, charities are responsible for making sure that they do not operate in association with individuals or groups that are engaged in terrorist activities, or that support terrorist activities.<sup>195</sup>

In its letter of December 21, 2018, the Organization questioned the CRA's line of inquiry at the audit interviews and stated:

MAC is very concerned that the numerous questions concerning 'Muslim Brotherhood' over the course of the audit leads to the conclusion that CRA was pre-determined to find some connection between MAC and a foreign organization or that some portion of the charitable activities of MAC were contrary to public policy. Again, MAC emphatically denies that this is the case.

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<sup>193</sup> See "Harper Government Releases Air India Inquiry Action Plan: Roadmap to help ensure terrible and senseless act is never repeated." <http://www.publicsafetv.gc.ca/media/nr/2010/nr20101207-envlSpx> and ""Backgrounder: Terrorist Financing." <http://www.publicsafetv.gc.ca/media/nr/2010/nr20101207-3-eng.aspx>

<sup>194</sup> "Directly or indirectly": The question of what activities the funds provided were actually directed to, is not one that is relevant to this determination. The provision of funds to an organization—regardless of the programming/services being offered by that organization—linked to a terrorist entity renders the act contrary to public policy and thus not charitable. Similar to the basis for the decision by the Government of Canada to list Hamas and Hizballah in their entirety (political, charitable, and military arms).

<sup>195</sup> Available at [canada.ca/charities-giving](http://canada.ca/charities-giving).

As detailed above, the CRA plays an important role in Canada's national counter-terrorism strategy and as such it is incumbent on the CRA to review any instance where a charity's resources may have been used in a manner contrary to public policy. Allegations of such conduct have been prevalent within the media prior to the beginning of the audit and such questions were to determine the validity of this reporting and to assist the CRA in understanding the Organization's activities.

CRA's audits are not pre-determined but rather consider all the facts of any given situation and when such a finding is found, the CRA clearly and transparently details how it reached that conclusion. Organizations under audit are always provided an opportunity to address the CRA's concerns before any decision is made. The CRA audit outcome is based on our review of the Organization's operations, books and records and all its activities to ensure it is following the Act and common law. If the Organization is found to be engaging in activities contrary to public policy then it is the Organization and its directors that are responsible for the audit outcome.

Furthermore, the board of directors appear to be acutely aware that some activity that the Organization engages in could be considered contrary to public policy. For example, the board identified "list[ing] MAC as a terrorist organization" as the greatest threat facing the Organization.<sup>196</sup> This is concerning to the CRA as it appears that the Organization is aware of the possibility that activities it undertakes could lead to its listing as a terrorist organization. As such, the Organization should be transparent with the CRA and detail the exact activities that it has undertaken that the attendees of the board of directors retreat (both directors and some members) feel could result in it being listed as a terrorist entity.

### **Failure to conduct due diligence**

In order to prevent the charity's resources from being used in a manner that would contravene Canadian law and the charity's requirements for ongoing registration, a registered charity should conduct meaningful due diligence on all aspects of its operations. This would include ensuring that a charity does not operate in association with individuals or groups that are engaged in terrorist activities or that support terrorist activities. Links, alleged or even perceived links between a charity and terrorism are corrosive to public confidence in the integrity of charity. A significant aspect of a trustee's legal duties to protect charitable assets means carrying out proper due diligence to give reasonable assurance about those individuals and organizations that give money to, or receive money from, or work closely with, the charity.<sup>197</sup>

It is important for charities to develop and implement sound internal governance and accountability procedures, financial controls, risk management systems, and transparent reporting, and to keep these things under regular review. These are among the best actions any charity can take to help protect itself against actual or alleged abuse of any kind, including allegations of fraud, money laundering, or support for terrorism.<sup>198</sup> Registered charities should conduct

<sup>196</sup> The Organization's Board of Directors Retreat Report, September 12-13, 2015, p.4.

<sup>197</sup> Charities Commission (UK), "OG 410 Charities and Terrorism," <http://ogs.charitycommission.gov.uk/g410a001.aspx>.

<sup>198</sup> Government of Canada, "Checklist for charities on avoiding terrorist abuse," available at [canada.ca/charities-giving](http://canada.ca/charities-giving)



meaningful due diligence on all aspects of its operations, including ensuring that it does not operate in association with individuals or groups that are engaged in terrorist activities or that support terrorist activities.

Due diligence is not merely a question of checking lists. It involves a more fulsome review, from a wide variety of sources, of potential partners, intermediaries, and donors. In demonstrating effective due diligence, a Canadian charity that carries out fundraising activities internationally ought to be aware whether particular non-governmental organizations (NGOs) active in the region, or other donor organizations, are aligned or connected with groups that are engaged in terrorist activities as that term is understood in Canadian law. While there is no express due diligence requirement under the Act, all registered charities are expected to take the necessary steps to ensure compliance with the requirements for registration.

In response to a June 4, 2015, media article which alleged the Organization raised funds for groups suspected of having links to terrorist organizations, the Organization's Executive Director, Sharaf Sharafeldin wrote:

...in response to heightening concerns about security, our organization has developed and implemented a strict Anti-Terrorism Policy to ensure that we do our part to adhere to these laws [Canadian law]. This includes even greater due diligence procedures for reviewing all associates or partners that deliver programs at MAC facilities, as well as further vetting of donors and employees (including volunteers).

Furthermore, we have adopted a number of guidelines and principles that govern the conduct for speakers sponsored by MAC. We are in the process of outlining a further policy and due diligence procedures to programming operated by those who rent our facilities.<sup>199</sup>

During the audit interview,<sup>200</sup> the CRA asked about the organization's Anti-Terrorism Policy (ATP). The Organization explained that the policy had been created by its lawyer, and it was up to the Organization to decide if, and how, the policy would be applied.<sup>201</sup> According to the ATP, its purpose was to show that the Organization "will not permit any form of terrorist activities or support for such activities or groups involved in such activities" and to guard against the possibility that the Organization "might become associated with terrorism" and to "respond appropriately" if it becomes aware of such associations.<sup>202</sup>

The ATP then outlines the steps the Organization would take to ensure that it does not become involved with terrorism. This involves reviewing the Organization's programs, donors, participants, and associates, to determine if there is any connection, or appearance thereof, with terrorism.

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<sup>199</sup> Email from Executive Director, "MAC media statement January 28 – Final v.1.pdf", June 9, 2015.

<sup>200</sup> Audit interview February 29 to March 1, 2016.

<sup>201</sup> Audit interview February 29 to March 1, 2016.

<sup>202</sup> MAC Policy on Anti-Terrorism, January 1, 2012, p.3.

According to the Organization's representations during the audit interview and documentation provided, the ATP was effective in 2011,<sup>203</sup> updated in March 2014,<sup>204</sup> and approved in February 2015.<sup>205</sup> Despite being approved in February 2015, the Organization has provided, at times, contradictory information regarding the implementation of the ATP. During the audit interview, when asked whether the policy was in effect before the February 2015 board approval, the Organization responded, "We did apply some of the stuff in the years before."<sup>206</sup> This suggested that the policy was not implemented or applied in its entirety. In fact, the meeting minutes of February 12, 2015, indicated that the board agreed to accept the policy only in principle. The minutes suggest that the board felt that the policy's "implementation is challenging" and questioned the Organization's ability to adhere to the policy.<sup>207 208</sup>

During the audit interview, we also inquired about the Organization's efforts to ensure that its partners and associates do not distribute the Organization's funds to support terrorist groups or activity. In response, the Organization stated that it only gave money to registered groups.<sup>209</sup> This appears to indicate that since the Organization simply provides money to registered charities, it does not need to conduct due diligence. While the CRA does its utmost best to ensure that Organizations that are currently registered meet the requirements for charitable registration, the CRA cannot constantly monitor every one, and changing circumstances in an organization's operations may affect its continued eligibility for registration. Registration should not be viewed as proof of an organization's credibility.

Simply put, being a registered charity means that at the time of registration, an organization's purposes were deemed to be charitable and that they produced a public benefit. Once registered, the CRA relies on the charity's directors and volunteers to make prudent decisions about charitable resources. On occasion, charities are misused and their resources are misappropriated. Therefore, it is essential for organizations to continue to apply all due diligence procedures to all of its funding partners regardless of registration. Charitable registration is not an excuse to refrain from basic due diligence requirements.

With respect to a donor review, the CRA asked if the Organization's anti-terrorism committee conducted a donor review and the Organization responded that yes, the Organization's Executive Council (EC) conducted the donor reviews.<sup>210</sup> According to the CRA's review of the Executive Council's meeting minutes for fiscal years 2014-2015, the CRA could not find a single instance whereby issues relating to the duties of the anti-terrorism committee (for example: donor review and program review) were discussed.

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<sup>203</sup> Marked as effective January 1, 2011. (MAC Policy on Anti-Terrorism, January 1, 2012, p.1.)

<sup>204</sup> The ATP provided to the CRA was marked as updated March 28, 2014, MAC Policy on Anti-Terrorism, January 1, 2012, p.1.

<sup>205</sup> Board of Directors meeting minutes, February 12, 2015.

<sup>206</sup> Audit interview February 29 to March 1, 2016.

<sup>207</sup> The Organization's board of directors meeting minutes, February 12, 2015.

<sup>208</sup> In response to a line of questioning about the board's concern about the implementation of the ATP, Mr. Sharafeldin explained that these concerns were related to some of the board members opinions that the ATP was too much, however specified that this was not the board's decision but only a comment from one board member. Audit interview February 29 to March 1, 2016.

<sup>209</sup> Audit interview February 29 to March 1, 2016.

<sup>210</sup> Audit interview February 29 to March 1 2016.

The Organization was asked if it conducted program reviews as outlined in the ATP, and if so, if it could provide a copy of the program reviews. The Organization appeared to give contradictory answers. First suggesting that it did conduct program reviews and then acknowledging that it did not conduct a formalized review, nor did it use the program review checklist. The Organization also advised that no copies of any of the reviews existed.<sup>211</sup> Consequently, no program reviews were provided to the CRA.

The CRA sought to confirm, in writing, that the Organization did not conduct these program reviews and asked once again to provide copies of the program reviews. Since the Organization had already acknowledged that it did not conduct the program reviews during the audit interview, the Organization was asked “If, for any reason, no record exists, please indicate such in your response.”<sup>212</sup>

In its response, the Organization provided a program review that it had previously advised did not exist. The program review was dated June 4, 2015, and signed by Hoda Kurabi, Abdussalam Nakua, and Mr. Sharafeldin.<sup>213</sup> It is unclear how the Organization was able to produce the documentation when it earlier advised that it had not previously conducted the program review, used the checklist, or have any copies of the review. And, as detailed above, the meeting minutes of the Executive Council, acting as the de-facto anti-terrorism committee, made no reference to any such work being done. The CRA has considered the fact that Ms. Kurabi, Mr. Nakua, and Mr. Sharafeldin, who were the Organization’s representatives present during the audit interview, simply forgot that they conducted this review and signed off on it. However, the CRA collected the email accounts of all three individuals who signed the program review and copied substantial amounts of electronic documentation from each of their computers. A review of the email accounts and electronic documentation obtained from each computer has produced no indication that these individuals, or anyone else associated with the Organization, discussed, created, or conducted a program review before, on, or after June 4, 2015. This raises our concern that the program review document may have been created after the fact in order to make it appear that the Organization was meeting its due diligence obligations.

In a letter sent to the CRA dated December 21, 2018, the Organization’s legal representatives wrote that:

During the course of the head office visit between February 29, 2016 and March 1, 2016, questions were raised concerning the application of MAC’s anti-terrorism policy. At that time, the audit interview notes reflect that the executive director appeared to indicated [sic] that anti-terrorism policy is not consistently applied. For certainty, MAC is consistent in the application of the antiterrorism policy in the course of its activities. This is applied across the entire organization, and is monitored and managed by the head office.<sup>214</sup>

In reviewing this statement, the CRA finds the claim that the Organization “is consistent in the application of the antiterrorism policy in the course of its activities” is not reflected or

<sup>211</sup> Audit interview February 29 to March 1, 2016.

<sup>212</sup> CRA electronic correspondence dated April 18, 2016 to Linsey Rains, Carters Professional Corporation.

<sup>213</sup> MAC Program Review.

<sup>214</sup> Letter from Carters Professional Corporation to CRA, dated December 21, 2018.

demonstrated in the Organization's previous statements, meeting minutes, and books and records. If the Organization is asking the CRA to accept its most recent statement on the issue, then it is asking the CRA to ignore the statements it previously made to the CRA auditors and to not accept the Organization's meeting minutes as an accurate reflection of the Organization's board meetings. Alternately, accepting the Organization's most recent statement would appear to indicate that the Organization's books and records have not been maintained as they do not appear to demonstrate any application of the ATP in the course of the Organization's activities. Furthermore, failing to maintain adequate books and records is sufficient grounds for revocation. For more information see section 2 below.

Despite being created in 2011, it appears as though the Organization never implemented the ATP in a truly meaningful manner and has failed to demonstrate that it conducts meaningful due diligence. Conducting meaningful due diligence requires more effort than simply having an anti-terrorism policy—the policy must be implemented. Exercising due diligence requires a constant commitment to be on guard against elements that could use the Organization's charitable resources in support of terrorism. The failure to conduct due diligence, whether purposeful or negligent, has resulted in several of the Organization's activities being considered by the CRA to be activities contrary to public policy.

#### **Support for International Relief Fund for the Afflicted and Needy (IRFAN-Canada)**

International Relief Fund for the Afflicted and Needy (IRFAN-Canada) was established on October 15, 1997 and charitable registration was granted on November 18, 1999. The CRA audited IRFAN-Canada for the period January 1, 2005 to December 31, 2009. The CRA audit resulted in IRFAN-Canada first having its receipting privileges suspended in 2010,<sup>215</sup> and then having its charitable registration revoked in 2011.<sup>216</sup> Most concerning, the audit found that IRFAN-Canada had transferred over \$14.6 million dollars in resources to operating partners that were run by Hamas officials.<sup>217</sup> Hamas is a listed terrorist entity in Canada.<sup>218</sup> On April 24, 2014, the Government of Canada listed IRFAN-Canada as a terrorist entity for its support of Hamas.<sup>219</sup>

<sup>215</sup> Proposal to Suspend Receipting Privileges, International Relief Fund for the Afflicted and Needy-Canada, Appendix B, letter dated January 18, 2010. [https://www.canadiancharitylaw.ca/uploads/Appendix\\_B\\_AFL\\_IRFAN.pdf](https://www.canadiancharitylaw.ca/uploads/Appendix_B_AFL_IRFAN.pdf)

<sup>216</sup> Government of Canada, Canada Gazette, Part I Vol. 145 (2011), April 9, 2011.

<sup>217</sup> "On the basis of our audit, we have concluded that IRFAN-Canada has: ceased to comply with the requirements of the Act for its continued registration; failed to comply with or contravened sections 230 to 231.5 of the Act; issued a receipt for a gift or donation otherwise than in accordance with the Act and the Regulations or that contains false information; and failed to file an information return as required under the Act-[o]ur analysis of the audit information has led the CRA to believe that IRFAN-Canada provides support to Hamas, a listed terrorist organization. Our findings indicate that IRFAN-Canada provided over \$14.6 million in resources to operating partners that were run by officials of Hamas, openly supported and provided funding to Hamas, or have been listed by various jurisdictions because of their support for Hamas or other terrorist entities."

(Government of Canada, Detail Page, International Relief Fund for the Afflicted and Needy (Canada),

<https://apps.cra->

[arc.gc.ca/ebci/hacc/srch/pub/dsplyRprtngPrd?q.srchNm=international+relief+fund&q.stts=0023&selectedCharityBn=885408849RR0001&dsrdPg=1](https://apps.cra-arc.gc.ca/ebci/hacc/srch/pub/dsplyRprtngPrd?q.srchNm=international+relief+fund&q.stts=0023&selectedCharityBn=885408849RR0001&dsrdPg=1))

<sup>218</sup> <https://www.publicsafety.gc.ca/cnt/ntnl-scr/cntr-trrrsm/lstd-ntts/crrnt-lstd-ntts-en.aspx>.

<sup>219</sup> <https://www.publicsafety.gc.ca/cnt/ntnl-scr/cntr-trrrsm/lstd-ntts/crrnt-lstd-ntts-en.aspx>.

As detailed in Appendix F, some of the Organization's most prominent members, directors, and officials were either involved in IRFAN-Canada, or a network of charities that appear to have been used to propagate and fundraise for Hamas in Canada. The involvement of the directors/employees in an apparent Hamas support network is troubling and may indicate why certain activities, such as the continued support for IRFAN-Canada, were undertaken by the Organization.

Prior to IRFAN-Canada's suspension and subsequent revocation as a registered charity, the Organization had provided it over \$296,514 in funding according to its T3010 filings from 2001 to 2010. During the audit interview on February 29, 2016, Mr. Sharafeldin, the Organization's Executive Director, indicated that once IRFAN-Canada had its charitable status suspended the Organization no longer provided any money to IRFAN-Canada.<sup>220</sup> Prior to that, Mr. Sharafeldin had issued a news release stating:

MAC has not supported IRFAN in any way since the allegations that led to its delisting as a charity by the Government of Canada in 2011. When specific allegations of IRFAN's relationship with groups that are inconsistent with MAC's values arose, we immediately stopped all donations to that group. Previous to that, MAC did raise funds for humanitarian relief that were distributed to a number of relief organizations including IRFAN. At that time, IRFAN was still considered a legitimate charity and was supported by a number of Canadian organizations (including non-faith based groups).<sup>221</sup>

An analysis of audit documentation and publicly available sources suggests that the relationship between the Organization and IRFAN-Canada not only continued after the suspension of IRFAN-Canada's registered status but well after its revocation for, in part, supporting the listed terrorist entity Hamas.

The Organization appears to have held several events where IRFAN-Canada was given an opportunity to promote itself and raise funds for its various programs:

- September 18, 2011, IRFAN's Annual Grand Souk of Jerusalem<sup>222</sup> 12:00 at Olive Grove School<sup>223</sup> (the Organization's Elementary School located at 2300 Speakman Drive, Mississauga, Ontario).
- July 14, 2012, IRFAN-Canada is listed as the sponsor for the Muslim Summer Festival, Ottawa.<sup>224 225</sup>

<sup>220</sup> Head office Audit Interview, February 29, 2016.

<sup>221</sup> Muslim Association of Canada, January 28, 2015, <http://www.newswire.ca/news-releases/a-statement-by-the-muslim-association-of-canada-516561721.html>.

<sup>222</sup> Come enjoy Palestinian food, entertainment, a variety of booths and much more at IRFAN's annual bazaar for Palestine. There will also be face-painting and henna. All funds raised in the bazaar will go towards IRFAN-Canada's projects, visit [irfan.ca](http://irfan.ca) to learn more about IRFAN's projects. ["IRFAN-Canada's Annual Grand Souk of Jerusalem", September 18, 2011, <http://heyevent.com/eventUjrwfzgrxydwakal-irfan-canadas-annual-grand-souk-of-jerusalem>.

<sup>223</sup> "IRFAN-Canada's Annual Grand Souk of Jerusalem," September 18, 2011, <http://heyevent.com/eventUjrwfzgrxydwakal-irfan-canadas-annual-grand-souk-of-jerusalem>.

<sup>224</sup> MAC Muslim Summer Festival, "The World in One City,"

<https://web.archive.org/web/20130615014944/http://muslimsummerfestival.com/>.

<sup>225</sup> Muslim Summer Fest 2012 IRFAN Invoice, July 7, 2012.

- August 18, 2012, GTA EID Festival – IRFAN-Canada sponsored the event (information provided by the Organization).<sup>226</sup>
- October 26, 2012, IRFAN-Canada is listed as sponsor for the Organization's 27th Annual EID Festival.<sup>227</sup>
  - A YouTube video depicting the Organization's GTA Eid festival on October 26, 2012 appears to show an IRFAN-Canada table, promotional video playing, and donation box.<sup>228</sup>
- May 12, 2013, IRFAN-Canada's Annual Grand Sook of Jerusalem<sup>229</sup> 12:00 at Olive Grove School<sup>230</sup> (the Organization's Elementary School).
- August 10, 2013, IRFAN-Canada sponsored the Muslim Summer Festival and Eid Celebration, Ottawa.<sup>231</sup>

Abdulsalam Nakua, member of the Organization's Executive Council as Head of the Outreach Department (2013-14), and the Executive Council's Director of Fundraising in 2015,<sup>232</sup> in an August 2, 2013 email, explains the Organization's policy on allowing other organizations to fundraise at its events and on its premises and why IRFAN-Canada was permitted to fundraise at its facilities and events:

This is a touchy subject - the reason is what you said, if you open it, it will never end, every table wants to open shop and some of them may not have even a charitable organization number. The reasons are: it opens the door for collection by organizations we do not know and control. This may put us in legal trouble. The policy is that all collection done in our centers, and by extension our events, are done by MAC and the funds then transferred to the charity by electronic transfer or cheque. Having organizations collecting for Afghanistan and other places put us in gray area....

... historically IRFAN used to collect from many years before, so we let them under special arrangement to do it very low key - but this was very specific circumstance and we already have an established relationship but we limited their scope to the most confined space possible.<sup>233</sup>

In addition to permitting IRFAN-Canada to use the Organization's events and resources to collect funds, the Organization's electronic resources appear to have been used to further IRFAN-Canada's interests and agenda. In at least four instances, the members of the Organization used its electronic mailing lists to promote IRFAN-Canada's events. It is important to re-iterate that the events promoted occurred after IRFAN-Canada was revoked for in part supporting Hamas.

<sup>226</sup> MAC List of Sponsors, provided to CRA 29 April, 2016.

<sup>227</sup> Eid Al Ahda, October 26, 2012. <https://web.archive.org/web/20121030183857/http://gtaeid.com/>.

<sup>228</sup> [www.youtube.com/watch?v=nOxp6FRdJk](http://www.youtube.com/watch?v=nOxp6FRdJk).

<sup>229</sup> All proceeds will go towards Relief Projects in Palestine & the Syrian Refugee Camps in Jordan & Lebanon."

<sup>230</sup> <https://web.archive.org/web/20131225021609/http://irfan.ca/images/events/bazaar.png>.

<sup>231</sup> <http://web.archive.org/web/20130721083316/http://www.muslimsummerfestival.com>.

<sup>232</sup> 2013-2015 Executive Directors Listing provided by MAC.

<sup>233</sup> Email from Anakua Nakua to Sharaf Sharafeldin, August 2, 2013, "Fwd: Please advise: Non profit organisations collecting donations at Festival?"

- On April 15, 2012, j.omar@olivegroveschool.ca sent an email notifying Olive Grove School staff about supporting IRFAN-Canada as it collects items to fill a shipping container to send to Syrian families in Jordan.<sup>234</sup>
- On December 12, 2012, the Organization's Mississauga members were encouraged to "support [IRFAN-Canada's] fundraising on Sunday in two ways: 1) help with setup and organization 2) attend and support their cause."<sup>235</sup>
- On April 18, 2013, info@olivegroveschool.ca forwarded to all staff@olivegroveschool.ca an email from IRFAN-Canada's upcoming annual bazaar, on Sunday May 12, 2013.<sup>236</sup>
- On August 21, 2013, an email was sent through the MAC Mississauga Members email group promoting IRFAN-Canada's second picnic of the summer.<sup>237</sup>

In addition to the above, the CRA is concerned that the Organization continued to promote its relationship with IRFAN-Canada on its websites. Our research indicates that many of the Organization's websites either touted its relationship with IRFAN-Canada or continued to prominently display its logo even after IRFAN-Canada was revoked and the Organization no longer supposedly had a relationship. For example,

- As late as October 30, 2012, IRFAN-Canada's logo appears at <http://gtaeid.com><sup>238</sup>
- As late as September 17, 2013, IRFAN-Canada's logo appears at <http://macottawaeid.com/sponsor.html>.<sup>239</sup>
- As late as July 21, 2013, the logo appeared on [www.muslimsummerfestival.com](http://www.muslimsummerfestival.com).<sup>240</sup>
- As late as January 15, 2014, IRFAN-Canada was still listed as "Our Partner" at <http://www.macnet.ca/English/Pages/Our%20Partners.aspx>.<sup>241</sup> It appears that IRFAN-Canada may have only been removed once it became a listed entity in April 2014.

In addition, the CRA identified two instances where the Organization's websites promoted IRFAN-Canada after it was listed as a terrorist entity in Canada:

- As late as August 15, 2015, the following description appears on the website <http://gtaeid.com/Donations.html>. "The event has been sponsored in the past by several respected organizations including .... IRFAN-Canada (International Relief Fund for the Afflicted and Needy)."<sup>242</sup>

<sup>234</sup> Email from j.omar@olivegroveschool.ca to staff@olivegroveschool.ca, April 15, 2012. "Please help with the first container for Syria!"

<sup>235</sup> Email from [REDACTED] to Mississauga Members, December 14, 2012. "[Miss\_members] IRFAN Fundraising Dinner on Sunday – Assistance Request."

<sup>236</sup> Email from info@olivegroveschool.ca to staff@olivegroveschool.ca April 18, 2013. "Fwd: IRFAN's ANNUAL BAZAAR, May 12th, @ OGS."

<sup>237</sup> Email from [REDACTED] to Mississauga Chapter Members, August 21, 2013. "[Miss\_members] IRFAN-Canada's 2nd Picnic - Sat Aug-24, 2013."

<sup>238</sup> Eid Al Ahda, October 26, 2012, <https://web.archive.org/web/20121030183857/http://gtaeid.com/>.

<sup>239</sup> "Our Sponsors", <https://web.archive.org/web/20130917015445/http://macottawaeid.com/sponsor.html>.

<sup>240</sup> <http://web.archive.org/web/20130721083316/http://www.muslimsummerfestival.com>.

<sup>241</sup> Muslim Association of Canada. "Our Partners,"

<https://web.archive.org/web/20140115100934/http://www.macnet.ca/English/Pages/Our%20Partners.aspx>.

<sup>242</sup> <https://web.archive.org/web/20150815115320/http://gtaeid.com/Donations.html>.

- As of June 29, 2016, IRFAN-Canada was still listed under “Humanitarian Organizations” on the Organization’s Calgary Chapter site <http://mac-cc.ca>.<sup>243</sup>

The Organization has made clear denials regarding its relationship with IRFAN-Canada. In a statement to the media, the Organization has advised it did not support IRFAN-Canada in any way since its charitable status was revoked.<sup>244</sup> In representations to the CRA, the Organization made it clear that it did not provide any money to IRFAN-Canada after the latter had its receipting privileges suspended by the CRA.<sup>245</sup> While the audit has not found any evidence to suggest that the Organization provided IRFAN-Canada with any direct financial resources since its fiscal year 2010, the Organization appears to have maintained a working relationship with IRFAN-Canada and provided support and assistance in other ways.

The CRA has identified at least five instances whereby the Organization permitted IRFAN-Canada (after its revocation) to participate in its programming. In each instance the Organization gave IRFAN-Canada a platform to promote its message and most egregiously gave IRFAN-Canada an avenue for which it could continue to solicit funds. In light of the reason for IRFAN-Canada’s revocation—provision of \$14.6 million dollars to organizations associated with the listed terrorist entity Hamas—providing IRFAN-Canada with an opportunity to raise funds on the Organization’s premises is tantamount to providing financial resources directly to IRFAN-Canada, which the CRA considers to be contrary to public policy.

#### **Support for the Egyptian Revolutionary Council (ERC)**

As detailed above, the Organization has been permitting two groups—the Egyptian Canadian Coalition for Democracy (ECCD) and the Montreal-based Egyptian Canadian Home Organization (ECHO) to utilize its premises rent free. These two groups appear to operate in support and advancement of the Egyptian Muslim Brotherhood in Egypt.

The CRA’s concern in this regard is that both the ECCD and ECHO have direct and well known connections to the Egyptian Revolutionary Council (ERC). The ECCD, ECHO, and the ERC,<sup>246</sup> together appear to form the Egyptian Bloc for Democracy (EBD).<sup>247</sup>

Further, according to the ECCD’s website, it describes itself as having been “active participant in the establishment of the ERC.”<sup>248</sup>

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<sup>243</sup> “Links”, <http://mac-cc.ca/pages.php?id=MjM=>.

<sup>244</sup> Muslim Association of Canada, January 28, 2015, <http://www.newswire.ca/news-releases/a-statement-by-the-muslim-association-of-canada-516561721.html>.

<sup>245</sup> Audit interview, February 29, 2016.

<sup>246</sup> [https://www.facebook.com/EgyptianCanadianHomeOrganization/?ref=page\\_internal](https://www.facebook.com/EgyptianCanadianHomeOrganization/?ref=page_internal), posted August 3, 2016.

<sup>247</sup> Mohamed S Kamel, “Egyptians’ atrocities under the Military Coup presented to the Canadian Civil Society and official politicians,” August 28, 2016, <https://forafreeegypt.blogspot.ca/2016/08/egyptians-atrocities-under-military.html>.

<sup>248</sup> Rabaa Events Across Canada, “ECCD Statement on Establishment of Egyptian Revolutionary Council,” August 8, 2014, [www.eccd.ca/news/press-releases/58-eccd-statement-erc-establishment.html](http://www.eccd.ca/news/press-releases/58-eccd-statement-erc-establishment.html).



According to media reports, the ERC was formed in 2012 in Egypt<sup>249</sup> and was officially established in 2014 in Istanbul, Turkey, by representatives of Egypt's opposition groups, including members of the Muslim Brotherhood.<sup>250</sup> Other media reports suggest that the Muslim Brotherhood helped create the ERC as a lobby for the purpose pressuring Western governments to "stigmatize the new Egyptian regime,"<sup>251</sup> and is the political arm of the Muslim Brotherhood.<sup>252 253</sup>

The ERC appears to be an umbrella organization<sup>254</sup> which describes its mission as upholding the "principles of the January 25<sup>th</sup> revolution of freedom, social Justice and human dignity."<sup>255</sup> ERC "believe[s] in working for the political and economic prosperity of the Egyptian people. A prosperity that cannot be achieved under the kind of dictatorship, tyranny and corruption that manifests itself through the current regime in Egypt."<sup>256</sup> It is a "broad platform that promotes a civil and democratic state in Egypt."<sup>257</sup>

According to information published on the Egyptian Embassy in Ottawa's website in 2015, the ERC is affiliated with the Muslim Brotherhood and have "been releasing subversive statements that incite violence and terrorism and spread lies about the reality of the situation in Egypt, are conducting visits to a number of countries to promote misinformation and extremist ideas, while claiming to represent the people of Egypt."<sup>258</sup> According to a 2018 media report, the ERC was designated as a terrorist organization by Egypt.<sup>259</sup> Considering the source of these statements, and the adversarial nature of the Egyptian government towards certain civil society groups, the CRA reviewed the ERC's activities to determine if there is a cause for concern.

A translation of videos on the ERC's Arabic Facebook page confirmed that the ERC was sharing information about how to "prepare for a revolution," including the "siege of food sources for the

<sup>249</sup> Heba Hesham, Daily News Egypt, "Activists form Egyptian council to unite revolutionary front," March 5, 2012, <https://dailynewsegypt.com/2012/03/05/activists-from-egyptian-council-to-unite-revolutionary-front>.

<sup>250</sup> Ipek Yezdani, Hurriyet Daily News, "Egyptian opposition establishes 'Revolutionary Council' in Istanbul," August 9, 2014, [www.hurriyetaidailynews.com/egyptian-opposition-establishes-revolutionary-council-in-istanbul.aspx?pageID=238&nID=70196&NewsCatID=352](http://www.hurriyetaidailynews.com/egyptian-opposition-establishes-revolutionary-council-in-istanbul.aspx?pageID=238&nID=70196&NewsCatID=352).

<sup>251</sup> H. A. Hellyer, "Could Egypt's Opposition Learn to Get Along?" Foreign Policy, December 24, 2014, <https://foreignpolicy.com/2014/12/24/how-egypts-revolution-could-get-back-on-track>.

<sup>252</sup> Egypt Today, "MB shows ugly face in battle against regime," August 16, 2017, <https://www.egypttoday.com/Article/2/17710/MB-shows-ugly-face-in-battle-against-regime>.

<sup>253</sup> "ERC; PRESS INVITE: Egypt: a military dictatorship 3 years post-coup," June 28, 2016, <https://groups.google.com/forum#!topic/arabic-media/OLNxuxTOFfQ>.

<sup>254</sup> Described as a "coalition of groups that reject Morsi's ouster," however research did not identify specific groups officially under the ERC 'umbrella.' Eric Trager and Marina Shalabi, The Washington Institute, "Egypt's Muslim Brotherhood Gets a Facelift," May 20, 2015, [www.washingtoninstitute.org/policy-analysis/view/egypts-muslim-brotherhood-gets-a-facelift](http://www.washingtoninstitute.org/policy-analysis/view/egypts-muslim-brotherhood-gets-a-facelift).

<sup>255</sup> "About," Facebook, <https://www.facebook.com/EgyRevCouncil/>.

<sup>256</sup> "About," Facebook, <https://www.facebook.com/EgyRevCouncil/>.

<sup>257</sup> [www.egyptnow.ca/bio.html](http://www.egyptnow.ca/bio.html).

<sup>258</sup> Embassy of Egypt in Ottawa – Canada, "Egypt Stresses Dangers of Foreign Dealings with Illegal Entities," February 1, 2015.

[www.mfa.gov.eg/english/embassies/egyptian\\_embassy\\_ottawa/mediacenter/pages/NewsDetails.aspx?Source=6781921f-3993-444a-ee26ce851de8&newsID=499ae990-75b8-4c89-b394-fe41339393aa](http://www.mfa.gov.eg/english/embassies/egyptian_embassy_ottawa/mediacenter/pages/NewsDetails.aspx?Source=6781921f-3993-444a-ee26ce851de8&newsID=499ae990-75b8-4c89-b394-fe41339393aa).

<sup>259</sup> The Arab Weekly, "London at the centre of Muslim Brotherhood rehabilitation attempts," June 10, 2018, <https://theArabweekly.com/london-centre-muslim-brotherhood-rehabilitation-attempts>.

army," specified the frequency of the food distribution to the army, and included information requirements in order to achieve their goals.<sup>260</sup>

The statements below were translated from a video posted on the ERC's Facebook page in August 2017:

What am I to do? Our goal is to blockade the entire military, as much as we can, to prevent it from repelling the revolution... there are many things and many ideas that you can implement:

First, watch the first episode (How to prepare for a revolution – the link above)

Second, there is some information based on experiences from earlier revolutions which you need to know.

The video referred to incapacitating the airports since they are "their last defence against the people."<sup>261</sup>

On August 28, 2017, the ERC also posted an image on its Arabic language Facebook page highlighting the location of the "new administrative capital of the military fortress," specifying that it is "stronger and higher than the separation wall built by the Zionist entity in occupied Palestine." The post shared the apparent dimensions of the structure and that its objective is "To protect symbols of government and elite...and foreigners from any popular uprising coming with increasing resentment and poverty in Egypt."<sup>262</sup>

While the CRA recognizes that these statements were made after the audit period, we would advise that support for ECHO, ECCD, and the ERC is not charitable. Furthermore, the Organization appears to have failed to conduct the necessary due diligence in relation to these groups. Even while the ERC was making these comments, the Organization continued to host these groups in their facilities. Specifically, we note the following events held at the Organization's premises:

- September 4, 2017: ECHO Eid Gathering<sup>263</sup>
- June 18, 2017: ECHO event [English translation: "Egyptian Canadian House Breakfast"]
- April 16, 2017: Egyptian Breakfast by ECHO<sup>264</sup>
- Revolution Talk organized by the ECHO and ECCD, held at the CCL February 19, 2017, with [REDACTED] and [REDACTED]<sup>265</sup>

<sup>260</sup> "Don't forget... Correct information is the road to victory We will ask for this information at the correct time and in the correct method. The goal is to block those who try to stop the revolution of Egypt's freemen, mostly those military traitors all across Egypt." (Facebook, "Videos,"

[https://www.facebook.com/pg/ercegypt1/videos/?ref=page\\_internal](https://www.facebook.com/pg/ercegypt1/videos/?ref=page_internal), posted August 7, 2017.

<sup>261</sup> Facebook, "Videos," [https://www.facebook.com/pg/ercegypt1/videos/?ref=page\\_internal](https://www.facebook.com/pg/ercegypt1/videos/?ref=page_internal).

<sup>262</sup> "Timeline," Facebook, <https://www.facebook.com/ercegypt1/>, posted August 28, 2017.

<sup>263</sup> Facebook, "ECHO Eid Gathering," <https://www.facebook.com/events/1915846348683287/>, posted August 30, 2017.

<sup>264</sup> <https://www.facebook.com/events/11049115468554294/>.

<sup>265</sup> <https://www.facebook.com/events/1788628168128733/>.

The fact that the Organization is providing resources to groups that are actively planning and supporting the ERC, which appears to be encouraging violence, is of concern to the CRA. It does not provide a charitable benefit and is contrary to public policy.

### **Syrian Muslim Brotherhood and fundraising for Syria**

As detailed above, as part of the audit the CRA requested the email accounts of several members of the Organization. A thorough review of the Organization's email accounts raises our concerns about the Organization's association with high ranking members of the Syrian Muslim Brotherhood (SMB) by certain directors and employees of the Organization.

SMB was founded in 1942 as a loose<sup>266</sup> extension of the Muslim Brotherhood in Egypt.<sup>267</sup> In 1964, the SMB's activities were banned a year after the Syrian Baath Party came to power in a coup. In the 1970s and 1980s, the SMB undertook guerilla activities in multiple cities, targeting military officers and government officials<sup>268</sup> in response to President Hafez al-Assad's authoritarian approach to governing Syria and the Syrian Government's role in the Lebanese civil war.<sup>269</sup> In 1979, President Hafez al-Assad ratified a law that made membership with the SMB a capital offence.<sup>270</sup> Violence continued for several years until President Hafez al-Assad launched a large-scale military offensive on the SMB stronghold of Hama in February 1982, in which an estimated 20,000 of the city's inhabitants were killed.<sup>271</sup> Following the destruction of Hama, the SMB retreated from political life in Syria, with its surviving leaders and members going into exile.<sup>272</sup>

In 2011, after the Syrian government cracked down on peaceful protests, the opposition to President Bashar al-Assad erupted. By October 2012, the different factions of the Syrian opposition, including the SMB, established the Syrian National Council.<sup>273</sup>

In March 2012, the SMB officially endorsed the Free Syrian Army (FSA), a loose network of armed militia groups initially established to protect citizens by peacefully protesting and to fight against the Syrian regime.<sup>274</sup> The SMB has appealed to the US and Europe that "providing the

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<sup>266</sup> There is no official linkage between the two Islamist groups on Syria and Egypt; early documents of the Syrian Muslim Brotherhood do not reference the "parent" organization that was the Muslim Brotherhood in Egypt.

<sup>267</sup> Carnegie Middle East Centre, "The Muslim Brotherhood," Diwan: Syria in Crisis, 2012-02-01: <http://carnegie-mec.org/diwan/48370?lang=en>

<sup>268</sup> Porat, Liad. "The Syrian Muslim Brotherhood and the Asad Regime," Middle East Brief: Crown Center for Middle East Study

<sup>269</sup> International Relations, "Syria Muslim Brotherhood," October 6, 2016; <http://internationalrelations.org/syria-muslim-brotherhood/>.

<sup>270</sup> International Relations, "Syria Muslim Brotherhood," October 6, 2016; <http://internationalrelations.org/syria-muslim-brotherhood/>.

<sup>271</sup> Rodrigues, Jason. "1982: Syria's President Hafez al-Assad crushes rebellion in Hama," The Guardian (2011-08-01); <https://www.theguardian.com/theguardian/from-the-archive-blog/2011/aug/01/hama-syria-massacre-1982-archive>.

<sup>272</sup> [https://carnegieendowment.org/files/muslim\\_bro\\_comback.pdf](https://carnegieendowment.org/files/muslim_bro_comback.pdf)

<sup>273</sup> BBC News, "Guide to the Syrian Opposition," Middle East, 2013-10-17: <http://www.bbc.com/news/world-middle-east-15798218>.

<sup>274</sup> Charles Lister, Brookings, "The Free Syrian Army: A decentralized insurgent brand". November 2016, <https://www.brookings.edu/research/the-free-syrian-army-a-decentralized-insurgent-brand/>.

FSA and revolution rebels with appropriate arms is more urgent now than at any time in the past.”<sup>275</sup> Reporting indicates that the SMB had coopted the FSA by gaining the loyalty of the FSA founder, Col. Riad al-Asaad<sup>276</sup> with FSA brigade taking on religious names.

In light of the SMB’s apparent involvement in the violence occurring in Syria, it is concerning that members of the Organization received electronic correspondence from email accounts associated with several high ranking SMB figures. Please see Appendix G for a summary of the emails related to the SMB.

- Ali Al Bayanouni<sup>277</sup> <sup>278</sup> the former Comptroller General and head of the “Aleppo faction” of the SMB (1996-2010).<sup>279</sup>
  - In total, the CRA identified at least 27 emails sent by an email associated with A. A. Bayanouni, [REDACTED], to president@macnet.ca.
- Muhammad Riyadh Shaqfah, the SMB’s Comptroller General (2010-2014).<sup>280</sup>
  - An email sent by [REDACTED] was sent to the Organization’s president at president@macnet.ca on May 20, 2013.<sup>281</sup> The email contained a document from the Muhammad Riyadh Shaqfah, and was a call for support:

“This support must be translated to good works and noble stands starting with issuing messages of support for the Syrian people demanding decent life for them denouncing

The FSA was established in 2011, as an armed rebel group operating in Syria and formed largely by individuals who defected from the Syrian army. The FSA was initially established with the goal of representing a nationwide “resistance organization formed to protect peaceful protesters and to initiate military operations against the Assad regime”. It has been described as a “loose network of brigades”, some working with “hardline Islamist groups” such as Ahrar al-Sham, and “al-Qaeda-linked jihadists.” (BBC, “Guide to the Syrian rebels”, December 13, 2013, <https://www.bbc.com/news/world-middle-east-24403003>; Immigration and Refugee Board of Canada, Responses to Information Requests, <https://irb-cisr.gc.ca/en/country-information/rir/Pages/index.aspx?doc=457210>; CSIS, “Pitfalls and Promises, Security Implications of a Post-revolutionary Middle East: Highlights from the conference,” September 2014, <https://www.canada.ca/en/security-intelligence-service/corporate/publications/pitfalls-and-promises-security-implications-of-a-post-revolutionary-middle-east.html>).

<sup>275</sup> Associated Press, “Syrian Muslim Brotherhood calls on US, Europe for weapons, as fighting rages at Aleppo prison,” Fox News World, 2013-07-07: <http://www.foxnews.com/world/2013/07/07/syrian-rebels-pound-besieged-shiite-towns-with-mortar-shells-heavy-weapons.html>.

<sup>276</sup> Hassan, Hassan. “How the Muslim Brotherhood Hijacked Syria’s Revolution.” Foreign Policy, March 13, 2013; <http://foreignpolicy.com/2013/03/13/how-the-muslim-brotherhood-hijacked-syrias-revolution>.

<sup>277</sup> According to CRA research, the email account [REDACTED] is associated with the Muslim Brotherhood in Syria (SMB), PO Box 54879, London, UK. The username “aliahmadissa@” on Twitter is associated with Ali Al Bayanouni, Former Comptroller General and head of the “Aleppo faction” of the SMB (1996-2010). Sources: [www.asharqalarabi.org.uk/ruiiah/b-ruiiah-341.htm](http://www.asharqalarabi.org.uk/ruiiah/b-ruiiah-341.htm), January 20, 2009; <https://twitter.com/aliahmadissa>; Lefevre, Raphael. “New Leaders for the Syrian Muslim Brotherhood,” Carnegie Middle East Center (2014-12-11); <http://carnegie-mec.org/2014/12/11/new-leaders-for-syrian-muslim-brotherhood-pub-57453>.

<sup>278</sup> <https://twitter.com/aliahmadissa>

<sup>279</sup> Raphaël Lefèvre, Carnegie Middle East Center - Carnegie Endowment for International Peace, “New Leaders for the Syrian Muslim Brotherhood,” December 11, 2014, <http://carnegie-mec.org/2014/12/11/new-leaders-for-syrian-muslim-brotherhood-pub-57453>

<sup>280</sup> Raphaël Lefèvre, Carnegie Middle East Center - Carnegie Endowment for International Peace, “New Leaders for the Syrian Muslim Brotherhood,” December 11, 2014, <https://carnegie-mec.org/2014/12/11/new-leaders-for-syrian-muslim-brotherhood-pub-57453>.

<sup>281</sup> Properties for email dated May 20, 2013, “Fwd”, from [REDACTED] to president@macnet.ca.

the crimes committed against them by the evil Regime and its partners. We must facilitate marches and demonstrations everywhere to put pressure on governments and regimes to end their relations with this evil and criminal group. We must utilise media to support our strong and unbending people that are being starved and subjugated by this evil entity.”

- Ghassan al-Najjar, leader of the Independent Islamic Democratic Current, an alleged ‘SMB’ front group.<sup>282</sup>
  - On July 25, 2012, the Organization’s Executive Director received an email from Mahmoud Akil, one of the Organization’s founding directors.<sup>283</sup> Sent to the Executive Director’s email, ed@macnet.ca, the email appears to have been originally sent from Ghassan Al-Najar and the Independent Syrian Islamic Movement,<sup>284</sup> pleading for support for Syrian revolutionary soldiers in battle.<sup>285</sup> The email stated:

“Our soldiers are confronting the enemy with bravery and have accomplished gains on the ground: however, our soldiers only possess small arms and light weapons such as rifles. We fear that they will run out of bullets: they have very few RPG rounds left. We call on you and beg of you to provide the Aleppo Neighborhood Front with various weapons, equipment and ammunition. Each bullet is selling for 150 Syrian pounds on the black market and they are very scarce.”<sup>286</sup>

While the CRA does not have any information to indicate that the Organization has provided any resources to the SMB, the fact that key members of the Organization received electronic communication from the SMB is a concern as it is in direct contradiction to the Organization’s representations that it has no “connection with any Muslim Brotherhood outside of Canada or that it receives guidance from any organization.”<sup>287</sup>

Another email, sent from Mahmoud El-Abiary’s<sup>288</sup> account [REDACTED] to the Organization’s Executive Director,<sup>289</sup> was addressed to “Brothers and Sirs,” asking that effort be dedicated “towards the responsibility of supporting, assisting and bolstering without delay the revolution of our people in Syria: this is a responsibility for every Muslim.” The message requested the following:

<sup>282</sup> Hassan, Hassan, “How the Muslim Brotherhood Hijacked Syria’s Revolution,” Foreign policy, March 13, 2013. <https://foreignpolicy.com/2013/03/13/how-the-muslim-brotherhood-hijacked-syrias-revolution/>.

<sup>283</sup> Charity Application & Letters Patent.

<sup>284</sup> The CRA could not find any information about this organization.

<sup>285</sup> Email from Mahmoud Akil, dated July 25, 2012, For details about the email content, see Appendix G.

<sup>286</sup> Email from Mahmoud Akil, dated July 25, 2012

<sup>287</sup> Letter from the Organization’s legal representatives, dated December 21, 2018.

<sup>288</sup> An individual named Mahmoud El Abiary is reportedly a ‘prominent’ Egyptian Muslim Brotherhood member. An Austrian citizen, he lives in London (UK) “where he serves as one of the most senior members of what is traditionally been the headquarters outside of Egypt of the Egyptian Brotherhood.” Dr. Lorenzo Vidino, Program on Extremism, The George Washington University, “The Muslim Brotherhood in Austria,” August 2017, [https://extremism.gwu.edu/sites/g/files/zaxdzs2191/f/MB\\_in\\_Austria-Print.pdf](https://extremism.gwu.edu/sites/g/files/zaxdzs2191/f/MB_in_Austria-Print.pdf), p.16.

<sup>289</sup> The email dated March 12, 2013 was sent to email addresses: ed@macnet.ca and [REDACTED].

- “Every brother must set aside .5% monthly (of their monthly wages) to support our brothers in Syria...;”
- “...must work diligently towards setting up a popular regional committee to support the Syrian cause. We have scheduled a gathering for all the regional committees supporting Syria for Thursday 2013 04 25; please organise your travels accordingly.”
- “...direct the majority of donations and offerings in support of the revolution and to meet the needs of our people in Syria; also, we must multiply our efforts to reach out to benevolent individuals to give more in support of the revolution and our people in Syria;”
- “We must organise meetings, conferences, gatherings and discussions to clarify the plight of our people in Syria and showcase the barbarity of the Syrian Regime and its allies.”<sup>290</sup>

The email included attachments such as the campaign message [translation]: “Save Syria” or “Support Syria” or “Syria needs your support,” and “Inciting support for the just Syrian cause from all possible public and private charitable organisations.” The email included details of the campaign’s aims, preparation, implementation steps and mandatory obligation “to ensure that the Friday sermon in all mosques mention Syria and collect donations on said Friday in support of the Syrian people; this collection would be coordinated with participating charitable organisations affiliated with the campaign. Members of these organisations should be on hand at the mosques to collect the donations and provide official receipts.”<sup>291</sup>

It is extremely concerning that the Organization would be associating with individuals that are actively promoting and soliciting weaponry and ordnance. Such concerns are exacerbated by the Organization’s apparent lack of internal controls and due diligence procedures identified by the CRA in relation to apparent fundraising for Syria.

Specifically, we note:

- The Organization appears to have supported an organization called WATAN or WATAN Syria that has been fundraising in the Organization’s premises in support of Syria.
  - The CRA has identified at least eight events with WATAN during the audit period and an additional four after the audit period.<sup>292</sup> Of note, one of the WATAN events held at

<sup>290</sup> Original email from Mahmoud El-abiyary, [REDACTED] March 12, 2013.

<sup>291</sup> Original email from Mahmoud El-abiyary, [REDACTED] March 12, 2013.

<sup>292</sup> WATAN is featured prominently on posters and promotional material advertising events occurring at the Organization’s premises. Some of the activities appear to have been conducted in conjunction with Human Concern International (HCI) while others appear to have been done solely by WATAN. The presence of another registered charity, HCI, does not absolve the Organization of its obligation to conduct due diligence on the WATAN. The events were as follow:

- “Family Fun Fest 2 Eid,” October 27, 2013, sponsored by the Organization’s Al-Rawdah Mosque in Montreal
- WATAN and Al-Rawdah mosque event “Practical Self Defense Seminar,” December 21, 2013.
- Eid Festival, in Laval, QC, October 5, 2014, held by Watan Foundation’s Montreal office and MAC
- Fundraising event and bake sale at CCL Montreal, co-presented by HCI and WATAN, featuring a speech by Al-Rawdah mosque Imam [REDACTED] January 18, 2015.
- Watan Syria Bazaar event being held at the Olive Grove School, January 2013.

the Organization's Olive Grove School (OGS) on February 2, 2013<sup>293</sup> was a seminar which was featuring Mohammad Zuhair Al-Khatib.<sup>294</sup> "member of the Syrian National Council."<sup>295</sup>

- o According to publicly available information, WATAN, which appears to have branches in Canada,<sup>296</sup> undertakes activities in Turkey, Syria,<sup>297</sup> and Iraq<sup>298</sup> and has been linked to several foreign charities with apparent links to terrorism including the

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- February 2, 2013. WATAN seminar held at OGS, which provided "detailed information on Watan's goals, projects and upcoming plans in Toronto," including the launch of its Toronto activities and office.
  - BBQ for Syria, at the OGS on March 17, 2013 with the money raised going towards "milk and nutrition baskets for children inside Syria." During the event, there were activities hosted by Generation Freedom (a WATAN institution), and proceeds appears to have been donated through HCI.
  - August 2, 2013, fundraiser held at OGS for the "children of Syria," by Watan Syria (Watan-Toronto), and organized by Khayr Charity Foundation and Generation Freedom Institution (WATAN institutions).
  - "Fête de l'Eid Al-Adha," September 27, 2015, in collaboration with AlRawdah Mosque, MAC Montreal, sponsored by Human Concern International (HCI), Watan Montreal and Boucherie B-B-Q Dandachi.
  - "Bazar for Aleppo, Syria," May 20, 2016, held at the CCL in Montreal.
  - "Mega Bazar: For Syrian Refugees Children", February 12, 2016 at CCL in Montreal.
  - Eid Festival and Dinner, Co-presented by HCI, WATAN and Al-Rawdah mosque, July 19, 2015.
- Sources: Post October 23, 2013, [www.facebook.com/cclmac.ca](http://www.facebook.com/cclmac.ca); Post December 19, 2013, [www.facebook.com/watansyriamontreal](http://www.facebook.com/watansyriamontreal); Post October 1, 2014, [www.facebook.com/WATANFoundation](http://www.facebook.com/WATANFoundation); Post January 15, 2015, [www.facebook.com/watansyriamontreal](http://www.facebook.com/watansyriamontreal); CRA Feb 1 visit requirements, Event poster: "Application for use of School Facilities"; Email forwarded by [REDACTED] to OGS Principal, March 9, 2013; Post September 23, 2015, [www.facebook.com/cclmac.ca/](http://www.facebook.com/cclmac.ca/); Post May 13, 2016, [www.facebook.com/watansyriamontreal](http://www.facebook.com/watansyriamontreal); Post February 11, 2016, [www.facebook.com/watansyriamontreal](http://www.facebook.com/watansyriamontreal); Post July 5, 2015, [www.facebook.com/watansyriamontreal](http://www.facebook.com/watansyriamontreal).

<sup>293</sup> Email from [REDACTED] to OGS Principal, January 28, 2013 attachment: watanenglish.jpg

<sup>294</sup> M. Khatib was described in 2012 as a "Toronto-based member of the Syrian National Council".  
Source: Lee Berthiaume, National Post, "Canada pushing to remove Syria from UN board," January 25, 2012, <https://nationalpost.com/news/canada/canada-pushing-to-remove-syria-from-un-board>.

<sup>295</sup> Email from [REDACTED] to OGS Principal, January 28, 2013 attachment: watanenglish.jpg

<sup>296</sup> WATAN, "board leadership," [https://watan.foundation/Home/WATAN\\_Board\\_Leadership?lang=en](https://watan.foundation/Home/WATAN_Board_Leadership?lang=en).

<sup>297</sup> WATAN, "where we work," [https://watan.foundation/Home/WHERE\\_WE\\_WORK?lang=en](https://watan.foundation/Home/WHERE_WE_WORK?lang=en).

<sup>298</sup> Watan Foundation, "Charity Overview", <http://charitycommission.gov.uk>.

World Assembly of Muslim Youth (WAMY),<sup>299 300</sup> and Humanitarian Relief Foundation(IHH),<sup>301 302</sup> among others.

- The CRA's concerns are elevated by the fact that WATAN has no discernable physical presence in Canada and its online presence is limited to a Facebook account. It is not clear who the directors are and what activities WATAN's apparent branches in Canada are undertaking other than to send money outside of Canada.
- The Organization permitted the group Syrian Active Volunteers (SAV) to operate out of the Islamic Community Centre of Ontario (ICCO) located at 2550 Dunwin Drive in Mississauga, Ontario. In addition to providing assistance to Syrian refugees, SAV also appears to have been active in promoting the Syrian revolution and the FSA.
  - SAV posted on its Facebook page in 2012, numerous images depicting the FSA's flag<sup>303</sup> and images showing support for the Syrian revolution.<sup>304</sup> The images also

<sup>299</sup> In Canada, WAMY Canada was revoked of its charitable status following an audit of its operations. The CRA's analysis of WAMY Canada's operations led the CRA to believe that it had been established to support the goals and operations of its parent organization located in Saudi Arabia, which has been alleged to support terrorism. WAMY Canada shared a common director, contact information, and a bank account with the Benevolence International Fund in Canada (BIF-Canada), and provided \$50,246 to the Benevolence International Foundation in the United States (BIF-USA) in 2001. On November 21, 2002, BIF-Canada and BIF-USA were added to the Consolidated List of the United Nations Security Council's Al-Qaida and Taliban and Sanctions Committee, as entities belonging to, or associated with, Al-Qaida." (Notice of Intent to Revoke, letter dated January 5, 2012).

<sup>300</sup> On March 2, 2018, WATAN posted a picture on its Facebook page of a Khayr Charity Foundation (KCF) volunteer/employee handing out clothing to children. In the background are posters on the wall – one featuring the WAMY logo, and the other featuring the KCF logo. On February 6 and 13, 2015, other pictures featured an individuals in front of WAMY, WATAN and Islamic Development Bank (IDB) banners. [www.facebook.com/WATANFoundation](http://www.facebook.com/WATANFoundation), posted March 2, 2018; [www.facebook.com/WATANFoundation](http://www.facebook.com/WATANFoundation), posted February 6 and 13, 2015.

<sup>301</sup> IHH was listed in 2008 by Israel's Ministry of Foreign Affairs as a member of the Union of Good, part of Hamas' fundraising network. IHH has been alleged to "be involved in the provision of financial support" to Hamas by other countries. For example, in the Netherlands, IHH (IHH-Nederland) was placed on its terrorist list in 2011 [Sanctions regulation terrorism 2007-II]. The German branch of IHH was also prohibited in Germany in 2010 for "its long-term support of Hamas." (FINTRAC, "Money Laundering and Terrorist Activity Financing Watch," April-June 2010, [https://publications.gc.ca/collections/collection\\_2011/canafe-fintrac/FD3-1-6-2010-3ng.pdf](https://publications.gc.ca/collections/collection_2011/canafe-fintrac/FD3-1-6-2010-3ng.pdf), p.11; Israel Ministry of Foreign Affairs, "Defense Minister signs order banning Hamas-affiliated charitable organizations," July 7, 2008; Financial Intelligence Unit – the Netherlands, Annual Report 2011, [https://www.fiu-nederland.nl/sites/en.fiu-nederland.nl/files/u3/FIU Annual Report 2011\\_ENG\\_0.pdf](https://www.fiu-nederland.nl/sites/en.fiu-nederland.nl/files/u3/FIU%20Annual%20Report%202011_ENG_0.pdf), p.70.

<sup>302</sup> In January 2016, WATAN appears to have signed an official agreement with IHH to undertake relief activities through joint ventures. Further, in 2013, WATAN Syria and IHH partnered with a group of organizations to form the Hayat Aid Convoy. The Hayat Aid Convoy was created to "draw attention to the humanitarian crisis in Syria and take emergency aid to the region". In March 2015, WATAN and IHH co-hosted a training event about 'institutional work'. Facebook, "Timeline", [www.facebook.com/WATANFoundation](http://www.facebook.com/WATANFoundation), posted January 26, 2016; IHH, "Hayat Aid Convoy brings new dimension to humanitarian aid," January 5, 2013, <https://www.ihh.org.tr/en/news/hayat-aid-convoy-brings-new-dimension-to-humanitarian-aid-1692>; Facebook, "Timeline," [www.facebook.com/WATANFoundation](http://www.facebook.com/WATANFoundation), posted March 2, 2015.

<sup>303</sup> Facebook, <https://www.facebook.com/SAVsyrria/photos/a.388646207830883/388647227830781/?type=3&theater>; <https://www.facebook.com/SAVsyrria/photos/a.388646207830883/388647197830784/?type=3&theater>; <https://www.facebook.com/SAVsyrria/photos/a.388646207830883/388647377830766/?type=3&theater>; <https://www.facebook.com/SAVsyrria/photos/a.388646207830883/388647314497439/?type=3&theater>; <https://www.facebook.com/SAVsyrria/photos/a.401423103219860/416097011752469/?type=3&theater>.

<sup>304</sup> Facebook, <https://www.facebook.com/SAVsyrria/photos/a.388646207830883/388646561164181/?type=3&theater> Posted March 4, 2012;

<https://www.facebook.com/SAVsyrria/photos/a.388646207830883/388647037830800/?type=3&theater>



- include depictions of soldiers and weapons<sup>305</sup> and appear to be calling for a militant response to the war in Syria.
- On March 18, 2012, SAV posted an image on its Facebook page of what appears to be a flyer for IRFAN-Canada, asking for an urgent appeal for Syria and for donations for refugees in Turkey, Lebanon, and Jordan.<sup>306</sup>
  - During the audit interview, the Organization claimed that it had a written agreement with SAV and that it provided the Organization with a nominal rent.<sup>307</sup> However, according to CRA's review the Organization has not provided the agreement and the CRA was not able to confirm that any payments were made to the Organization on behalf of SAV.
  - The Organization's emails detail attempts to transfer money or cash to unknown entities in Jordan and Syria.
    - According to a May 9, 2013, email sent to what appears to be the Organization's Mississauga members group email address, [REDACTED] writes: [REDACTED] is traveling on June 3 to zatary (sic) camp in Jordan. She doesn't mind to carry any money donations"<sup>308</sup>
    - In an October 25, 2012 email sent to toronto@macnet.ca, [REDACTED] writes: "The person in charge of collecting donations for Syria is brother [REDACTED]"<sup>309</sup>

The CRA audit was unable to confirm where this money came from, and more importantly, where it ended up. Both of these emails appear to suggest that the Organization's electronic resources are being used to solicit and collect funds for Syria. It is unclear why [REDACTED] a person with no overt position of authority within the Organization, appears to be coordinating the collection and transfer of the Organization's funds to entities unknown in Jordan and Syria.

Adding to the CRA's concern is [REDACTED] apparent association with several organizations that were either directly or indirectly involved in terrorism financing or support. [REDACTED] was listed as a director of Benevolence International Fund<sup>310</sup>—a U.S. listed terrorist entity; World Assembly

<https://www.facebook.com/SAVsyria/photos/a.388646207830883/388649771163860/?type=3&theater;>

<https://www.facebook.com/SAVsyria/photos/a.388800817815422/388800891148748/?type=3&theater.>

<sup>305</sup> Facebook, <https://www.facebook.com/SAVsyria/photos/a.388800817815422/388800891148748/?type=3&theater.>

48748/?type=3&theater, posted March 4, 2012; <https://www.facebook.com/SAVsyria/photos/a.388646207830883/388649771163860/?type=3&theater.>

83/3 8864703 783 0800/?type=3&theater, posted March 4, 2012; <https://www.facebook.com/SAVsyria/photos/a.388646207830883/388647227830781/?type=3&theater.>

306 SAV's Facebook page, Posted March 18, 2012, <https://www.facebook.com/SAVsyria/photos/a.401423103219860/401424773219693/?type=3&theater.>

<sup>307</sup> Audit Interview, ICCO, January 31, 2017.

<sup>308</sup> Email from miss\_members-bounces@macnet.ca on behalf of Abusinan, May 9, 2013, subject: RE: [Miss\_members]; lcco fundraiser feedback. Zatory appears to be referring to Zaatari Camp, a refugee camp in Jordan for the Syrians that fled the civil war in Syria.

<sup>309</sup> Email from [REDACTED] to toronto@macnet.ca, October 25, 2012, "[MAC Toronto] Syria."

<sup>310</sup> [https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities\\_execorder\\_13224-b.aspx](https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/protecting-charities_execorder_13224-b.aspx)

of Muslim Youth (WAMY),<sup>311 312</sup> Muslim World League Canada,<sup>313 314</sup> and the Canadian Middle East Information Center (which was discussed in Appendix F).<sup>315</sup> In 2012, [REDACTED] was reported to be a member of the Syrian National Council.<sup>316</sup>

### Summary of section 1.2

After a review of the Organization's records and representations, the CRA found that despite having created an Anti-Terrorism Policy (ATP) in 2011, it appears as though the Organization never implemented the document in a truly meaningful manner and has failed to demonstrate that it conducts meaningful due diligence. The failure to conduct due diligence, whether purposeful or negligent, has resulted in several of the Organization's activities being considered by the CRA to be activities contrary to public policy.

Specifically, the Organization was found to have provided IRFAN-Canada with an opportunity to raise funds within its premises. In light of the reason for IRFAN-Canada's revocation, providing IRFAN-Canada with an opportunity to raise funds on the Organization's premises is tantamount to providing financial resources directly to IRFAN-Canada, which the CRA considers to be contrary to public policy.

The Organization has also been permitting two groups, the ECCD and ECHO, to utilize its premises rent free. The CRA's concern in this regard is that both the ECCD and ECHO have direct and well known connections to the Egyptian Revolutionary Council (ERC), a group which appears to be engaging in or promoting violence. The fact that the Organization is providing resources to groups that are actively planning and supporting the ERC, does not provide a charitable benefit and is contrary to public policy.

In addition, the CRA found that the Organization's president received various messages from email addresses associated with the Syrian Muslim Brotherhood (SMB) and about the SMB's activities, including calls for support for the group's efforts such as weaponry and ordnance. Such

<sup>311</sup> Sarah Boesveld, National Post, "Canadian Muslim youth group tied to al-Qaeda stripped of charitable status," March 6, 2012, <https://nationalpost.com/news/canada/canadian-muslim-youth-organization-loses-charitable-status>

<sup>312</sup> Listed as 'President' on World Assembly of Muslim Youth fiscal year 2003-12-31 T3010 (Registered Charity Information Return).

<sup>313</sup> The Muslim World League has been the subject of "terrorism financing inquiries in the United States and several other countries" and its offices were raided in March 2002 by the US Treasury Department as part of investigation into a network with ties to Al-Qaeda, Hamas, and Palestinian Islamic Jihad. Source: <https://www.washingtonpost.com/archive/politics/2003/10/02/spreading-saudi-fundamentalism-in-us/771db9e-20e3-4d0e-95cd-3e531a93e5c9/> In 2006, the US Treasury Department designated the Philippine and Indonesian branch offices of the Saudi-based International Islamic Relief Organization (IIRO). Both of these branches were also known as the Human Relief Committee of the Muslim World League. Source: <https://www.treasury.gov/press-center/press-releases/Pages/hp45.aspx>

<sup>314</sup> Companies of Canada, Muslim World League, <https://www.companiesofcanada.com/company/198997-9/muslim-world-league>; Listed as 'Director/Trustee' on Muslim World League-Canada fiscal year 2000-12-31 T3010 (Registered Charity Information Return).

<sup>315</sup> Listed as 'Public Relations Officer/Director' on Canadian Middle East Information Centre (CMIC) fiscal years 1993-12-31, 1996-12-31, and 1998-12-31 T3010s (Registered Charity Information Return)

<sup>316</sup> Lee Berthiaume, National Post, "Canada pushing to remove Syria from UN board," January 25, 2012, <https://nationalpost.com/news/canada/canada-pushing-to-remove-syria-from-un-board>.

concerns are exacerbated by the Organization's apparent lack of internal controls and due diligence procedures identified by the CRA in relation to apparent fundraising for Syria.

Given the above findings, it is our preliminary position that the Organization has failed to conduct adequate due diligence and has conducted activities contrary to public policy. It is our view that, as a matter of public policy, the tax advantages of charitable registration should not be extended to an organization whose resources may, directly or indirectly, provide any means of support for, or benefit to, a terrorist entity.<sup>317</sup> As a matter of fact, it is well established that an organization will not be charitable at law if its activities are illegal or contrary to public policy.<sup>318</sup>

It is our view that the Organization has not demonstrated that it operates exclusively for charitable purposes in accordance with subsection 149.1(1) of the Act. As such, there may be grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

### **1.3 Lack of public benefit**

As noted above, it is essential for an organization to meet the public benefit test in order for it to continue to be a registered charity. The public or charitable benefit, on first consideration, can initially be assumed to be delivered when an organization's purposes fall within the first three categories of charity (the relief of poverty, the advancement of education, and/or the advancement of religion) because of the historical recognition of these objects as being beneficial to the public.<sup>319</sup>

However, the nature and terms of each particular purpose must be examined to ensure that the purpose falls within one of the categories of charity (that it meets all associated legal requirements) and, in fact, delivers the required charitable benefit. The assumption of benefit will not apply if it is not clear that a purpose falls within a category of charity; and/or will be displaced (meaning "the contrary will be shown") if the delivery of a charitable benefit is questioned because it is not obvious or apparent, or is challenged or disputed.

Specifically related to activities undertaken by a charity and its requirement to provide a public benefit, the assumption that there is a public benefit could be displaced, for example, where there is evidence to suggest that the activities an organization undertakes to achieve its purposes—and thereby ostensibly deliver the required benefit—may cause detriment or harm, including activities that:

- promote or incite intolerance, hatred or violence;
- pose a significant risk of physical or mental harm to a person:

<sup>317</sup> It should be noted that Canadian policy in this regard is reflected in the Government of Canada's decision to list such organizations as Hizballah and Hamas in their entirety, including charitable and political wings rather than just their military wings.

<sup>318</sup> Summary Policy, CSP-P13, available at [canada.ca/charities-giving](http://canada.ca/charities-giving). See *Everywoman's Health Centre Society (1988) v. Canada (Minister of National Revenue)* [1992] 2 F.C. 52 and *Canadian Magen David Adom for Israel v. Canada (Minister of Revenue)* 2002 FCA 323.

<sup>319</sup> *National Anti-Vivisection Society v. I. R.C.*, [1947] 2 All ER 2 17, [1948] A.C. 3 1 (HL); *In re Hetherington*, [1990] Ch 1; *Independent Schools Council v. Charity Commission for England and Wales; Attorney General v. Charity Commission for England and Wales and another*. [2011] UKUT 421 (TCC) (*Independent Schools*) at paras. 44, 52-53, 67-68. See also *Vancouver Society* supra note 32, at paras. 41-42.

- unlawfully restrict human rights and freedoms; or
- are contrary to Canadian law.

The CRA fully understands that the Canadian Constitution, through the Charter of Rights and Freedoms, protects Canadians' freedom of thought, belief, opinion and expression. Further, it is recognized that radicalization,<sup>320</sup> or having radical thoughts, is not illegal in and of itself. However, it is important to note that, as articulated through the National Strategy on Countering Radicalization to Violence,<sup>321</sup> radicalization to violence<sup>322</sup> can occur when a person or group takes on extreme ideas and begins to think they should use violence to support or advance their ideas or beliefs.

Both offline and online, Canadians engage in a range of non-violent behaviours in support of violent extremism:<sup>323</sup>

- Funding violent extremist or terrorist groups.
- Spreading messages and narratives that incite violence and hatred.
- Recruiting individuals to become part of a violent extremist or terrorist group.
- Travelling to join violent extremists or terrorist groups abroad.
- Expressing support for a terrorist group.<sup>324</sup>

In its ongoing efforts to keep Canadians safe, the Government of Canada is focused on preventing radicalization to violence, and also recognizes the increasing concern about expressions of intolerance and hate in the public and online spheres.<sup>325</sup> Acknowledging that beyond some of the positive outcomes it can provide, the internet can increasingly become a tool for terrorism and violent extremism, Prime Minister Justin Trudeau joined Prime Minister of New Zealand Jacinda Ardern, President of France Emmanuel Macron, and other government and industry leaders to adopt the Christchurch Call to Action in May 2019—a global pledge to eliminate terrorist and violent extremist content online.<sup>326</sup>

### **1.3.1 Views expressed by employees as representatives of the Organization**

The CRA conducted a review of the Organization's speakers and the views that those speakers have publicly expressed. Subsequent to our review of all available information, it is our position

<sup>320</sup> Radicalization is a process by which an individual or a group gradually adopts extreme positions or ideologies that are opposed to the status quo and challenge mainstream ideas.

<sup>321</sup> Government of Canada, "National Strategy on Countering Radicalization to Violence," <https://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/ntnl-strtg-cntrng-rdclztn-vlnc/index-en.aspx>.

<sup>322</sup> Radicalization to violence is the process by which individuals and groups adopt an ideology and/or belief system that justifies the use of violence in order to advance their cause.

<sup>323</sup> Violent extremism is a term describing the beliefs and actions of people who support or use violence to achieve extreme ideological, religious or political goals.

<sup>324</sup> Government of Canada, "National Strategy on Countering Radicalization to Violence," <https://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/ntnl-strtg-cntrng-rdclztn-vlnc/index-en.aspx>.

<sup>325</sup> Government of Canada, "National Strategy on Countering Radicalization to Violence," <https://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/ntnl-strtg-cntrng-rdclztn-vlnc/index-en.aspx>.

<sup>326</sup> Justin Trudeau, Prime Minister of Canada, "Canada joins Christchurch Call to Action to eliminate terrorist and violent extremist content online," May 15, 2019, <https://pm.gc.ca/en/news/news-releases/2019/05/15/canada-joins-christchurch-call-action-eliminate-terrorist-and-violent>.

that the assumption of benefit may have been displaced. The viewpoints expressed by these individuals do not appear to advance religion in the charitable sense, nor deliver the public benefit associated therewith. While some of these incidents occurred outside of the audit period, they were included as these individuals were employed or involved with the Organization during the audit period. Further, since incidents involving the Organization's speakers continue to arise it would appear that the Organization has not taken significant measures to ensure that its employees and volunteers are not displacing the public benefit. Our concerns in this regard are addressed in Appendix H.

We would like to also note that this is not an exhaustive list as there appears to be other speakers and other incidents who may have similarly displaced the public benefit, but since the CRA could not independently verify the content of the speeches they were omitted.

In conclusion, it would appear, based on the statements of its employees and volunteers, that the public benefit was displaced and the Organization does not operate exclusively for charitable purposes.

### **1.3.2 Social media use by directors and employees**

The CRA is not typically concerned with the social media use by registered charities' directors or employees in their personal capacity. However, that position changes when the viewpoints or expressions that are promoted on social media are so extreme that they would cause the displacement of the Organization's public benefit. Moreover, the CRA has concerns that these opinions, expressed to the world on social media, are likewise being expressed within the Organization. Furthermore, the directors and employees, who operate the social media accounts of concern, hold positions of importance and influence over impressionable people, such as youth and those seeking spiritual guidance. It is reasonable to conclude that interactions with the operators of the concerning social media accounts, however benign, could encourage these impressionable people to seek out their public digital personas that include the extreme viewpoints. Youth are increasingly turning to social media to help them understand and develop their worldview and there is significant risk to the Organization that such viewpoints could permeate throughout the Organization.

As explained in the Government of Canada's National Strategy on Countering Radicalization to Violence, "In the digital age, Canadians' online identities and activities blend into our offline lives. While the internet and social media do not cause radicalization to violence on their own, online activities can facilitate the radicalization to violence process or be used by those who have already radicalized to violence to further their cause, obtain recruits and circulate information on how to commit attacks."<sup>327</sup>

The CRA is concerned with the online activities of a few of the Organization's employees and/or volunteers. Please see Appendix I for a complete description of the CRA's concerns.

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<sup>327</sup> Government of Canada, "National Strategy on Countering Radicalization to Violence," <https://www.publicsafety.gc.ca/cnt/rsrscs/pblctns/ntnl-strtg-cntrng-rdclztn-vlnc/index-en.aspx>.

The examples noted in the appendix demonstrate messaging made in the public realm by individuals closely associated to the Organization (such as religious leaders, directors, employees and board members), who therefore hold important roles within the Organization. In some cases, these individuals would be in direct contact with the public, including youth, and those seeking spiritual guidance. The messaging in the examples identified could be considered hateful, could incite hatred and violence, and/or appear to express support for listed terrorist organizations in Canada.

The risk of extreme viewpoints which could incite hatred, intolerance and/or violence being directly or indirectly promoted to the public is a serious one. Based on the CRA's findings, it is our position that the content posted publicly by individuals closely associated with the Organization could permeate throughout the Organization and displace the required public benefit.

### **1.3.3 Foreign influence and lack of transparency with foreign donors**

The Organization states in its General Operating By-Laws that it "is a wholly independent Canadian organization that only operates within Canada."<sup>328</sup> Further, the Organization indicates on its website that its "mission is to establish an Islamic presence in Canada that is balanced, constructive, and integrated, though distinct, in the social fabric and culture of Canada."<sup>329</sup>

There is no specific requirement in the Act for registered charities to reject donations from foreign controlled or influenced organizations that are associated with, or supportive of, terrorist entities or extremist ideologies. However, common sense and good governance practices suggest that Canadian registered charities should not associate or otherwise accept money from these foreign organizations.

In 2008, the Organization's legal counsel, Mr. Carter, advocated that registered charities should, as a matter of due diligence, be cautious in its solicitation and acceptance of donations. In describing due diligence requirements with respect to donations, Mr. Carter advised:

Charities should exercise vigilance in monitoring incoming donations with respect to the identity of the donor, and the manner in which the donor obtained the funds, as well as with regard to any donor restrictions on donated funds that could put the charity in contravention of anti-terrorism legislation. Charities must regularly review their donor lists for "listed entities" or organizations that may be terrorist groups, affiliated with terrorist groups, or inadvertently facilitating terrorist activity. They must also ensure that a donor would not be able to use any of the charity's programs to permit the flow-through of funds directly or indirectly to a terrorist activity.<sup>330</sup>

Furthermore, the Organization's Gift Acceptance Policy states:

<sup>328</sup> General Operating By-Law No. 13, Preamble.

<sup>329</sup> [http://www.macnet.ca/English/Pages/Our\\_Vision\\_and\\_Mission.aspx](http://www.macnet.ca/English/Pages/Our_Vision_and_Mission.aspx).

<sup>330</sup> Provost's Forum on International Affairs 2008. Counter-Terrorism and Civil Society; The Impact of Anti-terrorism Legislation on Charities in Canada: The Need for Balance available at <http://www.carters.ca/pub/article/charity/2008/tsc0419.pdf>.

MAC will guard itself in reasonably limiting any possibility that it might become associated with terrorism and to respond appropriately if it becomes aware of any possible connection with terrorism... MAC does not accept donations from donors who are involved or appear to be involved in terrorist activities, terrorist groups or financing or facilitating terrorist activities or terrorist groups. Under that circumstance, the donation shall be returned to the potential donor along with a brief explanation that MAC is unable to accept the gift. MAC shall keep a copy of the documentation, concerning the donation, on file.<sup>331</sup>

In the 2015 Senate report *Countering The Terrorist Threat In Canada: An Interim Report* the Standing Senate Committee on National Security and Defence noted the connection between foreign funding and an extremist influence in Canada. Specifically, it explained:

To promote their own fundamentalist brand of Islam – Wahhabism – here in Canada, the committee has heard that wealthy Saudis, Qataris and Kuwaitis are using charities as conduits to finance Canadian mosques and community centres.<sup>332</sup>

In his testimony to the Committee, Richard Fadden, National Security Advisor to the Prime Minister and former Director of CSIS, elaborated:

I think it's fair to say, without commenting on a particular country of origin, that there are monies coming from these countries that are advocating this kind of approach to life. We have in some respects the same problem here as the revenue agency has in determining whether or not a particular activity is a charity or not. A lot of this money, I believe, comes into Canada characterized as being for charitable purposes, educational purposes, whatever purpose, and finding out where it all goes in the end and for what purpose is, in fact, quite difficult. A lot of these funds, I think, are directed to religious institutions or quasi-religious institutions.<sup>333</sup>

Foreign influence tied to foreign funding appears to be present in the Canadian charitable sector.

- In 2017, Global News reported that the audit of the Islamic Society of British Columbia (ISBC) found that the Sheikh Eid Bin Muhammad Al-Thani Charity Foundation of Qatar appeared to maintain some level of control or influence on the ISBC.<sup>334</sup> The report noted ISBC received regular payments from the Qatari organization and that the Imam who “preached an extremist doctrine” was employed by the EID foundation.<sup>335</sup>

<sup>331</sup> MAC Gift Acceptance Policy, Section 3.16.

<sup>332</sup> “Countering The Terrorist Threat In Canada: An Interim Report,” Standing Senate Committee on National Security and Defence, 2015, p.12.

<sup>333</sup> Standing Senate Committee on National Security and Defence. Evidence (Fadden). 41st Parliament. 2nd Session, 27 April 2015., <https://sencanada.ca/en/Content/Sen/committee/412/sectd/52069-e>.

<sup>334</sup> Stewart Bell and Rumina Daya, Global News, “Audit of B.C. mosque charity alleges personal spending ‘relationship’ with Qatar group accused of supporting terror,” September 27, 2017, <https://globalnews.ca/news/3762864/bc-mosque-qatar-terror-relationship/>.

<sup>335</sup> Stewart Bell and Rumina Daya, Global News, “Audit of B.C. mosque charity alleges personal spending ‘relationship’ with Qatar group accused of supporting terror”. September 27, 2017, <https://globalnews.ca/news/3762864/bc-mosque-qatar-terror-relationship/>.

- In February 2019, Global News reported on the audit of the Islamic Shia Assembly of Canada. The charity was revoked for cause, in part, because of it being established by and to advance the ideology of the Iranian government.<sup>336</sup>

While the CRA did not find any evidence to suggest that the Organization was being directly influenced by its foreign donors, the fact that such foreign donors are known to promote extremist ideology or associate with terrorist groups is a concern. Specifically, we note the Organization's solicitation and acceptance of funding from Qatar Charity (QC).<sup>337</sup>

The Charitable Qatar Society, which appears to be Qatar Charity (QC),<sup>338</sup> was banned by the Israel Ministry of Foreign Affairs in 2008 as a member of the Union of Good, part of Hamas' fundraising network.<sup>339</sup> The Union of Good was designated by the United States Department of the Treasury in 2008 as an organization "created by Hamas leadership to transfer funds to the terrorist organization."<sup>340</sup>

In September 2017, QC was designated by Saudi Arabia, Egypt, the United Arab Emirates, and the Kingdom of Bahrain as a sanctioned party that has acted for the benefit of al-Qaida. According to the listing information, the Qatar Charity provided shipments of aid to a Yemeni council that "was under the control of al-Qaida in the Arabian Peninsula (AQAP)." In addition, before joining the charity as a relief coordinator for Syria, Mohammed Jassim al-Sulati (also sanctioned) "distributed supplies to jihadist militants in Syria."<sup>341</sup>

Further examination of publicly available information provided additional details about potential concerns relating to QC operations:

- As of mid-2015, QC "provided shipments of aid to local Yemeni council in Mukalla that was under the control" of AQAP leaders. QC continued to undertake activities in AQAP held areas, "including a January 2016 campaign endorsed by a local Yemeni AQAP leader."<sup>342</sup>
- According to 2013 media reporting, QC apparently committed to pay five billion USD to "rebel groups" in Syria, and the funds were being paid to the 'rebels' through the QC

<sup>336</sup> Stewart Bell, Global News, "Canadian charity disputes CRA accusation it was formed to spread Iranian revolutionary ideology in Canada", February 14, 2019, <https://globalnews.ca/news/4948429/canadian-charity-iran-hezbollah/>.

<sup>337</sup> The Qatar Charity was established in 1992, with its head office in Doha, Qatar. It is a non-governmental organization, which undertakes humanitarian and development programs to fight global poverty. Its projects include education, mosque, health, water, income, Quran Centers, housing for the poor and emergency services. Source: <https://www.qcharity.org/en/qa/home/about> and <https://www.qcharity.org/en/qa/donation/projects>.

<sup>338</sup> When the Charitable Qatar Society and its Arabic name are searched, the Google results are for Qatar Charity. Further, the Qatar Charity was formerly called the Qatar Charitable Society.

<sup>339</sup> Israel Ministry of Foreign Affairs, "Defense Minister signs order banning Hamas-affiliated charitable organizations", July 7, 2008, [www.mfa.gov.il/mfa/pressroom/2008/pages/defense\\_minister\\_signs\\_order\\_banning\\_hamas-affiliated\\_charitable\\_organizations\\_7-jul-2008.aspx](http://www.mfa.gov.il/mfa/pressroom/2008/pages/defense_minister_signs_order_banning_hamas-affiliated_charitable_organizations_7-jul-2008.aspx).

<sup>340</sup> U.S. Department of the Treasury, "Treasury Designates the Union of Good", November 12, 2008, <https://www.treasury.gov/press-center/press-releases/Pages/hp1267.aspx>.

<sup>341</sup> Emirates News Agency, "43 new designations specifically address threats posed by Qatar linked and based Al Qaida Terrorism Support Networks", September 6, 2017, <https://wam.ae/en/details/1395302618259>.

<sup>342</sup> "UAE names Qatar-linked terrorist organisations and individuals," <https://radioshoma934.ae/uae-names-qatar-linked-terrorist-organisations-and-individuals>.



foundation. Of the five billion USD, three billion would be spent under the “direct supervision of the Qatari Government,” and the other two billion under Turkey’s supervision.<sup>343</sup>

- Media reporting alleged that a leaked document “disclosed secret financial transactions between the Qatar Charity and the Defense Ministry which suggested that the Qatari NGO used donations in supporting undeclared military activities.”<sup>344</sup>
- As evidence submitted by the U.S. Government in a criminal trial noted, in 1993 QC was named a charity involved in funding and supporting al Qaeda’s operations.<sup>345</sup>
- In 1995, the group’s funds were reportedly used to support an assassination attempt against Egyptian President Hosni Mubarak.<sup>346</sup>

The Organization’s records indicates it received a considerable amount of funding from QC before and during the audit period. For example, on its 2012 T3010, the Organization reported receiving \$1,401,139 in donations from QC. During the audit period, between September 18 and October 23, 2013, the Organization received \$2,454,288.96 from QC towards its purchase of the Islamic Community Center of Ontario (ICCO) project’s land and building.<sup>347</sup> It should be noted that the wire transfer confirmations for funds received from QC include: waterwells & drilling expenses, educational expenses, building construction expenses and various project expenses.<sup>348</sup> It is unclear why QC did not accurately disclose to the bank the true purpose of the funds being transferred, being the ICCO land and building purchase.

Further to our concerns regarding potential foreign influence, we note that after the audit period the Organization appears to have taken steps to develop a relationship with the Turkish Government.

- According to the Organization’s records, it solicited the help of Dr. Halim Yanikomeroglu<sup>349</sup> to facilitate and introduce the Organization to his Turkish Embassy contacts. In return, he responded that he wanted the “long-term MAC – Turkish Embassy relations to start on a positive note.” He explained that “several umbrella muslim associations in the US (including MAS) have close relations with the Turkish Embassy

<sup>343</sup> The Syria Times, “Qatar Charity” Wiring \$5bln to “Rebels” in Syria,” July 6, 2013.

<https://syriatimes.sy/index.php/arab-and-foreign-press/6569-qatar-charity-wiring-5bln-to-rebels-in-syria>

<sup>344</sup> Mohamed Abdel Maguid, Egypt Today, “Leaked document shows Qatar Charity’s affiliation to gov’t.”

October 21, 2017, <http://www.egypttoday.com/Article/2/28713/Leaked-document-shows-Qatar-Charity%E2%80%99s-affiliation-to-gov-t>.

<sup>345</sup> United States District Court Southern District Of New York, UNITED STATES OF AMERICA V. USAMA BIN LADEN, et al.

<sup>346</sup> Daveed Gartenstein-Ross and Luke Lischin, The Journal of International Security Affairs, “Doha’s Dangerous Dalliance,” [https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/Ross\\_Lischin.pdf](https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/Ross_Lischin.pdf), p.40

<sup>347</sup> The purchase was made on October 1, 2013. Of note, a QC Charity poster apparently tweeted in 2013 by Dr. Ahmed Muhammad Al-Hammadi of Qatar Charity indicated that the QC was soliciting funds from donors for the “Islamic Center in Canada.” The poster noted: “Price per stock is 10,000 Riyals Donate through one of the branches of the Association or through the following bank account number 100024571, or online at QCHARITY.ORG.” <https://twitter.com/DrAl7ammadi/status/361476465516216325>.

<sup>348</sup> Incoming Wire Payment Notification, September 18, 2013 from Qatar Charity to Muslim Association of Canada.

<sup>349</sup> Although referenced in the Organization’s emails as ‘Halim’, a professor at Carleton University, the email used in communications (halim@cse.carleton.ca) is associated with Carleton University professor Dr. Halim Yanikomeroglu <http://www.et5gb.com/committee.html>, Email from [REDACTED], August 14, 2015, “Need reply, Relation with Turkish Embassy, Fwd: Muslim Summer Festival & Eid Al-Fitr Celebration.”

there, including [...] working together on some projects.” He added “I think we should establish such relations in Canada as well.”<sup>350</sup>

- Dr. Halim noted that he had talked to the Turkish Ambassador about the Organization and that he was eager to meet the “muslim leaders” in Canada. Mr. Halim further noted discussions about “establishing a solid link between MAC and the Turkish Embassy.”<sup>351</sup>
- Dr. Halim suggested that the best starting point would be to organize a visit for a delegation from the Turkish Embassy to visit the Organization and its representatives. “Then, inshaAllah, there will be strong grounds to cooperate for MAC’s 2016 Muslim Summer/Eid Festival and in other projects/events as well.”<sup>352</sup>

The Organization’s records indicate that it hosted delegations from the Turkish Government and Consulate at its premises on at least two occasions in 2016.

- The new Consulate General of the Republic of Turkey in Toronto, Mr. Erdeniz Sen, expressed interest in visiting the Organization’s head office in December 2015.<sup>353</sup> On January 23, 2016, The Organization’s Executive Director, Mr. Sharafeldin, proposed a meeting with Mr. Sen. The purpose of the meeting was not indicated in the email communications.<sup>354</sup>
- On July 9, 2016, the Turkish consular and his delegates, which included members of Turkey-Canada Friendship Group,<sup>355</sup> came for a private visit to Toronto and visited the Organization’s head office.

Since 2015, the Organization increased its contacts/and communications with the Turkish embassy. Appendix J outlines all the contacts/communications between the Organization’s representatives and representative of the Turkish embassy based on our review of the records provided. For the Organization, which purports to be entirely Canadian based, that represents it “does not enter into agreements with Associates or Partners outside of Canada”<sup>356</sup> and “is a wholly independent Canadian organization that only operates within Canada,”<sup>357</sup> it is unclear why it is developing a relationship with the Turkish Government. We note that the Turkish Government is supportive of the Egyptian Muslim Brotherhood due to their ideological closeness<sup>358</sup> and is a vocal opponent of the military regime in Egypt that ousted its close ally, former Egyptian President Mohamed Morsi.<sup>359</sup> After the ousting of President Morsi and the

<sup>350</sup> Email from halim@sce.carleton.ca, August 14, 2015, “Re: Muslim Summer Festival & Eid Al-Fitr Celebration.”

<sup>351</sup> Email from halim@sce.carleton.ca, August 14, 2015, “Re: Muslim Summer Festival & Eid Al-Fitr Celebration.”

<sup>352</sup> Email from halim@sce.carleton.ca, August 14, 2015, “Re: Muslim Summer Festival & Eid Al-Fitr Celebration.”

<sup>353</sup> Email from Nuray Ozturk, dated December 11, 2015.

<sup>354</sup> Email from Hoda Kurabi, dated December 21, 2015, “Courtesy visit request from Turkish Consulate General.”

<sup>355</sup> Also known as the Turkey-Canada Inter-Parliamentary Friendship Group, it was formed in 1996 and established as part of the efforts to establish diplomatic relations between Turkey and Canada. Listed on the Turkish Embassy’s website as a ‘high level visit’ in Canada was the visit from Yusuf Baser to Toronto from July 7-10, 2016.

Cached website, as it appeared June 2, 2019, Republic of Turkey Turkish Embassy in Ottawa, March 20, 2019,

“Turkish Canadian Relations,” <https://ottawa.be.mfa.gov.tr/Mission/ShowInfoNote/225922>.

<sup>356</sup> Policy on Anti-Terrorism dated January 1, 2012, provided to the CRA during the audit.

<sup>357</sup> General Operating By-Law No. 13, Preamble.

<sup>358</sup> DW News, “Support for Muslim Brotherhood isolates Turkey,” August 21, 2013, <https://www.dw.com/en/support-for-muslim-brotherhood-isolates-turkey/a-17037906>.

<sup>359</sup> DW News, “Support for Muslim Brotherhood isolates Turkey,” August 21, 2013, <https://www.dw.com/en/support-for-muslim-brotherhood-isolates-turkey/a-17037906>.

subsequent banning of the Muslim Brotherhood in Egypt, the Turkish Government offered refuge to the senior leadership of the Egyptian Muslim Brotherhood.<sup>360</sup>

The CRA is concerned about potential foreign influence with the Organization offering the Turkish Ambassador opportunities to speak at the Organization's events, such as the July 29, 2016, fundraising dinner where the Ambassador was permitted to speak regarding the coup attempt in Turkey.<sup>361</sup> Other communications suggest that the Organization was seeking support from the consulate. The Ambassador suggested that A. Nakua communicate with Mr. Mahmut Demir, Religious and Social Affairs Counsellor of the Turkish Consulate and president of Diyanet-Canada<sup>362</sup> to potentially help with the Organization's museum.<sup>363</sup>

Diyanet Canada, also known as "Turkish Canadian Religious Foundation" or "Kanada Diyanet Vakfi,"<sup>364</sup> is a self-described non-profit organization<sup>365</sup> that was established in May 2015 to "provide support to organizations that are engaged in community services to preserve our values and cultural heritage."<sup>366</sup> According to media reporting, Diyanet also known as the Turkish Ministry of Religious Affairs, "...was collecting intelligence on the activities of the Gülen sympathisers in 38 countries." Media reporting further alleges that Diyanet could be used "to consolidate Erdogan's power in the post-coup environment" and expand Turkey's influence in Europe among the Turkish minority.<sup>367</sup>

### **1.3.4 Deceptive fundraising practices**

As detailed in Guidance CG-013, Fundraising by registered charities, **a charity must be truthful and accurate** in its solicitations and **in its disclosure about its fundraising** or finances to avoid the harm that results from deceiving the public. **Members of the public must not be deceived or misled about fundraising costs, revenues, or practices. Failure to be truthful and accurate in solicitations and disclosures, with information not being provided in an accessible and timely manner, may be an indicator of fundraising that is illegal, contrary to public policy, or deceptive.** [emphasis added]

Misrepresentations may:

- arise by failing to disclose information, thereby creating a false impression

<sup>360</sup> Ahval, "United States and Turkey split over Muslim Brotherhood," February 7, 2019,

<https://ahvalnews.com/muslim-brotherhood/united-states-and-turkey-split-over-muslim-brotherhood>.

<sup>361</sup> Email, July 2016, "Re: (4 days left) Fundraiser & Islamic Finance Seminars with Dr. Monzer Kahf."

<sup>362</sup> <https://www.facebook.com/diyanetcanada.org>.

<sup>363</sup> A. Abdussalam wrote to Mr. Demir saying he looked forward to meeting with him to discuss their museum project and explore ways in which they could support its actualization. Mr. Sen replied to A. Abdussalam that Mr. Demir was expecting a visit from him to discuss the issue, and that after their initial meeting, he would be pleased to host him at the Turkish Consulate General. Email communications, March 2016, "RE: Urgent / from the Turkish Consul General."

<sup>364</sup> <https://twitter.com/DiyanetCanada>.

<sup>365</sup> Facebook, "About," <https://www.facebook.com/diyanetcanada.org>.

<sup>366</sup> <https://twitter.com/DiyanetCanada>.

<sup>367</sup> Luke Rodeheffer, Global Risk Insights, "Turkey's Influence Network in Europe is Leading to Tension," June 3, 2017, <https://globalriskinsights.com/2017/06/turkey-influence-network-europe/>.

- arise by failing to exercise adequate care in producing or disclosing information to the public or stakeholders
- result from the intentional or unintentional conduct of a charity
- result from a statement by the charity, or someone on its behalf, which is inaccurate or deceptive

The Organization reported on its T3010, that it received money from the Islamic Development Bank (IDB) during, before, and after, the audit period. It is the CRA's preliminary audit findings that the Organization appears to have engaged in deceptive fundraising activities by failing to report the true source of its funding by using the IDB as a conduit to transfer donations from Saudi Arabia.

According to a 2013 MAC fundraising trip report, the transfer of donations through the IDB was due to the fact that monetary contributions towards Islamic projects are closely watched in the Gulf region, becoming more complicated if these projects are in the West. The report indicated that transferring funds from Saudi Arabia to an outside bank by an individual was not allowed, but if the bank account was through a "known organization," such as the IDB, "then matters might become easier."<sup>368</sup>

In email correspondence, members of the Organization's management board discussed the use of the IDB accounts for accepting foreign donations:

"How can a donor from KSA donate through this account? Can he pay an installment on behalf of OGS? Which account number and where in KSA?"<sup>369</sup>

"I was told by br [REDACTED]<sup>370</sup> people could donate money to OGS project. They have to contact IDB and tell them it is for project No. CAN-17 or CAN-18."<sup>371</sup>

The use of these accounts appears to be known among some of the Organization's members who travelled to Saudi Arabia for fundraising. [REDACTED]<sup>372</sup> who travelled to Saudi Arabia in 2013 to raise money for the Organization's Vancouver project, inquired about receiving the bank account number for the IDB account so that donors can use it to make a donation.<sup>373</sup>

In August 2015, the Organization requested the IDB send a letter to a potential donor. The letter was sent to Sheikh Yusef Al-Ahmadi who apparently agreed to donate 200,000 SAR to the Organization. The letter signed by the Organization's Executive Director [translated] stated:

"Please send a letter to the good Sheikh, Mr. Yusef Al-Ahmadi as he has shown willingness to donate to the Muslim Association of Canada the amount of 200,000 Saudi

<sup>368</sup> MAC Vancouver Center Fundraising Trip To Saudi Arabia Report, June 23, 2013.

<sup>369</sup> Email from [REDACTED] dated November 9, 2011.

<sup>370</sup> Principal of Abraar School since 2012.

<sup>371</sup> Email from principal@olivegroveschool.ca, dated November 10, 2011.

<sup>372</sup> Regular MAC member 2013-15.

<sup>373</sup> In response, A. Nakua responded that it should not be used unless necessary since it created a lot of paperwork to receive the money. Unless a donor could only donate through the IDB, it should be avoided since it would "be a very long process to get the funds to Vancouver."

Riyals. He will deposit it in the Al-Zeytuna school account at the Islamic Development Bank.<sup>374</sup>

In a letter dated August 26, 2015 to Sheikh Yusuf bin Awadh Al-Ahmadi from the IDB, the bank gave thanks for his donations and announced that its “managing administrative body of our bank has agreed to purchase a building for the Olive Grove School associated with the Muslim Association of Canada, located in Mississauga, Ontario, Canada.”<sup>375</sup>

It should be noted that the use of IDB accounts to facilitate foreign donations appears to have been used by the Organization since at least 2008. The CRA was also able to identify an additional instance in 2011 of the Organization receiving 90,000 SAR donation that was credited to a loan held by IDB.<sup>376 377</sup>

By encouraging its foreign donors to provide the money to the IDB under one of its accounts, the Organization was able to obfuscate the true identity of the donors to the CRA by only reporting the IDB as the source of the funds when, in reality, the IDB was just the conduit through which the money flowed. Based on the CRA’s analysis of the Organization’s books and records, it appears that the Organization has received at least \$916,421 from IDB (see Section 4), with a total of \$54,804 being in the audit period. The Organization failed to report the true source of these funds and appears to have engaged in deceptive fundraising practices.

As a rule, the CRA takes the position that the negative impact of deceptive fundraising practices outweighs the public benefit of the charitable work supported by a charity’s fundraising.<sup>378</sup> Given that the Organization was not accurate in disclosing the source of its funding from Saudi Arabia and appears to have made misrepresentations concerning its foreign fundraising practices by obfuscating the identities of its donors, it is our opinion that the Organization did not comply with its requirements by engaging in deceptive fundraising practices thus potentially displacing the public benefit.

### **Summary of section 1.3**

The audit raises concerns that some of the Organization’s activities failed to deliver the required public benefit. The activities in relation to views expressed by employees in their capacity as representatives of the Organization as well as the use of social media by some directors, employees, and volunteers of the organization do not appear to be undertaken in furtherance of any of the four categories of charity and do not provide a charitable benefit to the public.

<sup>374</sup> Another email in the records dated August 20, 2015, has the same text, however, adds the account “Project2-CAN-18.” The term ‘Alzaytuna’ appears to mean ‘the olive tree’ in Arabic. The funds may have therefore been attributed to the OGS project.

<sup>375</sup> Letter from Dr. Awadh Salim Al-Asayma of the Islamic Development Bank dated August 26, 2015.

<sup>376</sup> Emails from S. Sharafeldin and [REDACTED] August 25, 2011.

<sup>377</sup> Email from bba@isdb.org, subject: “Re: FW: Donation for IDB Project No. CAN0017 (Olive Grove School Project in Toronto – Canada,” dated October 7, 2011.

<sup>378</sup> See *National Anti-Vivisection Society v. IRC*, [1948] A.C. 31 and *Catholic Care (Diocese of Leeds) v Charity Commission for England and Wales*, [2010] 4 All ER 1041, [2010] EWHC 520 (Ch), at para 97. See also *Vancouver Society*, supra note 32 at paras. 152-159 and *Guaranty Trust Co. of Canada v M.N.R.*, [1967] S.C.R. 133 on the relationship between purposes and activities under the Income Tax Act.

Our concerns in this regard are heightened due to the Organization's association with foreign entities known to promote extremist ideology or associate with terrorist groups, and its apparent deceptive fundraising activities.

It is our view that the Organization has not demonstrated that it operates exclusively for charitable purposes in accordance with subsection 149.1(1) of the Act. As such, there may be grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

#### **1.4 Failure to devote resources to charitable activities**

As noted in the general legal principal section above, subsection 149.1(1) of the Act requires that a charitable organization operate exclusively in furtherance of charitable purposes and devote all of its resources to "charitable activities carried on by the organization itself." An organization with a mix of charitable and non-charitable purposes and/or activities will not be eligible for registration. To be exclusively charitable, the law requires that purposes fall within one or more of the four broad categories of charity. Being charitable at law also means that the organization must be established for the benefit of the public. The requirement of public benefit involves two-parts described above.

As outlined below, a review of the Organization's books and records as well as its representations during the audit interviews indicates that the Organization undertook non-charitable activities.

##### **1.4.1 Eid festival**

To advance religion, in the charitable sense, means to promote it, spread its message and take some positive steps to sustain and increase its associated religious beliefs.<sup>379</sup> The courts have looked for a targeted attempt to promote an identified religion or to sustain and increase a religious belief, with a structured program relating to religious advancement.<sup>380</sup>

Not all activities conducted in the name of religion advance religion in the charitable sense.

Activities that directly further an advancement of religion purpose:

- are clearly and materially connected to the religion's teachings, doctrines, or observances; and
- constitute a targeted attempt to manifest, promote, sustain, or increase belief in the religion to or by adherents or the public.

Charities can conduct social and recreational activities that do not directly advance religion, as long as they remain ancillary and incidental to the charitable purpose(s) or charitable activities.<sup>381</sup> These activities can include providing coffee after a service, games, youth groups, or bazaars.

<sup>379</sup> See *Karen Keyemeth Le Jisroel Ltd. v. The Commissioners of Inland revenue*, [1931] 2 K.B. 465 (CA); on appeal, [1932 A.C. 650, [1932] All E.R. Rep. 972 (H.L.) and *United Grand Lodge of Ancient Free and Accepted Masons of England v. Holborn Borough Council*, [1957] 1 E.L.R. 1080.

<sup>380</sup> See *Fuuran Foundation v. C.C.R.A.*, [2004] FCA 181.

<sup>381</sup> Ancillary and incidental (activities): Ancillary is defined as subordinate. A connected activity is an activity that relates to and supports a charity's purpose(s) and represents a reasonable way to

Our review of the Organization's activities indicates that it conducts Eid festivals and celebrations in the following cities: Montreal, Ottawa, Toronto, Mississauga, Waterloo, London, Windsor, Edmonton, and Vancouver (see Appendix K for a list of Eid Festivals).<sup>382</sup> The Organization suggests that the Eid festivals fall under the advancement of religion and provided the following description:

Eid is the most important celebration for Muslims and therefore establishing a united gathering that represents such a multicultural community directly strengthens our Canadian heritage. This celebration is unique compared to most other Eid events; the Eid Festivals events gather a diverse attendance reflecting the cultural mosaic of Islam and Canada. For example, MAC Festival in GTA traces its origins in a 40-year tradition - the CNE Eid which was established in 1975.<sup>383</sup>

The Eid festival is composed of several activities including Eid Prayer,<sup>384</sup> Carnival,<sup>385</sup> Food Drive,<sup>386</sup> Udhiya/Qurbani Program,<sup>387</sup> and Sponsor A Family/Child.<sup>388</sup> The carnival is a major component of the event. In documentation provided to the CRA by the Organization, the Organization described the carnival as follows:

The Carnival is the crown jewel of the Eid Festival. Mechanical and inflatable rides will be a major attraction for kids of all ages. A wide variety of entertainment will also be at hand including: live performances, reptile shows, mascots, face-painting, henna, sports tournaments, prizes, and trivia for both youth and adults.<sup>389</sup>

The CRA believes that the Eid festivals contain charitable elements that advance religion. In particular, the Eid prayer which usually occurs one or twice during the event, lasting from 30 minutes to approximately one hour,<sup>390</sup> would be considered an activity that advances religion.

As outlined in the *Fuaran Foundation v. C.C.R.A.*, [2004] FCA 181, the courts have looked for a targeted attempt to promote an identified religion or to sustain and increase a religious belief, with a structured program relating to religious advancement. The Eid prayer would fall within the scope defined by the courts. But, as the Organization noted in its history of the event, the Eid Festival has grown from just a prayer and small carnival in 2004 to a "large carnival, bazaar, and

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achieve them. Subordinate activities are activities that are subservient to a charity's dominant charitable purpose or are a minor focus of the charity. To determine whether this requirement is met, the activity should be considered in relation to the charity's whole program of activities. If the activity becomes the main way of furthering the charity's purposes, it may no longer be a minor focus of the charity, but an end or unstated purpose in itself.

<sup>382</sup> Summary of Program Activities, Provided to CRA on February 29, 2016.

<sup>383</sup> Summary of Program Activities, Provided to CRA on February 29, 2016.

<sup>384</sup> Muslim Association of Canada, Eid Festival Training Guide, p. 45-47.

<sup>385</sup> Muslim Association of Canada, Eid Festival Training Guide, p. 56-59.

<sup>386</sup> Muslim Association of Canada, Eid Festival Training Guide, Pre-Eid Food Package Distribution, p.36.

<sup>387</sup> Muslim Association of Canada, Eid Festival Training Guide, Share Qurbani/Udhiya services for Eid Al-Adha with the families of fixed and low income in local communities, p.36.

<sup>388</sup> Muslim Association of Canada, Eid Festival Training Guide, Sponsoring families who cannot afford to attend the Festival through their own means, p.37.

<sup>389</sup> Muslim Association of Canada, "Sponsorship Package," 2014.

<sup>390</sup> MAC Eid Festivals 2013-14-15.

food sales<sup>391</sup> by 2006. The Organization decided to rebrand the event to Eid festivals to demonstrate “that it included a program above and beyond the Eid prayer.”<sup>392</sup>

Since the expansion of the event, the Eid festivals have taken on the appearance of more of a social event rather than a religious event. Over the years, the Eid events have moved even further into the social realm with the three day Eid trip to Niagara Falls in 2013<sup>393</sup> and the Vancouver Eid dinner cruise in 2015.<sup>394</sup> Since the audit period, the Eid festivals have not only grown in size but now appear in more locations across the country. It is not clear how activities like the carnival, the trips to Niagara falls, or dinner cruise, advance religion in the charitable sense.

As detailed above, the CRA recognizes that certain aspects of the Eid festivals advances religion, but our analysis suggests that the religious aspect represents between 0% and 53% of the activity<sup>395</sup> depending on the location of the event. The CRA considered whether the Eid festivals (non-religious programming) could be considered ancillary and incidental to the rest of the Organization’s charitable programming. While we acknowledge that the Eid festivals only occur twice a year, the planning for the festivals occur almost on a year round basis. The Organization’s Eid Festival Training Guide details that “[t]he Eid Festival project timeline is all year-round. However, committees are activated at different points. For example, sponsorship requires 10-12 months prior to Eid to close contracts while Marketing is generally 3 months prior to the Eid Festival.”<sup>396</sup>

The Organization’s Eid Festival Training Guide suggests that as many as 12 different committees are operating at different times. This results in a significant amount of charitable resources being dedicated on an activity that appears to be largely non-charitable.

A review of the Organization’s internal documentation suggests that the Organization itself does not view the Eid festivals as something that advances religion in the charitable sense. According to the Organization’s Eid Festival Training Guide, the Organization sees the Eid festivals as:

...one of the most important outreach programs delivered by MAC. The program is designed to be a reflection of MAC’s vision, deliver on MAC’s mission and achieve the outreach objectives of the organization.

The Eid festival objectives are articulated as follows:

- An opportunity for the Organization to outreach to the larger community so they may learn about other services and programs

<sup>391</sup> Muslim Association of Canada, Eid Festival Training Guide, p. 8.

<sup>392</sup> Muslim Association of Canada, Eid Festival Training Guide, p. 8.

<sup>393</sup> Voyage de l’Eid 2013 pour 3 jours aux Chutes de Niagara, August 9, 2013,

<https://www.facebook.com/events/312847278851224/>.

<sup>394</sup> “Vancouver Eid Dinner Cruise,” September 27, 2015, <http://www.macvancouver.ca/calendarevent/2015-09-27-vancouver-eid-dinner-cruise/>.

<sup>395</sup> MAC Eid Festivals 2013-14-15. Of note, of the 15 sampled Eid festivals analyzed for religious content, 2 appeared to contain 0% religious activity, 8 contained under 20% religious activity, 4 under 35%, and one containing approximately 53% religious activity. See Appendix L.

<sup>396</sup> Muslim Association of Canada, Eid Festival Training Guide, p. 13.



- An opportunity for the larger Muslim community to unite with one another on a special day
- To provide a day of celebrations through which Muslim families, youth, and children can feel a sense of identity
- Organize a city wide central event accessible and affordable by the larger Muslim community
- An opportunity for the Muslim community to give back to the larger Toronto community
- An opportunity for other organizations and Muslim businesses to build awareness with the Muslim community<sup>397</sup>

The Organization appears to see the Eid festivals as a means to provide “a direct medium to interact with the general public and Muslim community and educate them on our vision.”<sup>398</sup> And as such, the chapters are encouraged “to invite individuals from government, media, and other organizations in order to build relationships.”<sup>399</sup>

In light of the largely social aspect of these events, and the fact that the Organization views the Eid festivals as an outreach tool, the CRA does not consider the Eid festivals to be entirely charitable under the advancement of religion. As such, we have broken out the costs that could be identified in the general ledger as associated with the Eid festivals to identify the percentage allocated to non-charitable activities. In this regard out of the total \$638,079 in Eid expenses identified for fiscal years 2014 and 2015, \$534,718, or 83.8%, was spent on non-charitable costs such as parking, entertainment, food, and transportation. Please see Appendix L for details with respect to non-charitable cost allocations.

Based on the CRA’s analysis, the Eid festival program undertaken by the Organization is not considered exclusively charitable due to the significant amount of resources being dedicated to largely social activities, which appear to be more than a minor focus of the Organization. Accordingly, it is our position that the Organization has failed to meet the legal requirement present in subsection 149.1(1) of the Act; namely, that it operate exclusively for charitable purposes.

#### **1.4.2 Non-charitable use of buildings**

As detailed above, the Organization purchased properties that are entirely or partially not used to further charitable activities. Our analysis of the activities carried out at the Organization’s various properties is based on our review of the floor plans for each building, interviews with representatives of the Organization, the CRA’s onsite visits to the properties, the Organization’s records (including lease agreements), financial information, and the CRA’s own research findings. For purposes of quantifying the resources devoted to non-charitable building expenses, the CRA reviewed the building and maintenance expenses of the properties to determine the portion of the buildings not used in charitable activities, vacant and/or unused portions of properties, and properties used to generate rental income. Please see Appendix M for details of our analysis.

<sup>397</sup> Muslim Association of Canada, Eid Festival Training Guide, p. 10.

<sup>398</sup> Muslim Association of Canada, Eid Festival Training Guide, p. 9.

<sup>399</sup> Muslim Association of Canada, Eid Festival Training Guide, p. 9 and 39.

The Organization's building and maintenance costs for properties identified as having non-charitable activities and/or unused space amounts to a total of \$1,058,170 in 2015 and \$513,813 in 2014. Furthermore, the Organization's building costs related to rental income activities amount to a total of \$365,392 in 2015 and \$332,195 in 2014.

Based on the above analysis, it appears that the Organization has not devoted its resources to charitable activities with respect to the use of its buildings in the amount of \$1,423,562<sup>400</sup> in 2015 and \$846,008<sup>401</sup> in 2014. Accordingly, it is our position that the Organization has failed to meet the legal requirement present in subsection 149.1(1) of the Act; namely, that it operate exclusively for charitable purposes and devote all its resources to charitable activities carried on by the Organization itself.

### **1.4.3 Centre Culturel Aboubakerseddik (CCA)**

In October 2008, the Organization finalized the purchase of a building that entailed units 365, 369, and 371 Jean Talon Street East, and 7160 and 7164 Saint-Denis Street, in the city of Montreal, Quebec (hereafter referred to as 371 Jean Talon), for the purchase price of \$868,000.<sup>402</sup> On February 6, 2009, the Organization assigned the use of the building to the Centre Culturel Aboubakerseddik (CCA).<sup>403</sup> The CCA currently operates out of a property located at 371 Jean Talon.

In its letter of September 1, 2017 to the CRA, the Organization wrote:

The intention of MAC was to operate a mosque in its tradition and as complementary to its charitable purposes from the property on its own, but did not want to do so given the current state of the property, which would require MAC to invest considerable resources for renovations before operating a mosque itself.<sup>404</sup>

During the audit interview on May 30, 2016, the Organization's Executive Director, Mr. Sharafeldin, explained that the CCA was not the Organization's activity and the Organization is not involved in the activities undertaken at the property.<sup>405</sup> Further, the Organization acknowledged purchasing the property specifically for the CCA's use. When asked during the audit interview if this was the case, the Organization's Executive Director responded in the affirmative. Mr. Sharafeldin indicated that CCA had been renting the property for a number of years and the owner was selling it. The CCA wanted to purchase it, but donors would not donate towards the purchase unless a more established organization was involved. The CCA approached the Organization to become involved. The Organization received donations for the building and

<sup>400</sup> \$1,058,170 + \$365,392 = \$1,423,562, Appendix M- Non-charitable building costs.

<sup>401</sup> \$513,813 + \$332,195 = \$846,008, Appendix M- Non-charitable building costs.

<sup>402</sup> Notarized Sales Agreement, October 30, 2008.

<sup>403</sup> Assignment of Usufruct by Muslim Association of Canada in favour of Centre Culturel Aboubakerseddik, February 6, 2009.

<sup>404</sup> Letter from Carters Professional Corporation regarding the Muslim Association of Canada on September 1, 2017.

<sup>405</sup> Centre Culturel Aboubaker audit interview, May 30, 2016.

purchased it. The CCA continued to run their programs out of the Organization's building under certain conditions.<sup>406</sup>

The Organization's meeting minutes from May 31 – June 1, 2008 indicate that Mr. Mohamed Habib Marzougui<sup>407</sup> "has a rented mosque called masjid abu baker." that the Organization has "400K to buy it (donated from overseas after habeeb told them it will be affiliated to MAC)." In the meeting minutes, it was proposed that the Organization would own the building and rent it to CCA.<sup>408</sup> A later board of directors meeting held on August 29, 2008, indicates that the "community bid 868K and bid was accepted by vendor. \$500K on Oct 15, 2008; remainder in Oct 2009. We currently have allocated 430K to this project. Agreement on operation will be finalized once the operation is near starting."<sup>409</sup>

The conditions of the use of the building are set out in an agreement between the Organization and the CCA. Specifically, the agreement allows the CCA full enjoyment of the building without paying rent and to keep all revenue from rents. In exchange, the CCA assumes full responsibility with government authorities, particularly the tax authorities and the CCA must use the property for the purposes of a Muslim community centre and its other community objectives.<sup>410 411</sup> Mr. Marzougui must also manage the building or the Organization reserves the right to discontinue the agreement. In addition, the Organization must provide CCA with a schedule of any activities it plans to undertake at the property on an annual basis.<sup>412</sup>

According to the Organization's correspondence of December 21, 2018, CCA vacated the property located at 371 Jean Talon as of September 1, 2018.<sup>413</sup> The Organization is, according to its letter of February 20, 2019, purportedly running the mosque as its own activity now.<sup>414</sup> However, this does not appear to be consistent with other publicly available information. Specifically, we note the Quebec corporate registry still lists CCA as operating out of 371 Jean Talon, with the president being Mohamed Habib Marzougui.<sup>415</sup> This information was updated as of January 1, 2019,<sup>416</sup> several months after CCA purportedly left the premises.

<sup>406</sup> Centre Culturel Aboubaker audit interview, May 30, 2016.

<sup>407</sup> Along with Lazhar Aissaoui and Mohamed Hamrani, Mohamed Habib Marzougui was one of the first directors of the CCA when it was incorporated. Mr. Sharafeldin advised that Mr. Marzougui was a member of the Organization at one point. According to documents provided by the Organization, Mr. Marzougui's membership card is dated January 25, 2000.

The Organization paid Mr. Marzougui's salary, for amounts ranging from \$19,999 in 2009 to \$40,000 in 2015.

<sup>408</sup> Meeting minutes May 31-June 1, 2008.

<sup>409</sup> Meeting minutes August 29, 2008.

<sup>410</sup> Operating Agreement- English Translation, Assignment of Usufruct by Muslim Association of Canada in favour of Centre Culturel Aboubakerseddik. February 6, 2009, p. 4-5.

<sup>411</sup> CCA audit interview May 30, 2016: when asked about the conditions of use and the agreement between the Organization and CCA, Mr. Sharafeldin advised that the agreement from 2008 -2009 remains in place; there was no new agreement; the terms continue if there is no agreement; CCA maintain the building. If Mr. Marzougui leaves and is not involved in operation then the Organization will assume the operation of the building.

<sup>412</sup> Operating Agreement- English Translation, Assignment of Usufruct by Muslim Association of Canada in favour of Centre Culturel Aboubakerseddik. February 6, 2009.

<sup>413</sup> Letter from Carters Professional Corporation dated December 21, 2018, p.7.

<sup>414</sup> Letter from Carters Professional Corporation dated February 20, 2019.

<sup>415</sup> Registre des entreprises du Québec, Centre Culturel Aboubakerseddik.

<sup>416</sup> Registre des entreprises du Québec, Centre Culturel Aboubakerseddik.

Given the above, it is the CRA's position that Organization purchased the property at 371 Jean Talon, Montreal specifically for use by the CCA, a non-qualified donee, without the intent to use the property to advance the Organization's own charitable purposes. As such, the Organization did not comply with subsection 149.1(1) of the Act, which requires that a charitable organization devote all of its resources to "charitable activities carried on by the organization itself."

#### **1.4.4 Sports activities**

Sport activities undertaken by a charity should relate to and support its exclusively charitable purposes and be a reasonable way to achieve them, or the sports activities should be ancillary and incidental to the charity's otherwise charitable purposes. Sports activities are considered ancillary and incidental when only a very small portion of the organization's total resources (personnel, funds, and property) are devoted to the sport activities in question.<sup>417</sup>

An organization that addresses specific problems faced by youth at risk through sport (for example, delinquency, addictions, or mental illness) can be considered charitable; however, it is important that these programs relate the sports activities to the purpose it is intended to achieve. If an organization's sports activities do not themselves further a charitable purpose, it may still be acceptable if it can demonstrate that its sports activities are ancillary and incidental to its otherwise charitable purposes.

A review of the Organization's activities suggests some of the sports programs offered at its centres could be considered ancillary and incidental to its overall charitable activities. For example, some of its youth activities such as occasional bowling,<sup>418</sup> sports day camps,<sup>419</sup> skating,<sup>420</sup> or swimming.<sup>421</sup> However, in some instances detailed below, the sports activities undertaken by the Organization would be unlikely to be considered charitable as they do not appear to be ancillary and incidental to one of the Organization's a charitable purposes; rather, they appear to advance sports as a purpose unto itself.

#### **The Muslim Youth Soccer League (MYSL) and MAC United Soccer**

Founded in 2001, the Muslim Youth Soccer League (MYSL) describes itself on its website as "a non-profit organization formed to serve the Muslim youth and the community at large. Based

<sup>417</sup> For additional information, see CRA Policy Statement, CPS-027 "Sports and Charitable Registration," available at [canada.ca/charities-giving](http://canada.ca/charities-giving).

<sup>418</sup> Facebook, MAC Youth Windsor, <https://www.facebook.com/MAC-Youth-Windsor-1498251693722015/>, posted October 16, 2014.

<sup>419</sup> Facebook, "Events," Sports Day Camp on Jan 1, <https://www.facebook.com/events/709960642356208/>, January 1, 2014.

<sup>420</sup> Facebook, "Events," Sister's Skating Date!, <https://www.facebook.com/events/209159469254779/>, January 4, 2015.

<sup>421</sup> Facebook, "Events," MAC Youth High school Sisters' Swimming Event! <https://www.facebook.com/events/228052874029007/>, November 23, 2013.

mainly in Mississauga, MYSL provides an Islamic environment for the community to enjoy the sport of soccer throughout the year.<sup>422</sup>

During the audit interview, the CRA asked the Organization's representatives about its relationship with the MYSL. In response, the Organization stated that it offers moral support, the use of its soccer field at one point in time, some storage space, but it is not an activity of the Organization.<sup>423</sup>

Our review of information provided by the Organization, combined with publicly available sources, suggests that MYSL is the Organization's activity dating back to at least 2004.<sup>424</sup> A sample of some of the information on which the CRA based this assessment is as follows:

- The Organization's 2004 Executive Committee (EC) report "EC Report for NC 2004" lists MYSL as a new soccer league for kids under its "\*Projects across Canada".<sup>425</sup>
- A 2010 sponsorship letter<sup>426</sup> states "MYSL is a non-profit organization formed in 1999 to serve our Muslim youth and our growing community. Under the banner of [MAC], MYSL strives to expand its service to a larger base of Muslim youth."
- The Organization's May 2013 Community Connection<sup>427</sup> states "MAC is very proud of [its] MYSL program and its growth and success."
- The Organization's August 2014 Community Connection<sup>428</sup> lists MYSL as one of the Organization's activities, under the heading "Sports."
- A 2014 MYSL Flyer titled "2014 Outdoor Season"<sup>429</sup> includes the Organization's logo and address.
- The Organization's Olive Grove School held a Registration Clinic for MYSL in March 2014.<sup>430</sup>
- A July 2015 email<sup>431</sup> includes Organization's organizational structure, which explicitly identifies that MYSL falls under MAC's Toronto Chapter.
- As of October 2017, the Organization's address continues to appear on MYSL signage.<sup>432</sup>

In addition to MYSL, the Organization also operates MAC United Soccer in Calgary. The program started as a men's soccer club in 1999, and eventually expanded to include boys teams, and later, in 2013, teams for girls.<sup>433</sup>

<sup>422</sup> MYSL, "About Us," <https://www.mysl.ca/about-us>.

<sup>423</sup> ICCO audit interview, January 31, 2017.

<sup>424</sup> EC Report NC\_2004.ppt.

<sup>425</sup> EC Report NC\_2004.ppt.

<sup>426</sup> 2010 sponsorship letter.doc.

<sup>427</sup> MAC Community Connection, May 2013.

<sup>428</sup> MAC Community Connection, August 2014.

<sup>429</sup> MYSL 2014 Outdoor Season.

<sup>430</sup> Facebook, "Events", Registration Clinic MYSL 20 14, March 29, 2014, <https://www.facebook.com/events/496164250488565>

<sup>431</sup> Email from the Executive Director, "Fw: Organizational chart", July 24, 2015, Org Structure.pdf.

<sup>432</sup> Muslim Youth Soccer League – MYSL Mississauga, Facebook, <https://www.facebook.com/MYSLMississauga/photos>

<sup>433</sup> Coleen Underwood, CBC News, "Calgary Muslim girls soccer team bond on field and off", June 15, 2016. <http://www.cbc.ca/news/canada/calgary/calgary-muslim-girls-soccer-1.3635554>.

In its audit interview, the Organization's Calgary representatives described the program as a soccer club where teams participate provincially and on the city level. Representatives explained that the club is run by two members and includes approximately 23 teams with 10 to 12 players per team.<sup>434</sup> MAC United Soccer club has its own website, [www.macunited.mac-cc.ca/](http://www.macunited.mac-cc.ca/), Facebook page,<sup>435</sup> and the club participates year-round in indoor and outdoor leagues.<sup>436</sup> The Calgary Chapter Annual Report for 2015 lists the United Soccer club as one of its activities.<sup>437</sup> According to media reporting, the goal of MAC United Soccer is to expand to include more girls teams in the future.<sup>438</sup>

It is not self-evident how these two soccer programs advance a charitable purpose as neither appear to be specifically geared to youth at risk, relieving poverty, or alleviating conditions associated with disabilities. Further, while the health benefits for regular participants in an organized sport are often evident (such as fitness, agility, stamina, and/or strength), the soccer programs do not appear to be established to advance or further a recognized charitable purpose, such as promoting the health of the public at large. As explained above, to be considered charitable at law, the sports activities need to demonstrate that they accomplish a charitable purpose (rather than a more general purpose of keeping youth off the street). Simply providing sports equipment, or opportunities for youth to play sports, would be unlikely to be considered charitable at law.

The CRA has considered the possibility of MAC United Soccer as assisting individuals living in poverty by alleviating financial or other barriers to participation in, and increasing access to, physical activity which could potentially qualify as relief of poverty. These activities could include, for example, providing subsidies for children of low-income families so they can participate in sports activities in their community.

In order for MAC United Soccer to be considered charitable under the relief of poverty, the subsidies would have had to come directly from the Organization. However, in this instance the Organization merely provides a link on its United Soccer website to an application<sup>439</sup> from an organization called Kidsport, a registered charity,<sup>440</sup> which provides "grants to children from families facing financial barriers, so they can participate in registered sport programs."<sup>441</sup>

According to the Organization, approximately 20 to 30% (approximately 100 kids) receive grants for the soccer registration per year,<sup>442</sup> and Kidsport [Calgary and area] charity reported supporting

<sup>434</sup> Calgary Chapter audit interview, October 20, 2016.

<sup>435</sup> Muslim Association go Canada, Calgary, <https://www.facebook.com/MAC-United-Soccer-Club-334825403283664>.

<sup>436</sup> Calgary Chapter audit interview, October 20, 2016.

<sup>437</sup> Calgary Chapter Annual Report 2015.docx, "Objective 10."

<sup>438</sup> Coleen Underwood, CBC News, "Calgary Muslim girls soccer team bond on field and off," June 15, 2016, <http://www.cbc.ca/news/canada/calgary/calgary-muslim-girls-soccer-1.3635554>.

<sup>439</sup> The Organization provides the link for the Kidsport application on its website: <http://www.macunited.mac-cc.ca/>

<sup>440</sup> Registered effective April 18, 2007.

<sup>441</sup> Kidsport Calgary: 2016 Grant Application, [Calgary@KidSport.ab.ca](mailto:Calgary@KidSport.ab.ca).

<sup>442</sup> Calgary Chapter audit interview, October 20, 2016. According to documents provided by the Organization, 78 children received funds from Kidsport for the soccer program in 2013-14 and 104 in 2014-15— see Muslim Association of Canada, Soccer Fees received from KidSport.

99 youth in MAC United Soccer in 2015.<sup>443</sup> The Organization's documentation shows its Calgary Chapter subsidized 22 children's fees for the soccer program totalling \$6,500 from 2013-2015.<sup>444</sup> In comparison, Kidsport soccer fee grants received by the Organization totalled \$18,825 in 2013-14 and \$26,775 in 2014-15.<sup>445</sup>

There are instances where activities that relieve poverty can be made available to recipients who are not experiencing poverty if doing so adds to the effectiveness of a program. However, given that the Organization's activities to provide subsidies for fees were quite modest and that most subsidies were in fact provided by another organization (Kidsport), the benefits to non-eligible recipients in the soccer program were not reasonable or proportionate for the effect of supporting participation of eligible beneficiaries experiencing poverty. In addition, it appears that the Calgary Chapter of the Organization did not maintain adequate documentation to support that it is relieving poverty with the subsidies it provided. The audit found that the Organization did not collect any application forms or financial information to verify the income level of these individuals.<sup>446</sup>

As previously mentioned, an organization that simply provides opportunities for youth to play sports, would be unlikely to be considered charitable at law. Based on the material available, it is apparent that MYSL has carried out its activities under the umbrella of the Organization, be it past or present. MAC United Soccer continues to be a program of the Organization. In the absence of evidence to the contrary, the Organization's two soccer clubs appears to be set up to promote that sport and are consequently non-charitable.

### **Other sports programs**

The Organization, through its projects, offers a variety of sports programming, including Judo, Taekwondo, sports programs, and gym/exercise services at its numerous properties. Some examples include:

- MAC Youth Ottawa's weekly boys sports program<sup>447</sup>
- Toronto/Mississauga's weekly MAC Youth High School soccer program, 2014<sup>448</sup>
- Toronto/Mississauga's MAC Youth Friday Night Ball (basketball program)<sup>449</sup>
- CCL (Montréal) Soccer pour jeunes, 2013<sup>450</sup>

<sup>443</sup> Kidsport Calgary and Area – Year in review, 2015, p.8.

<sup>444</sup> It appears that the subsidies provided directly from the Organization are for the entire amount of the registration fee, not the remaining portion of what is not covered by Kidsport as represented during the interview. Calgary Chapter audit interview, October 20, 2016.

<sup>445</sup> Muslim Association of Canada, Soccer Fees received from KidSport.

<sup>446</sup> Calgary Chapter - MAC United Soccer - Financial Analysis.

<sup>447</sup> [https://twitter.com/ottawa\\_mac?lang=en](https://twitter.com/ottawa_mac?lang=en), posted November 4, 2014.

<sup>448</sup> Facebook, MAC Youth Mississauga, posted March 19, 2014.

<sup>449</sup> <https://www.facebook.com/events/23905256264668/>.

<sup>450</sup> Held every Saturday at Ecole St Maxime - 3680, boul. Levesque Ouest - Chomedey – Laval. Facebook, Centre Communautaire Laurentien/Mosquee AlRawdah Montreal, posted October 8, 2013.

The sports programs offered by the Centre Communautaire Laurentien (CCL) is representative of the growing importance placed on sports by the Organization.<sup>451</sup>

Called the Club Laurentien de Taekwondo & Judo, this program is administered by CCL and is held in two rooms within the centre five to seven times a week.<sup>452</sup> We note that in 2013, CCL had 40 participants in Judo, 220 in its taekwondo program, 120 in the gym, and 100 female participants for its sports activities/gym.<sup>453</sup> In 2014, overall participation in sports programming appears to have increased.<sup>454</sup>

In fiscal year 2014, CCL generated program activity revenue amounting to \$166,880, representing 21% of the project's revenue and includes revenue generated from Taekwondo, Judo and the gym. During fiscal year 2015, CCL received total revenues of \$133,768 from the martial arts club representing 14% of total revenues generated by the project.

The project, to undertake the Judo and Taekwondo program, employed three part-time Sports Co-Ordinators at a cost of \$49,047 in 2015 and \$43,210 in 2014. It should also be noted that the square footage of the rooms used for taekwondo and Judo amounts to approximately 9%<sup>455</sup> of the centre's property.

In addition to the organized sports programming, CCL and other projects,<sup>456</sup> also maintain a significant space dedicated to exercise and workout equipment. For example, at CCL there is an exercise room that participants can use at a cost of \$25-30 per month. CCL employs one part-time employee for the gym and two contract fitness trainers.<sup>457</sup> It should also be noted that the square footage of the gym amounts to approximately 3% of the centre's building. As such, 3% of the CCL's total building costs, in addition to the renovation completed on the gym, would also be considered resources devoted to this activity. At the Canadian Institute of Islamic Civilization (CIIC), the CRA identified the gym occupied approximately 8% of space.

If an organization's sports activities do not themselves further a charitable purpose, it must demonstrate these activities are ancillary and incidental to its otherwise charitable purposes. As

<sup>451</sup> Some variation of sports activity was identified at most of the Organization's centres. These programs appear to have grown in scale and frequency since the audit period. We note basketball, karate, swimming programs in Calgary; soccer, aerobics, and basketball in Ottawa; taekwondo, Zumba, and self defence in Vancouver; Kickboxing, basketball, and soccer in Windsor.

<sup>452</sup> The CCL charges \$30 per month for participation once a week, \$45 for twice a week, and \$60 for three times a week. Centre Communautaire Laurentien/ Al Rawdah Mosque Interview, May 31, 2016.

<sup>453</sup> Project Annual Report, Centre Communautaire Laurentien (CCL) / Al Rawdah Mosque Montreal, July 1, 2012 to June 30, 2013.

<sup>454</sup> Project Annual Report, Centre Communautaire Laurentien (CCL) / Al Rawdah Mosque Montreal, July 1, 2013 to June 30, 2014.

<sup>455</sup> During the onsite visit of the CCL, the MAC representative indicated that the Judo room on the main level was 'sometimes' used for childcare during events and conferences. No further information was provided to demonstrate that activities other than sports (Judo/Taekwondo) were held in this room. Near the room, billboards with information about its Judo program and posters about the sporting activities were displayed, and the room's floor was covered with exercise mats. Audit interview, Centre Communautaire Laurentien /Al Rawdah Mosque, May 31-June 1, 2016.

<sup>456</sup> For example, CIIC offers a fitness club, RCIC has a large gym with exercise equipment. CIIC audit interview May 30, 2016; RCIC audit interview, September 19, 2016.

<sup>457</sup> Centre Communautaire Laurentien/ Al Rawdah Mosque audit interview, May 31, 2016.



noted above, sports activities are considered ancillary and incidental when only a very small portion of the organization's resources (personnel, funds, and property) are devoted to the sport activities in question. In this case, the CCL devotes a significant amount of time (five to seven days a week), funds, property and personnel such as sports co-ordinators, the gym trainer, and volunteers.<sup>458</sup> Taking all resources expended into account, it is our position that these sports activities are more than ancillary and incidental activities.

#### **1.4.5 Youth activities**

While purposes in each of the four categories of charity can benefit youth, purposes that address or prevent specific problems faced by youth—such as juvenile delinquency, substance abuse, eating disorders, teen pregnancy, depression, family conflict, and suicide—can be charitable under the fourth category. However, an organization must show that an activity has sufficient structure and focus to actually address or prevent the specific problem faced by youth. An organization established with a purpose of helping youth deal with identified problems, and that provides only recreational activities that are not structured and focused on addressing these problems, cannot qualify for registration. Without monitoring, teaching, or some sort of structure and focus, it will be difficult to establish that an activity is addressing or preventing identified problems.<sup>459</sup>

Generally, for social or recreational activities to further a charitable purpose, they must be structured in such a way that they provide a charitable benefit to youth. For example, activities such as youth dances, movie nights, concerts, and sporting events that are supervised by qualified, responsible individuals may further a charitable purpose if they are part of a structured and focused approach to dealing with identified issues that affect at-risk youth. Critical factors include the degree of supervision or interaction, and the degree to which the social activities actually further the charitable purposes of the organization.

While unstructured social or recreational activities can be offered to provide a constructive alternative to undesirable environments that contribute to youth problems, or to encourage youth to participate in other structured activities conducted by an organization, these unstructured activities are only permitted if they are ancillary and incidental to the organization's charitable purposes.

As one of the Organization's five departments, the youth department organizes a variety of activities for the youth at the Organization's projects. One of the programs, MAC Youth Socials, is described as a method "to attract young Muslims from all walks of life into a healthy environment that promotes constructive dialogue and trusting relationships in a manner that upholds and demonstrates the teachings, tenets, observances, and doctrines of Islam. Religious activities and programming are enhanced by incidental and ancillary social activities [...] These interactive social activities help youth understand the importance of holistic education and spiritual development as Muslims."<sup>460</sup>

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<sup>458</sup> Centre Communautaire Laurentien/ Al Rawdah Mosque audit interview, May 31, 2016.

<sup>459</sup> See CRA Guidance CG-020, "Charitable purposes and activities that benefit youth," available at [canada.ca/charities-giving](http://canada.ca/charities-giving).

<sup>460</sup> Summary of Programs, provided by the Organization.

Although the above description states that the social activities during its MAC Youth Socials events are “incidental and ancillary” to its religious content, the Organization has not demonstrated that this is the case. Youth social activities were held frequently and consistently as part of the programming in various projects and for the most part, there does not appear to be any focus on religious programming. For example, makeup classes,<sup>461</sup> sugar shack,<sup>462</sup> puppet shows,<sup>463</sup> ski trips,<sup>464</sup> dodge ball,<sup>465</sup> movie and Karaoke nights<sup>466</sup> do not focus on religious programming.

Given the number of social activities and square footage of its facilities used for these activities, as well as resources devoted to these activities, it appears social activities undertaken by the Organization may not be ancillary and incidental to its charitable purposes.

### Youth Centres Within its Premises

In addition, the Organization also provides unstructured social or recreational activities. For example, the CIIC property has a large youth centre on the fourth floor. The youth centre has ping-pong, foosball, and air hockey tables, a series of sofas, and a television. In one corner, there is a play mat with toys for smaller children.<sup>467</sup>

Just as with the sports activities, it is important that social and recreational activities for youth be monitored and sufficiently structured in order to provide a charitable benefit. Some of the activities undertaken by the Organization for youth, such as its youth centres and fitness clubs, lacked this aspect of supervision, guidance and monitoring to provide a charitable benefit to youth. For example, at the CIIC, its fitness club (described above) is purportedly supervised by the custodian and does not offer structured programs.<sup>468</sup> The CIIC’s youth centre was described as an open access space, monitored for six months by a university student,<sup>469</sup> until he left and the Organization was searching for a replacement. According to the CIIC’s representative, the youth supervised and monitored the activities to “keep the center clean, tidy, etc.”<sup>470</sup>

At the CCL in Montreal, there was also dedicated space for youth, which the project wanted to renovate to make it more usable.<sup>471</sup> At the time of the audit visit in May 2016, the youth spaces at the CCL consisted of a room in the basement featuring seating, a television and games including a

<sup>461</sup> Facebook, “Timeline,” Centre Communautaire Laurentien/ Al Rawdah Montreal, <https://www.facebook.com/AlRawdahMAC/>, posted January 18, 2013.

<sup>462</sup> Facebook, “Timeline,” Centre Communautaire Laurentien/ Al Rawdah Montreal, <https://www.facebook.com/AlRawdahMAC/>, posted March 19, 2015.

<sup>463</sup> Facebook, “Timeline,” Centre Communautaire Laurentien/ Al Rawdah Montreal, <https://www.facebook.com/AlRawdahMAC/>, posted September 9, 2013.

<sup>464</sup> MAC Youth Ottawa, [https://twitter.com/ottawa\\_mac?lang=en](https://twitter.com/ottawa_mac?lang=en), posted December 9, 2014.

<sup>465</sup> Facebook, “Timeline,” MAC Youth Mississauga, <https://www.facebook.com/MAC-Youth-Mississauga-232098143470244/>, posted February 27, 2014.

<sup>466</sup> Facebook, “Events,” Karaoke/ Movie Night, <https://www.facebook.com/events/756143231073809/>.

<sup>467</sup> Canadian Institute of Islamic Civilization, audit interview, May 30, 2016.

<sup>468</sup> Canadian Institute of Islamic Civilization, audit interview, May 30, 2016.

<sup>469</sup> When asked about the qualifications of the individual monitoring the Youth Center, the Organization’s representative stated that the individual did not have a diploma, but was a university student who was a youth, worked with youth. Canadian Institute of Islamic Civilization, audit interview, May 30, 2016.

<sup>470</sup> Canadian Institute of Islamic Civilization, audit interview, May 30, 2016.

<sup>471</sup> Centre Communautaire Laurentien/ Al Rawdah Mosque audit interview, May 31-June 1, 2016.

pool table, three foosball tables, and air hockey table.<sup>472</sup> Reportedly used especially Fridays and Saturdays.<sup>473</sup> It is unclear if the youth spaces are sufficiently supervised by a qualified individual or if the activities undertaken in the youth spaces would be considered charitable at law.

In Edmonton, the MAC Islamic Center had the MAC Cave and the MAC Den, which are spaces dedicated to youth activities. The centre representatives described its activities as typically being held Fridays and on the weekends. The Organization advised that volunteers periodically monitored the activities, but it was not consistent because of turnover. Someone was responsible for the key, taking care of the program, and making sure everything was tidied up and locked before leaving.<sup>474</sup> When asked about the activities taking place in these spaces, the representatives described it as an education chill zone where the youth can get together and have social events. The space attracts the youth to the mosque where they can have food, play games, watch movies, have study circles and build team and spiritual bonds.<sup>475</sup>

The CRA considered that some of the youth programs described in its “Summary of Programs” document could be considered charitable. However, because of the lack of details provided during the audit interviews, and limited documentation related to its youth programs, the CRA is unable to determine whether all of the activities undertaken by its various youth departments were in support of its charitable purposes.

With the limited information available to the CRA, it appears that some of the sports, social, and recreational activities directed at youth lack the necessary direction, control, monitoring, and supervision to be considered charitable at law. Therefore, it is preliminary conclusion that the Organization’s youth programming is not sufficiently structured and focused to actually address or prevent the specific problem faced by youth.

#### **1.4.6 Educational Muslim Achievement Awards Night (EMAAN)**

An organization established to provide scholarships, bursaries, or prizes for scholastic achievement can qualify for registration as a charity under the following category of charitable purposes: advancement of education.

Our review of the Educational Muslim Achievement Awards Night (EMAAN) program found that this program has transformed from a scholarship awards program into a mix of charitable and non-charitable activities. As detailed below, the program has evolved to include an evening of dinner and entertainment which appear to be more about public relations and outreach than advancing education.

The Organization initiated EMAAN in 2002 in Edmonton, Alberta to encourage youth in the community to seek knowledge and pride in their identity by furthering their education, contribute positively to society, and celebrate Muslim student achievements.<sup>476</sup> The Organization described

<sup>472</sup> Centre Communautaire Larentien / Al Rawdah Mosque audit interview, May 31-June 1, 2016.

<sup>473</sup> Centre Communautaire Larentien / Al Rawdah Mosque audit interview, May 31-June 1, 2016.

<sup>474</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.

<sup>475</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.

<sup>476</sup> MAC EMAAN 2014, “A Program to Promote Education and Celebrate Muslim Student Achievements.”

EMAAN as an “Annual event celebrating kids achievements in athletics or academics. A committee is formed and prizes are given. People send applications if they want to receive an award.”<sup>477</sup>

Each year awards are presented to junior high, senior high, and post secondary students and the EMAAN program typically includes: a graduation ceremony segment, awards segment, entertainment segment as well as a three course Halal dinner.<sup>478</sup>

Each chapter typically invites politicians and other dignitaries to the EMAAN dinner and is responsible for covering the costs of the awards.<sup>479</sup> The cost of awards appears to be covered mainly through sponsorship, which differs from city to city and offers varying benefits to the sponsors.

The Organization’s promotional brochure lists EMAAN as a part of the Organization’s outreach efforts which is described as seeking “to empower Muslims to build networks and partnerships with other local organizations, faith communities and governmental agencies to support vibrant communities and work toward common goals to advance social justice based on fairness and mutual respect.”<sup>480</sup> Further, the Organization states that as a program EMAAN “is evolving into a venue to celebrate Muslim contributions to the development of the scientific, technological and cultural domains of Canadian society.”<sup>481</sup> This evolution, as described by the Organization, appears to be pushing the focus of the event away from the charitable aspects (scholarships) towards non-charitable aspects.

According to an analysis produced by the Edmonton chapter, in order to run the EMAAN program, the chapter needs the equivalent of 48 individuals working an estimated 126 hours to prepare, set up, and run the EMAAN awards night.<sup>482</sup> The value of the hours of work, according to the chapter, is \$8,920.<sup>483</sup> In addition to labour costs, there are additional expenses such as food, venue, and entertainment expenses. Multiplied by the at least six other chapters that are running EMAAN programming, this represents a substantial program expense.

Based on our review of the financial transactions related to EMAAN, it appears that the main expenditures of the events include awards, meals, and catering. After a review of the source documents the CRA considers the awards to be a charitable expenditure by the Organization, but the dinner and outreach portion of the event do not advance education in a charitable sense. As such, the amount spent on meals and catering for the event, that were reported by the Organization as 100% charitable expenditure, have been isolated and reclassified as non-charitable expenditures.

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<sup>477</sup> Head office audit interview, February 29 to March 1, 2016.

<sup>478</sup> Description of the Muslim of Association EMAAN program.

<sup>479</sup> Muslim Association of Canada “Guidelines for Scholarship funds disbursement.”

<sup>480</sup> The Muslim Association of Canada, “National Reach Local Presence” Presentation.

<sup>481</sup> The Muslim Association of Canada, “National Reach Local Presence” Presentation.

<sup>482</sup> Tasks Regarding the EMAAN Awards.

<sup>483</sup> Tasks Regarding the EMAAN Awards.

Based on a review of the Organization's general ledger accounts, the Organization has spent \$133,667 in 2015 and \$93,108 in 2014 on EMAAN. Of these amounts, \$55,925 or 42% of the 2015 costs relate to charitable EMAAN award expenditures, while the remaining \$77,741 or 58% appear to relate to non-charitable expenditures related to the EMAAN events. For 2014, the portion of charitable EMAAN awards expenses amount to \$42,705 or 46%, while the non-charitable portion amounts to \$50,403 or 54%. Please see Appendix N for further details.

Based on this analysis, it appears that the majority of the Organization's expenditures related to the EMAAN events are for non-charitable activities.<sup>484</sup>

While the provision of scholarships is charitable, the remaining aspects of the EMAAN program do not appear to advance education in a charitable sense. As such, the CRA has reclassified the financial expenditures relating to meals, catering, and outreach as non-charitable expenditures. Total EMAAN expenditures that could be identified in the general ledger amount to \$133,667 and \$93,108 (2015 and 2014) of which \$77,741 and \$50,403 or, 58% and 54% (2015 and 2014) are considered non-charitable.

#### **1.4.7 SASCO - Solar Panels (7220-01)**

On June 2, 2011, the Organization was awarded a Feed-In Tariff Contract (FIT Contract), by Ontario Power Authority<sup>485</sup> for the purpose of generating income from solar panels that were to be installed on the rooftop of the Rose City Islamic Centre in Windsor. The Organization entered into a negotiation with Solgate Inc. where the Organization would sell and assign its FIT Contract to Solgate Inc. in exchange for a 20 year roof-top lease, a one time roof repair and some other considerations.<sup>486</sup> Solgate Inc. never built the solar panels and by July 2014 the Organization was negotiating with SASCO Global Investments (SASCO).<sup>487</sup>

On July 29, 2014, a cooperation agreement was reached between the Organization and SASCO.<sup>488</sup> The agreement included a promissory note which stated that SASCO was to repay the Organization the loan of \$175,000 plus a financing charge of \$2,625.00 no later than May 31, 2015.

Shortly after, it appears that the relationship with SASCO broke down. The deadline for the FIT Contract was approaching and SASCO requested an additional \$150,000 or else it would not proceed with the project.<sup>489</sup> The Organization refused to provide additional funding believing it

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<sup>484</sup> It should also be noted that additional resources, such as staffing costs, printing costs, or advertising related to the EMAAN events could not be isolated and therefore have not been included in the above analysis.

<sup>485</sup> Feed-in Tariff Contract (FIT CONTRACT) between the Muslim Association of Canada and Ontario Power Authority, June 2, 2011.

<sup>486</sup> Letter of Intent for the Acquisition and Construction of 250 KW Solar Roof-Top Project, between Solgate Inc. and the Muslim Association of Canada, September 29, 2011.

<sup>487</sup> SASCO Global Investments Proposal to MAC, July 11, 2014, p. 1.

<sup>488</sup> Cooperation Agreement between the Muslim Association of Canada and SASCO, July 29, 2014, p. 1.

<sup>489</sup> SASCO letter to the Muslim Association of Canada regarding the funding of the project, September 18, 2014.

was SASCO's responsibility under the cooperation agreement.<sup>490</sup> On November 24, 2014, SASCO sent a letter to the Organization outlining its decision not to proceed with the project<sup>491</sup> and on December 8, 2014, the Organization received a letter from Ontario Power Authority cancelling the FIT contract.<sup>492</sup> It appears as though the Organization made at least two requests to have SASCO repay the funds; however, those attempts appear to have been unsuccessful.

A review of the financial records confirms that the Organization made a payment on August 13, 2014 in the amount of \$175,000 SASCO.<sup>493</sup> This payment was included on line 4170, 'Other assets' on the Organization's 2015 T3010. The \$175,000 payment is also included in note 9 of Organization's 2015 financial statements and is reported as being a non-interest bearing loan receivable.<sup>494</sup>

The Organization signed a cooperation agreement with SASCO for the purpose of building and operating a solar installation with the intent of generating revenue under a contract with Ontario Power Authority. Although the Organization provided the loan for the purpose of facilitating the construction of solar panels the project did not move forward and the Organization did not receive anything for the money it loaned. Based on the financial statements it does not appear as though the Organization has been able to collect this outstanding liability.

It is unclear as to what, if any, due diligence the Organization conducted before choosing SASCO as a partner. Had the Organization conducted research into the viability of SASCO as an implementing partner it may have found that SASCO was the subject of a lawsuit for failure to fulfill its obligations in relation to another FIT Contract owned by Hybridyne Power Generation Corporation.<sup>495</sup>

As a result, the CRA considers the Organization devoted resources to this non-charitable activity during fiscal 2015 in the amount of \$175,000.

#### **Summary of section 1.4**

The audit found that the Organization devoted resources to non-charitable activities. Taking into consideration all the activities identified above, it is our view that the Organization has not demonstrated that it operates in accordance with subsection 149.1(1) of the Act. The Organization has failed to demonstrate that it operated for exclusively charitable purposes and that it devoted its resources to charitable activities carried on by the Organization itself. As such, there may be grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

<sup>490</sup> Email communications between Anakua Nakua: [REDACTED], Michael Mckie: mmckie@sascogi.com, [REDACTED] Syed Shah: sshah@sascogi.com, Sharaf Sharafeldin: cd@macnet.ca and OGS, Regarding the progress on the solar panel project, September 19, 2014, p.1-3.

<sup>491</sup> SASCO letter to MAC regarding its decision not to proceed with the project, November 24, 2014.

<sup>492</sup> Email from Nadeem Anwar: Nadeem.Anwar@powerauthority.on.ca (OPA), "RE: Approach to project delays and potential Events of Default F-001645-SPV-130:-s1D2 (Long Stop Date)," December 8, 2014.

<sup>493</sup> MAC Head Office CND, Cheque #03273, p.20., General Ledger TN#67173.

<sup>494</sup> MAC T3010 and Financial Statements, Fiscal Period End June 30, 2015.

<sup>495</sup> Hybridyne Power Generation Corp. v. SAS Company Global Investments Inc., [2015] O.J. No. 3557.

### **1.5 Lack of direction and control over the use of the Organization's resources/Failure to carry out its own charitable activities**

The CRA requires that a charity take all necessary measures to direct and control the use of its resources when carrying out activities. In this regard, a charity must maintain a record of steps taken to direct and control the use of its resources, as part of its books and records, to allow the CRA to verify that all of the charity's resources have been used for its own activities.

Generally speaking, a larger charity with a complex governance structure undertaking a wide variety of activities that spans a vast territory will have additional challenges in identifying major risks it faces and establishing adequate measures to mitigate them. When dealing with ample financial assets and human resources, the risks are even more present and a charity should respond to the risks according to its individual circumstances.<sup>496</sup>

The CRA's preliminary audit findings suggest that the Organization does not maintain direction and control over its projects and Chapters and in some cases suggest that the Organization is not carrying out its own activities.

#### **1.5.1 Projects absorbed by the Organization**

A review of the Organization's activities suggests that it has been absorbing and taking over other pre-existing groups, and in this context, it is not clear that the Organization is carrying out its own activities.

According to the Organization's Executive Director, Mr. Sharafeldin in the audit interview, the Organization has absorbed other organizations or community groups. For example, Mr. Sharafeldin advised that the Al-Rahma School in Ottawa had existed prior to the Organization and that it had decided to join the Organization.<sup>497</sup>

At the 2010 National Convention (NC) the board of directors presented a report to the Organization's NC called "Recommendations to the 7<sup>th</sup> National Convention Regarding Changes to the Structure of the Association."<sup>498</sup> The purpose of the report was to give the NC options to limit the Organization's risk of liability (from lawsuits and anti-terrorism legislation) when expanding the Organization.<sup>499</sup> One of the recommendations include a franchise model whereby "separately incorporated organizations would be in place to operate specific projects MAC wants to franchise. These organizations would also apply for charitable status and operate entirely independently from MAC. In practical terms, MAC can direct its members to form and operate

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<sup>496</sup> Questions and answers about operating a registered charity, available at [canada.ca/charities-giving](http://canada.ca/charities-giving).

<sup>497</sup> Head office audit interview, February 29 to March 1, 2016.

<sup>498</sup> Recommendations to the 7th National Convention Regarding Changes to the Structure of the Association, February 2010, Presented by The Board of Directors. p.15.

<sup>499</sup> Recommendations to the 7th National Convention Regarding Changes to the Structure of the Association, February 2010, Presented by The Board of Directors, Executive Summary, p. 2.

such organizations but MAC cannot interfere, directly or indirectly, in the day to day operations of those organizations.”<sup>500</sup>

It is unclear if the NC approved this in 2010. However, as detailed from documents written after 2010, the Organization appears to have further developed its policy on accepting other organizations. In a document called “Supporting Community Institutions,”<sup>501</sup> the Organization outlined the problems and possible solutions for smaller community organizations including joining the Organization. The document advised:

Establishing and managing an institution presents a challenge to many smaller communities. MAC has been and will continue to be approached by smaller communities in need of assistance.<sup>502</sup>

According to the Supporting Community Institutions report, smaller communities face a range of problems including financial,<sup>503</sup> governance,<sup>504</sup> know how/experience,<sup>505</sup> stability of resources<sup>506</sup> and a stable long-term vision and balanced orientation.<sup>507</sup> With its proposals outlined below, it is clear that these are the issues that the Organization proposes to help smaller communities address and fix. The report suggests three options: “Join MAC Team; Become a MAC affiliate; Consult MAC.”<sup>508</sup>

By joining the “MAC team,”<sup>509</sup> the community institution is managed under the Organization and is “afforded the same level of first class support provided to any MAC institution. [emphasis added]”<sup>510</sup> By joining the Organization, it promotes “vibrant community spaces that are guided by a balanced vision, professional approach and supported by National resources (human and otherwise). [emphasis added]”<sup>511</sup> The document then goes on to describe why the Organization would be sought after—“MAC’s approach of central support and regional autonomy is conducive

<sup>500</sup> Recommendations to the 7th National Convention Regarding Changes to the Structure of the Association, February 2010, Presented by The Board of Directors, Franchise Model, p. 4.

<sup>501</sup> This document was sent to the Organization’s board of directors on October 30, 2014. Email from [REDACTED] to bod@macnet.ca, October 30, 2014.

<sup>502</sup> Supporting Community Institutions, Muslim Association of Canada, Board of Directors, Draft Paper, by [REDACTED]

<sup>503</sup> “Smaller communities may not have the ability to establish a viable non-profit, charitable organization. Not being able to issue tax-receipts is an obstacle to effective fundraising. Smaller communities may not have the ability to secure shariah compliant loans or other financing.” Supporting Community Institutions, Muslim Association of Canada, Board of Directors, Draft Paper, by [REDACTED]

<sup>504</sup> The reports cites as issues: effective structure, by-laws, policies, and administration.

<sup>505</sup> The report cites concerns with a lack of expertise and experience.

<sup>506</sup> The report lists the challenges of limited resources and ensuring the long term sustainability of projects.

<sup>507</sup> The concern is when people change the wrong leadership can emerge.

<sup>508</sup> Supporting Community Institutions, Muslim Association of Canada, Board of Directors, Draft Paper, by [REDACTED]

<sup>509</sup> Supporting Community Institutions, Muslim Association of Canada, Board of Directors, Draft Paper, by [REDACTED], p. 2.

<sup>510</sup> Supporting Community Institutions, Muslim Association of Canada, Board of Directors, Draft Paper, by [REDACTED], p. 2.

<sup>511</sup> Supporting Community Institutions, Muslim Association of Canada, Board of Directors, Draft Paper, by [REDACTED], p. 2.



to community groups **choosing MAC to support their institutions** [emphasis added].<sup>512</sup> The language here, appears to indicate that the Organization will be the head of the organization and that by joining it, other community groups can benefit from its expertise and resources as **partners**.

By becoming a “MAC affiliate,” the “community organization would benefit from institutionalized support, know-how and experience along with access to training and replicable community programs. They would also benefit from a developed MAC affiliate brand.”<sup>513</sup> Again, the language here suggests that by affiliating with the Organization there is a benefit to be derived from the relationship.

Furthermore, the Organization has been explicit with its intentions to work with other organizations. A page on its main website titled “Become a Partner”<sup>514</sup> and “How to Request Funding from MAC”<sup>515</sup> details the Organization’s outreach efforts and encourages other organizations to partner with the Organization or to apply for funding.

The Organization also created a MAC Institutions Proposal that provides information to a prospective organization wishing to join the Organization. The proposal advises:

Advantages of working with MAC:<sup>516</sup> Administration - Our head-office manages all administration process including accounting, taxes and donations.<sup>517</sup>

Because MAC is a charitable organization, agreeing to extend its name to be used in any location will result in a number of clear conditions. In this case: it will be a partnership in which the premises (leased or owned) will be under MAC, and MAC will provide operational support, including, and limited to, financial management.<sup>518</sup>

Further, the Institutions Proposal also appears to indicate that the Organization is structured to allow for the joining organization to maintain control over its activities: “Because of the size of the organization, MAC has developed an organizational structure to **ensure local control and national oversight**. [emphasis added]”<sup>519</sup>

The CRA has identified at least 14 community groups/properties that were absorbed by the Organization or at least had discussions with the Organization for the purpose of joining the Organization and receiving the benefits of the Organization’s charitable registration and administrative functions including the issuance of tax receipts. This list can be found in Appendix O.

<sup>512</sup> Supporting Community Institutions, Muslim Association of Canada, Board of Directors, Draft Paper, by [REDACTED], p. 3.

<sup>513</sup> Supporting Community Institutions, Muslim Association of Canada, Board of Directors, Draft Paper, by [REDACTED], p. 3.

<sup>514</sup> <http://www.macnet.ca/English/Pages/Become%20a%20Partner.aspx>

<sup>515</sup> <http://www.macnet.ca/English/Pages/How%20to%20Request%20Funding%20from%20MAC.aspx>

<sup>516</sup> Other advantages include: Organizational structure, accountability, governance, and spending oversight. See MAC Institutions – Proposal

<sup>517</sup> MAC Institutions – Proposal.

<sup>518</sup> MAC Institutions – Proposal.

<sup>519</sup> MAC Institutions – Proposal.

A review of the information available to the CRA identified deficiencies in its operations that would prevent the Organization from meeting the requirements of maintaining adequate direction and control to demonstrate that all of the activities undertaken under its name are in fact the Organization's own.

Regardless of how a project came to be (whether it pre-existed and joined the Organization or not), the Organization has not demonstrated direction and control over all of its purported projects.

The Organization touts 'local control' as a benefit to joining the Organization. The local control, in effect, is project independence from head office. This is manifested in two ways—financial independence and operational autonomy.

### **1.5.2 Project financial independence – lack of direction and control**

A project's financial independence—and the Organization's lack of direction and control—is demonstrated in how the Organization's head office administratively manages the finances of the projects. We note, that the head office requires each Chapter and project to submit annual budgets for approval. However, the Organization reported a compliance rate of 40%-50%.<sup>520</sup>

The CRA requested lists of projects that submit a budget,<sup>521</sup> and copies of the budgets.<sup>522</sup> In response, the Organization provided copies of the 2016 annual and 2016 monthly budgets for its projects. Based on the information provided to the CRA, it appears that while some projects may have maintained budgets during the audit period, head office did not formally require budgets to be submitted until 2016, following the audit period. As a result, it is unclear, how the Organization could maintain direction and control over the Chapters and projects when it is not aware of how the Chapters and projects are spending their resources.

Furthermore, the Organization's finances are structured so as to maintain the projects' independence. Rather than having an all-encompassing bank account for the entirety of the Organization, the Organization's head office manages each project's finances separately. This has resulted in the Organization having over fifty bank accounts—one for nearly every Chapter/project in addition to the head office bank accounts. Revenue generated by the projects are tracked and segregated from the Organization's general account which suggests that those funds belong to the project rather than to the Organization as a whole.

This has resulted in situations where a project has purchased a building only for it to sit empty because the project does not have the financial resources to use it for their own charitable activities. This despite the Organization as a whole having millions of dollars available to use. The Organization cannot use these resources because that money belongs to the individual projects that raised it.

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<sup>520</sup> Head office audit interview, February 29 to March 1, 2019.

<sup>521</sup> Head Office audit interview, February 29 to March 1, 2019.

<sup>522</sup> Documents Requested November 23, 2016 and April 16, 2016.

When a project does need additional funds the Organization provides an internal loan to the project. But, it does not provide the funds without restriction, the Organization classifies and tracks the provision of funds as inter-company loans. These loans are expected to be re-paid.

The Organization purports that these internal transfers and loans are not loans but a way of tracking transfers for accounting purposes.<sup>523</sup> However, the Organization's representations regarding the internal transfers and loans merely being an accounting function is contradicted by responses provided to the CRA during the audit interviews. For example:

- CCL represented that when it borrows money, head office records it as CCL owing a balance. When CCL has an excess of funds, head office transfers the funds out and the project has to email head office with the reason why to get the funds back. These amounts will be in the loan balance.<sup>524</sup>
- MAC Islamic School (MIS) in Edmonton represented that sometimes head office transfers support to their project and when they do, a statement is provided from Head Office.<sup>525</sup>
- Canadian Institute of Islamic Civilization (CIIC) represented that when the bank account does not have enough funds to cover expenses a request is made to head office and they transfer money to CIIC's account. The project gets a loan statement from head office.<sup>526</sup>
- The CRA inquired with CIIC why it had not pursued the museum and the other activities for which the building was purchased and it represented that the project is already in debt to head office and it has to pay the money back before it can proceed with the museum.<sup>527</sup>

A review of the Organization's emails identified several discussions<sup>528</sup> that appear to indicate that the Organization considers internal loans as actual loans that are expected to be repaid, rather than these loans and transfers being a way of tracking transfers for accounting purposes as represented by the Organization.<sup>529</sup>

In exchange for managing the financials accounts of each Chapter/project and the other administrative services the head office provides, the Chapter/project is required to pay administrative fees. The Organization's book and records indicate that the head office charges two types of administration fees—a fee of ten percent of each project's budget<sup>530</sup> and a fee of 60% of

<sup>523</sup> The Organization's April 29, 2016, response to CRA's e-mail to Carters Professional Corporation dated April 18, 2016.

<sup>524</sup> Centre Communautaire Laurentien/Al Rawdah Mosque audit interview, May 31, 2016.

MAC Islamic School (Edmonton) audit interview October 17, 2016.

<sup>526</sup> Canadian Institute of Islamic Civilization (CIIC) audit interview, May 30, 2016.

<sup>527</sup> Canadian Institute of Islamic Civilization (CIIC) audit interview, May 30, 2016.

<sup>528</sup> E-mail from Nabil Sultan: nsultan@uwo.ca subject "Re: Loan" dated June 13, 2013, E-mail from Chiheb Battikh to Executive Director, subject "RE: Account" dated August 3, 2012, Internal Loans and Transfers Search Results Analysis; E-mail from Hoda Kurabi, subject "RE: transfers to record" dated May 14, 2015, Internal Loans and Transfers Search Results Analysis; E-mail from Hoda Kurabi, subject "RE: transfers to record" dated May 14, 2015, Internal Loans and Transfers Search Results Analysis; E-mail from Hoda Kurabi, subject "transfer to ICW" dated November 10, 2015.

<sup>529</sup> Organization's response, dated April 29, 2016, to CRA Asset Questions #3, 4, and 5 requested February 23, 2016.

<sup>530</sup> At the end of each fiscal year, if a project has a surplus after finalizing its expenses, the remaining balance is transferred to the Organization's main account. If not, 10% of the project's budget has to be transferred to the main Organization account. This is to account for the services the head office is providing such as accounting, auditing, security, legal, and insurance. Audit interview with the Organization's Executive Director, March 2, 2016.

the membership dues collected by each Chapter.<sup>531</sup> The collection of these fees, and how they are recorded, appear to indicate that the Organization's head office is merely providing an administrative service to its projects and Chapters.

The lack of direction and control over the project's finances has led to several instances whereby the Organization's Chapters and projects undertook financial actions or engaged third parties at potential risk to the Organization's financial resources. The instances are elaborated on below.

### **1.5.2.1 Crowdfunding - Anfiq**

As part of the CRA audit site visits at the Organization's Chapters and projects, the CRA asked for information about each Chapter and project's online fundraising activities, including Anfiq. Anfiq is a crowdfunding site primarily for Muslim organizations that also offers online fundraising coaching to organizations around the world.<sup>532</sup> Anfiq reportedly works with registered Canadian charitable organizations requiring private capital funds to build, renovate, or acquire buildings. Donors who visit the Anfiq website choose a beneficiary organization and make online donations through PayPal. Each organization has a dedicated web page that tracks total money collected, a feature which Anfiq heavily promotes.<sup>533</sup>

At the Organization's head office interview, the Organization's Executive Director, Mr. Sharafeldin, and Fundraising Director, Abdussalam Nakua, could not provide information about how the program worked or the due diligence efforts taken in deciding to use the program.<sup>534</sup> The CRA made inquiries about the use of Anfiq during visits to different projects including the Kitchener Masjid,<sup>535</sup> Maple Grove School,<sup>536</sup> Masjid Aisha,<sup>537</sup> and Abraar School.<sup>538</sup>

The Organization's head office did not appear to be aware of how and when the Chapters and/or projects were using Anfiq. Anfiq appears to have communicated via email with the Organization's officials at the project level. As seen in Abraar School's case, Anfiq's direct communication with the project resulted in Anfiq negotiating the terms with the project rather than with head office.<sup>539</sup> Head office appears to have been left unaware of the circumstances of the use of this crowdfunding platform.

In the case of the Kitchener Masjid, despite its assurances that Masjid was no longer fundraising using Anfiq, the CRA had to inform the Organization during the interview that the Masjid's pages

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<sup>531</sup> The Organization's Chapters collect membership dues. Each Chapter is required to pay 60% of the membership dues revenue collected to head office.

<sup>532</sup> ANFIQ website, <https://www.anfiq.org/about-us>.

<sup>533</sup> ANFIQ website, <https://www.anfiq.org>.

<sup>534</sup> Head office audit interview, February 29 to March 1, 2019.

<sup>535</sup> Kitchener Masjid audit interview, September 20, 2016.

<sup>536</sup> Maple Grove school audit interview, September 20, 2016.

<sup>537</sup> Masjid Aisha audit interview, September 21, 2016, Ghufuran Mahboob.

<sup>538</sup> Abraar Elementary School Fieldrow audit interview, December 13, 2016.

<sup>539</sup> Email from [info@anfiq.org](mailto:info@anfiq.org), May 20, 2016 and July 4, 2016, "Abraar School has received a donation for project 'Abraar Schhol Campaign!"; Email from [hamin@anfiq.org](mailto:hamin@anfiq.org), April 26, 2016, "ACC for Abraar School's upcoming fundraising dinner"; Email from [hamin@anfiq.org](mailto:hamin@anfiq.org), May 23, 2016, "Update on Abraar School campaign on Anfiq."

on Anfiq.org were still active and possibly still being used to solicit funds.<sup>540</sup> The CRA asked for documentation that the Organization had in fact closed the accounts and in response, the Organization provided excerpts of emails between it and Anfiq.<sup>541</sup> From the limited information provided it appears as though the accounts were not closed as the Organization originally indicated, but rather were only closed at the Organization's request in November 2016—after the CRA had requested confirmation that the accounts were closed during its site visit to Kitchener Masjid.<sup>542</sup>

According to information posted on the Anfiq website, Anfiq appears to have been used for about two years (2014-2016) by the Organization and helped, in part, to raise almost \$1.5 million (see Appendix P). Of this \$1.5 million, a small portion, \$143,442 or, 9.5% of the total funds allegedly raised, could be traced through the Organization's PayPal account.

The audit found that the Organization was unaware of the financial activities of its own Chapters and projects with respect to Anfiq accounts. Given that, the CRA is concerned that the Organization's resources may be at risk if it is unaware of the creation and setup of this online payment services. In the absence of control over these accounts, the Organization cannot confirm that it received all of the funds raised through this platform.

#### **1.5.2.2 PayPal**

As part of the audit process, the CRA reviewed the Organization's books and records to determine how it maintained control of its financial resources including revenue and donations it received. According to the Organization's representations, all online donations go through PayPal and there is only one PayPal account for the entire Organization.<sup>543</sup>

As part of its books and records, the Organization provided its PayPal data to the CRA. In addition, the CRA collected books and records during the audit visits to the Organization's various locations. Upon review of the PayPal information provided by the Organization, the CRA identified a PayPal source document collected in Montreal that appeared to identify an additional PayPal account.<sup>544</sup> Based on this finding, the CRA conducted a search for other potential PayPal accounts through the books and records collected. In addition to the source document collected in Montreal, an email was identified regarding another PayPal account that head office was unaware of.<sup>545</sup> In order to ensure that the CRA had complete records with respect to PayPal, the CRA sent a third party request for information to PayPal for the head office PayPal account as well as the additional PayPal accounts identified in the Organization's books and records.

<sup>540</sup> Kitchener Masjid audit interview, September 20, 2016.

<sup>541</sup> The excerpts of emails were of poor quality as many of them were not dated, and did not appear to contain all the recipient fields.

<sup>542</sup> Anfiq closure emails, emails dated November 2016.

<sup>543</sup> Audit interview, February 29, 2016.

<sup>544</sup> VinAlert-10 source document.pdf identifies a PayPal transaction to it. [REDACTED] contrary to the head office PayPal account email address, paypal@macnet.ca.

<sup>545</sup> CCCV Montreal PayPal account email dated February 12, 2015.

The CRA findings suggest that, contrary to the Organization's representations, the Organization used an additional two PayPal accounts in Montreal entitled MAC Youth Montreal<sup>546</sup> and Islamic Centre of Verdun (ICV).<sup>547</sup> It appears as though the Organization's projects had created alternate PayPal accounts without the Organization's head office knowledge or permission. As detailed above, the CRA is concerned with the Organization's absorbing of the pre-existing organizations and community groups and how it is unclear if the Organization is demonstrating direction and control in order to satisfy the own activities requirement.

For example, ICV joined the Organization in November, 2012.<sup>548</sup> Unbeknownst to the Organization, the ICV had created a PayPal account in August of 2011<sup>549</sup> and appears to have used it until at least February 2015 when the account came to the attention of the Organization's head office.<sup>550</sup>

The CRA conducted an analysis on the information received from PayPal pertaining to this ICV PayPal account. The analysis indicates that PayPal funds in the amount of \$1,529 for fiscal 2013 and fiscal 2014 were not deposited into the Organization's bank account, contrary to the representations that the Organization made during the initial interviews.

The other PayPal account identified appears to have been operated by MAC Youth Montreal Chapter without the knowledge of the Organization's head office. This account appears to have been opened September 19, 2014.<sup>551</sup> The Organization appears to have become aware of this additional PayPal account sometime in November 2015.<sup>552</sup> Contrary to the Organization's statements of only a single Organizational PayPal account, this account appears to still be in use after the audit period.<sup>553</sup> While the funds flowing through this account appear to have been deposited directly into the Montreal Chapter's bank account rather than the Organization's head Office Collections bank account, it is a concern that the account was created without the Organization's knowledge.

Both of these cases appear to demonstrate that the Organization lacks direction and control over its Chapters/projects with respect to opening PayPal accounts without its knowledge. In both cases, it took years for the Organization to become aware of the existence of the alternate PayPal accounts. While the amount of funds unaccounted for is relatively small, it is possible that the loss

<sup>546</sup> PayPal Account Info Response to Third Party Request.

<sup>547</sup> Paypal Account Info Response to Third Party Request.

<sup>548</sup> MAC Islamic Centre of Verdun audit interview, May 30, 2016.

<sup>549</sup> PayPal account was created on August 7, 2011, and registered under the name Ahmed Chihane.

<sup>550</sup> On February 12, 2015, Hoda Kurabi, informed the Executive Director, Sharaf Sharafeldin via email, that ICV "has a paypal link that donors use to pay for the part-time school fees and that this paypal link is not the same as MAC H.O paypal account. Therefore, we don't have any record for the donors that submit payment for the fees." Email from hkurabi@macnet.ca to ed@macnet.ca, "CCCV montreal Paypal," February 12, 2015.

<sup>551</sup> Information provided by Paypal Canada September 2017, regarding Montreal Chapter PayPal Account

<sup>552</sup> On November 2, 2015, A. Nakua informed the Executive Director the following: "Are you aware we have more than one paypal account? The sisters claim that it is in montreal." [sic] In reply, the Executive Director stated: "I am not aware of any nor do we supposed to have any. Which sister?" Email from Anakua Nakua [REDACTED] to Executive Director. November 2, 2015.

<sup>553</sup> Data generated by PayPal was dated September 13, 2017. Montreal Chapter PayPal account info; the transactions in the PayPal report that occur after the audit period amount to \$70,832 and occur from July 2, 2015 to April 2, 2017 of which, \$43,948 had been transferred into the Montreal Chapter bank account at the time of the report.

of funds could be even greater given the lack of direction and control over the Chapters and projects. It is unclear how the Organization can ensure that there are not more accounts currently active. Any loss of charitable resources is of concern to the CRA. As such, it appears that the Organization has not maintained adequate direction and control over its Chapters and projects with respect to its PayPal accounts.

### **1.5.2.3 Other 3rd party payment services**

Similar to PayPal and Anfiq, the Organization does not appear to have direction and control over the use of third party payment processors during the audit period. During the January 26, 2016 audit interview, the CRA inquired about the online fundraising platforms used by the Organization. The Organization acknowledged using Canada Helps, Go Fund Me, Anfiq, and Eventbrite.<sup>554</sup> According to the Organization, all revenues generated through the use of these services are processed through the Organization's one PayPal account.<sup>555</sup> From there, the funds are distributed to the Chapters and projects.<sup>556</sup> Some services, like Eventbrite, were used to manage attendance at events.<sup>557</sup>

The CRA identified several other payment processing services used by the Organization's projects such as Stripe, Ticket Tailor, Square and Constant Contact. The Organization did not disclose the use of these services, so it is not clear if the Organization was aware these services were being used by the projects.

### **Eventbrite – Edmonton**

Based on information collected by the CRA, Eventbrite was used for various events primarily in Edmonton (as early as September 2012<sup>558</sup>) and Ottawa (as early as May 2015<sup>559</sup>). A review of this information found that the Organization did not maintain financial control of the revenue generated.

In Edmonton, the revenue generated from Eventbrite appears to have been deposited into a private business bank account belonging to Serene Core Technologies Inc.(Serene). Murtada Shah, the owner of Serene, appears to have set up the website and other electronic accounts for the Organization in Edmonton and used his own company's bank account as the deposit account for Eventbrite.

<sup>554</sup> The Organization provided the CRA a list of online fundraising services it uses during the week of January 26, 2016.

<sup>555</sup> Head office audit interview, January 26, 2016.

<sup>556</sup> Head office audit interview, February 29 to March 1, 2019.

<sup>557</sup> Head office audit interview, February 29 to March 1, 2019.

<sup>558</sup> Ultimate Swimming Event for Ladies@ WEM World Waterpark held September 21, 2012. Email from Murtada Shah to Rahma Mosque (office@rhamamosque.com), Amro Osman [REDACTED], and [REDACTED] providing details of the announcement.

<sup>559</sup> "MAC Focus For the Future Fundraising Dinner". Email from [REDACTED] (msaleem@abraarschool.com) with message about the fundraising dinner for renovations and to pay a loan used that was used to purchase the school at 70 Fieldrow Street in Ottawa).

According to emails provided by the Organization, \$1,080 for “MAC Youth Presents: 4<sup>th</sup> Annual Winter Retreat” was deposited in the bank account of Serene.<sup>560</sup> A search in the Organization’s financial records for a deposit of \$1,080 related to the “MAC Youth Presents: 4<sup>th</sup> Annual Winter Retreat” could not be located. Therefore it is not clear if the funds were transferred from Serene to the Organization.

The CRA reviewed two additional Eventbrite transactions retrieved from the Organization’s books and records to determine if the funds were re-directed to the Organization’s bank account:

1. On May 9, 2015, Eventbrite notified office@macedmonton.com of a payment of \$4,547.04 for “EMAAN 2015 – BEING THE CHANGE.”<sup>561</sup> The bank account on record for the deposit was Serene. In this instance, the CRA was able to find a corresponding bank deposit to the Organization’s bank account.
2. On May 17, 2015, Eventbrite again notified office@macedmonton.com of a payment of \$710 for “EMAAN London 2015.”<sup>562</sup> The bank account on record was Serene. A search in the Organization’s financial records for a deposit of \$710 related to the “EMAAN London 2015” could not be located.<sup>563</sup>

Based on the above, it appears the Organization has not maintained direction and control over the Edmonton Eventbrite resources. While the CRA sampled only a few events the total from all events where funds flowed through Serene could potentially be higher. Of the three events sampled, the CRA could not locate funds associated with two of those events. Any potential loss of resources is of serious concern to the CRA.

It also appears to have been a concern for Mr. Shah who, since at least February 2014,<sup>564</sup> has been requesting that the Organization replace Serene’s bank account for the Organization’s account on

<sup>560</sup> Email from Eventbrite ebhelp@eventbrite.com, to office@macedmonton.com, March 18, 2015, “A payment for your event is on its way!”, with attachment: “15505387030-transaction-report.pdf”

<sup>561</sup> Email from Eventbrite ebhelp@eventbrite.com, to office@macedmonton.com, May 9, 2015, Gross Sales \$5010 less fees of \$462.96

<sup>562</sup> Email from Eventbrite ebhelp@eventbrite.com, to office@macedmonton.com, May 17, 2015, “Review your payment details”, with attachment: “16770127904-transaction-report.pdf”.

<sup>563</sup> Of further interest, the EMAAN event took place in London, Ontario and appears to have been organized by the Organization’s London Chapter. Yet the notification of payment went to the Edmonton chapter and presumably the funds flowed through Edmonton rather than through the Organization’s head office. Eventbrite, “EMAAN London 2015”, <https://www.eventbrite.ca/e/emaan-london-2015-tickets-16770127904#>.

<sup>564</sup> On February 2, 2014, Murtada Shah wrote to members of the Organization ( [REDACTED] ), Issam Saleh, Rahma Mosque, and [REDACTED] requesting: “...confirmation after next the meeting of all disengagement between my company [Serene Core Technologies Inc.] and mac [the Organization] of technology – namely no liability and all items have been transferred? Please note I am concerned about the bank accounts – mac [the Organization] needs to take them over otherwise monies remain in the account.” Email from Murtada Shah [REDACTED] “Re: logins & Passwords [attached]”, February 2, 2014.



Eventbrite and several other payment processors Go Fund Me / We Pay, Square, Stripe.<sup>565 566</sup> The Organization failed to act for over a year.

The first known Eventbrite event appears to be in May 2012 with the Edmonton Chapter. However, due to lack of Eventbrite records, the CRA was not able to complete a proper analysis of all deposits generated through this service. As such, the CRA is unable to determine the amount of the funds that flowed through Serene's bank accounts and if all EventBrite funds were deposited in the Organization's own bank accounts.

### Stripe<sup>567</sup>

Although not a service identified as being used by the Organization, the CRA has noted Stripe was used in at least one location, Edmonton. It is not clear, if the Organization was aware of its use.

In Edmonton, a Stripe account appears to have been set up by Murtada Shah on May 29, 2015, and linked Serene's bank account.<sup>568</sup> The Stripe account was then linked to a Ticket Tailor account.<sup>569</sup> The Stripe account received its first transaction of \$15 (less fees) that same day.<sup>570</sup> An email dated July 19, 2015 indicates that the bank account associated with the Stripe account was "changed from a number ending in 2062 to one ending in 9690."<sup>571</sup> Documents related to Eventbrite show that Serene's account ends in 2062<sup>572</sup> while the Organization's bank account for the Edmonton Chapter ends with 9690. As such, it appears as though all revenues from tickets sales made through Stripe were deposited into Serene's bank account for almost two months (May to July 2015).

Again, Murtada Shah appears to have warned the Organization on March 13, 2016, about the use of Serene's bank account in an email that read:

<sup>565</sup> On April 13, 2015, Murtada Shah sent an email to [REDACTED], Rahma Mosque (office@rahmamosque.com), and [REDACTED] stating the following: "@Nida: can you also please either transfer the bank information on eventbrite and square, or else let me know to shut them down? I would prefer the monies from events go to a separate account than my business [serene technologies], so it does not get mixed." Email from Murtada Shah [REDACTED] "moving Eventbrite bank information," April 13, 2015.

<sup>566</sup> On July 14, 2015, Murtada Shah sent an email to Issam Saleh: "Sh. B – can you please confirm if separate deposit accounts have been setup, as discussed? 1. GoFundMe / WePay 2. Square 3. Stripe 4. EventBrite It is not wise to have all monies come to my business account and me write a cheque, unless we have an agreement that I am a contractor managing these funds in writing. We have been doing it for a while; however, it may be open to scrutiny." Email from Murtada Shah [REDACTED] to Issam Saleh, "Re: Constable fund?", July 14, 2015.

<sup>567</sup> Stripe is a payment processor that accepts funds from customers, by credit, debit and is also compatible with Apple Pay. <https://stripe.com/us/pricing>.

<sup>568</sup> Email from Stripe Support support@stripe.com to office@macedmonton.com, "Re:Your Stripe Account for serenetechnologies.ca," May 29, 2015.

<sup>569</sup> Email from Ticket Tailor hi@tickettailor.com to office@macedmonton.com, "Notice: Payment method added on Ticket Tailor," May 29, 2015.

<sup>570</sup> Email from Stripe Support support@stripe.com to office@macedmonton.com, "Payment of \$15.00 from Talha Shahid", May 29, 2015.

<sup>571</sup> Email from tech@macedmonton.com to tech@macedmonton.com, "Your bank account has changed." July 19, 2015.

<sup>572</sup> Email from Eventbrite ebhelp@eventbrite.com, to office@macedmonton.com, March 18, 2015, "A payment for your event is on its way!", with attachment: "15505387030-transaction-report.pdf."

Can you please remove me from any notifications about these things including other email accounts that get forwarded to me? I believe having an unclear ownership can be damaging to MAC, as in this email wherein you needed a receipt for the sake of accounting. Even though I have no ownership or liability whatsoever, somehow you are dependent on a 3rd party, and this is very dangerous for MAC, I think. As well, it's very dangerous to have emails being sent to me or our ticket tailor and stripe having access from me; in my professional opinion. Please remove me from all of them for the sake of MAC's liability / ownership.<sup>573</sup>

In addition to the unauthorized use of Serene's bank accounts for Stripe, it appears that the Organization's Edmonton projects failed to obtain permission to use Stripe in the first place. During June of 2016, the Organization's accounts receivable clerk noticed several transactions related to Stripe and sent several requests to [REDACTED] and [REDACTED] to provide proof that they had obtained head office's permission to use the service.<sup>574</sup>

On June 29, 2016, Rahma Mosque in Edmonton was warned not to use this service without first getting the "approval [REDACTED] (Director of Operations)."<sup>575</sup> The following day, [REDACTED] and [REDACTED] were notified that "we are not allowed to collect ticket money through online" and that another employee "is setting up a ticket tailor program for EidFest Online ticket sale. Please talk to her about the procedure."<sup>576</sup>

While there may have been some transactions processed using Stripe accounts during the audit period, a review of the Organization's bank account and general ledger did not identify any transactions directly with Stripe.

### Square<sup>577</sup>

The CRA is concerned about the use of Square within the Organization, particularly because it is unclear whether the head office is aware of its use. The CRA has identified at least three different instances of Square use within the Organization; two at the Olive Grove School and one at Rahma Mosque in Edmonton.

<sup>573</sup> Email from Murtada Shah to [REDACTED] "Re: Corporate Credit card Charge" March 13, 2016.

<sup>574</sup> Email from [REDACTED] nsattar@macnet.ca, to office@rahmamosque.com, "EDM-CHP-MAY - Stripe entries," June 21, 2016.

<sup>575</sup> Email from [REDACTED] nsattar@macnet.ca, to office@rahmamosque.com, "EDM-CHP-MAY - Stripe entries - Emaan online ticket Sale," June 29, 2016.

<sup>576</sup> Email from office@rahmamosque.com, June 30, 2016, "FWD: EDM\_CHP\_MAY - Stripe entries - Emaan online ticket Sale."

<sup>577</sup> Square allows businesses to accept credit card payments anywhere they have access to internet or mobile data using the company's mobile hardware for a nominal per transaction fee. <https://squareup.com>

Records indicate the Olive Grove School received emails after activating two accounts; one in September 2014<sup>578</sup> and the other in October 2016.<sup>579</sup> Notably, two different email accounts were used during the registration process: a.seif@olivegroveschool.ca (September 2014) and a.bakbak@olivegroveschool.ca (October 2016). It is not clear why the Olive Grove School activated the second account.

Records collected indicate at least one transaction occurring in Edmonton at the Rahma Mosque. Email correspondence appears to show head office questioning a deposit from Square Inc., for \$248.26 in November 2013.<sup>580</sup> Based on Rahma Mosque's response to head office, they did not appear to be able to identify the source or the purpose of the transaction other than that it was a direct deposit.<sup>581</sup>

This email exchange appears to suggest that the head office is not aware of the use of Square at Rahma Mosque. In addition, it appears to also suggest that officials at the Rahma Mosque may be unaware of who is using Square. Without transaction records or reports from Square, the CRA cannot determine that the Organization is maintaining direction and control over these resources or that it received all amounts collected through Square.

Over the course of the audit period, and since, the CRA has observed continued use of these third party payment services Eventbrite, Stripe, and Square.<sup>582</sup> The CRA was able to identify numerous instances during the audit period, and several after, where projects used Eventbrite, and Stripe, to sell tickets. Internal email correspondence appears to show that the head office was unaware of the many instances where these services were used. Furthermore, many of these services used a third party, Serene, to facilitate the transfer of funds without head office's knowledge. As a result, the CRA was unable to trace the funds that the projects generated through these services; the exception being the Eventbrite and Serene deposits noted above.

The Organization appears to lack direction and control over these third party payment systems and how they are used.

### **1.5.3 Lack of direction and control over a project's activities**

During the audit interviews, the Organization was asked to provide information on its oversight over the various projects and Chapters. The Organization pointed to its governance structure and its policies to address direction and control over the Chapters and projects. The Organization is overseen by the Executive Council (EC) which is comprised of the Executive Director and representatives of the five departments. Each of these departments is responsible for overseeing its

<sup>578</sup> Email from Square, <noreply@messaging.squareup.com> <noreply@messaging.squareup.com> to a.seif@olivegroveschool.ca, "Link your bank account to receive Square deposits," September 9, 2014.

<sup>579</sup> Email from Square <noreply@messaging.squareup.com> <noreply@messaging.squareup.com> to a.bakbak@olivegroveschool.ca, "Activate your Square account," October 29, 2016.

<sup>580</sup> Email from mdrahaman@macnet.ca to Nida Ali June 23, 2014.

<sup>581</sup> Email from [REDACTED] office@rahmamosque.com to [REDACTED] mdrahaman@macnet.ca. "Re: October Centre Account Deposits," June 23, 2014.

<sup>582</sup> The CRA also analyzed Constant Contact, Ticket Tailor and GoFundMe accounts belonging to the Organization and known to the CRA. There is insufficient information to determine if the Organization collected revenue through Constant Contact or Ticket Tailor.

subject matter at the Chapter and projects. As a result, operational decisions pertaining to the Organization should originate in one form or another from the EC and its departments and this should be reflected in the EC's meeting minutes or of the departments. Failure to identify such a decision making process could suggest that the Organization lacks direction and control over the Chapters and projects.

As detailed below in section 3.4, the Organization not only failed to provide all the EC meeting minutes, but the EC meeting minutes consistently lacked sufficient detail or information to assess whether the EC actually directed and controlled the Organization's affairs, including its activities within all of its projects and chapters. In the audit interview, the CRA was told key decisions for topics such as the youth and the anti-terrorism policy were made by the EC.<sup>583</sup> A review of the EC minutes found virtually no discussion about these important subjects so it is not clear how decisions relating to these subjects were made.

Additionally during the audit interviews, the Institution Department (ID), headed by its EC representative, was continually referred to as a main decision making body responsible for approving each project's annual budget,<sup>584</sup> salary scales and increases,<sup>585</sup> renovations and real estate acquisitions,<sup>586</sup> loans from head office,<sup>587</sup> speakers<sup>588</sup> and approval for any expenditures outside of the project's budget.<sup>589</sup> Despite the significant role the ID should have in the oversight of the Organization's projects, a review of the ID meeting minutes<sup>590</sup> provided by the Organization did not reveal any formally documented approvals.

- It appears that during the audit period budgets were not collected from and approved by the ID for all projects, contrary to the Organization's policies. In addition, a review of the ID meeting minutes do not indicate any formal approval of project budgets. A cursory review of emails indicate some budgets being collected by the ID.
- The CRA requested documentation, from the audit period, to support the Organization's assertions that when staffing, head office has approved the hiring and the budget, prior to a project filling the position.<sup>591</sup> In response, the Organization indicated that the projects complete and return a Proposed Salary Budget template which includes proposed positions and salaries, to the ID for approval. Once the ID approves the budget, it is sent to head office for processing.<sup>592</sup> The Organization provided a sample email approval from the ID to

<sup>583</sup> Audit interview, February 29, 2016.

<sup>584</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016, MAC Islamic School Edmonton audit interview, October 17, 2016, MAC Islamic School Edmonton audit interview, October 17, 2016, MAC Islamic School Edmonton audit interview, October 17, 2016.

<sup>585</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016, MAC Islamic School Edmonton audit interview, October 17, 2016, MAC Islamic School Edmonton audit interview, October 17, 2016.

<sup>586</sup> Centre Communautaire Laurentien/ Al Rawdah Mosque Interview, May 31, 2016, MAC Islamic School Edmonton Interview, October 17, 2016, MAC Islamic School Edmonton Interview, October 17, 2016.

<sup>587</sup> MAC Islamic School Edmonton audit interview, October 17, 2016.

<sup>588</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.

<sup>589</sup> MAC Islamic School Edmonton audit interview, October 17, 2016.

<sup>590</sup> The EC has its own meeting minutes, as do each of the EC departments.

<sup>591</sup> CRA request for further information and documentation dated November 10, 2016.

<sup>592</sup> The Organization's submission on the staffing budget approval process. Provided to the CRA the week of January 30 to February 3, 2017.

Olive Grove School approving their 2015-2016 proposed salary budget including a copy of the completed proposed salary budget,<sup>593</sup> and a blank proposed salary budget template.<sup>594</sup>

It would appear that since the Organization only provided a sample staff approval from outside of the audit period that this process was not implemented during the audit period. A search of the Organization's emails identified only six emails during the audit period that referenced proposed salary budgets. An additional 15 emails referencing staff budget approvals occurred after the audit period for the 2015-2016 and 2016-2017 budgets for some of the Organization's schools.<sup>595</sup>

Based on the above noted findings, it appears that the Organization did not have an approval process for proposed salary budgets during the audit period and therefore lacked direction and control over hiring. Budget submissions to the ID appear to have occurred on a more regular practice after the audit period, but the Organization has only provided documentation for some of the schools and not all of the Organization's projects.

Although outside the audit period, the CRA would note the May 16, 2016,<sup>596</sup> email to the ID from a Quebec Chapter representative advised "We would really appreciate a better communication (or let me say just communication) for other points than filling reports." This email suggests that minimal communication exists between the ID and the Quebec Chapter.

The CRA also reviewed the meeting minutes of the monthly teleconference meetings between the Executive Director and the Chapters and projects.<sup>597</sup> As detailed below, the Organization provided a limited amount of meeting minutes in response to the CRA request. Upon review, these minutes appeared to show some direction and control gaps. For example:

- The Edmonton Chapter opened an import/export account in order to receive books from overseas. The account was opened without the approval of head office. Head office requested this account be closed, but this appears to remain an outstanding item.<sup>598</sup>
- The Ottawa Al Rahma School was not following the Organization's policies, specifically with regards to teacher salaries. A follow up with the ID occurred after salaries were paid at a higher level than allowed.<sup>599</sup>

The meeting minutes showed situations where the Chapters and projects undertook activities without the Organization's approval, which further illustrates lack of direction and control over the activities undertaken by the Chapters and projects.

<sup>593</sup> Olive Grove School proposed budget for 2015-2016.

<sup>594</sup> Proposed salary budget template provided by the Organization.

<sup>595</sup> As per CRA's review of the Organization's email accounts.

<sup>596</sup> Email from Majdi Dridi to Khalyl Khan, kkhhan@macnet.ca, "Re: [NPMS] Annual report due Wed May 18<sup>th</sup>," May 16, 2016.

<sup>597</sup> Notes are taken of the meetings and CRA requested copies. CRA request for further information and documentation dated November 10, 2016.

<sup>598</sup> Internal Minutes, Edmonton Chapter Head, November 4, 2013. According to its listed action items, Sh. Bassam was to look into how an import/export account was created. He was to report back Mr. Sharafeldin, and close the account. According to CRA records this import/export Account 88049 5163 RM0001 remains active.

<sup>599</sup> Internal Minutes, Ottawa Chapter Head, September 30, 2013.

**1.5.3.1 Purchasing property/renovations without approval**

The Organization also showed a lack of direction and control over the Chapters and projects with respect to the approval of the purchase of property and/or renovations. The CRA was able to identify some discussion relating to property purchases, proposed renovations, salary approvals, hiring and employment contract approvals; however, there were minimal emails specifically approving a Chapter and project's annual budget or other operational matters, such as property purchasing and renovations. In some cases, records suggested that certain Chapters or projects acted on important institutional decisions without prior approvals from the Organization's ID. For example,

- On December 5, 2013, the Executive Director was notified by the Kitchener Waterloo Chapter that it had placed a conditional offer on a property adjacent to the Kitchener Masjid on Turner Avenue prior to seeking board approval. The Executive Director then advised the Chairman of the Board of Directors about this issue and that it needed to be approved, along with discussing it with the EC as soon as possible.<sup>600</sup>
- In February 2015, the MAC Islamic Centre in Edmonton appears to have undertaken renovations without approval of the renovation plans and related costs. The Centre was told to put renovations on hold and to provide copies of the renovation plans, the process followed for awarding the contract, and any signed contracts.<sup>601</sup>
- According to the financial information provided by the Organization regarding its capital assets, the CCL, MAC Islamic Center, Masjid Toronto (Dundas) and MAC Center (Kingsway) in Vancouver made significant purchases toward additions to its properties<sup>602</sup> amounting to approximately \$3 million dollars in 2014 and 2015. However, the ID meeting minutes for fiscal years 2014 and 2015 either had no mention of any such plans, discussions, or approvals, or they did not demonstrate that the ID approval process outlined in the Organization's representations were followed.<sup>603 604 605</sup>

<sup>600</sup> Email from [REDACTED], to Ghufan Mahboob [REDACTED], Sharaf H. A. Sharafeldin ed@macnet.ca, lazhar@macnet.ca, Lazhar Aissaoui [REDACTED] and [REDACTED], "Re: property next to Kitchener Masjid", December 5, 2013.

<sup>601</sup> Email from [REDACTED], "Re: Edmonton Chapter Rahma Mosque Renovation," February 24, 2015.

<sup>602</sup> Fiscal year 2015: CCL AIRawdah building, additions of \$492,205, MIC building, additions of \$339,979, MAC Vancouver Kingsway building additions of \$264,849, Masjid Toronto (Dundas) additions of \$35,407 = \$1,132,440. Fiscal year 2014: CCL AIRawdah building additions of \$926,072, MIC building additions of \$120,716, Masjid Toronto (Dundas) building additions \$739,850 = \$1,786,638. 2015 \$1,132,440 + 2014 \$1,786,638 = \$2,919,078

<sup>603</sup> In representations by the CCL during the review of books and records, it was explained that budgets are prepared by the Centre Manager and are approved by the Management Committee before going to the ID. The ID approves the annual budget and approves the renovation plans. Anything over and above the budget must be approved, and approvals are often done by phone.

<sup>604</sup> MIC Edmonton completed roof repairs in 2015 after fundraising initiative raised between \$100,000-150,000. The MIC representative stated in the audit interview that all of the project's activities were approved "through the management committee of the project and then it is raised to the Institutions Department for approval", and, to the best of his knowledge, decisions were recorded in the meeting minutes.

<sup>605</sup> At the Masjid Toronto, the Organization explained that expenses related to capital asset additions were proposed by a centre committee that prepares a budget and tells the ID at head office. The Head office need to approve any property purchase, however approvals were made verbally with the final approval coming from the ID.

While outside of the audit period, we note that this trend continued. We cite the following example to illustrate:

- On October 29, 2015,<sup>606</sup> the Executive Director was informed that the MAC Islamic Centre had received a donation for the “Southside Expansion.” The Executive Director claimed to be unaware of the expansion, but that the ID should be notified and should approve it.<sup>607</sup>

### **1.5.3.2 Social media accounts and websites**

Social media and email has become an important, and sometimes essential, component of large organizations to promote its activities, communicate with members and the public, and as a forum to spread its organizational goals, vision, and mission. In order to review the Organization’s activities, the CRA asked the Organization for a complete list of its websites and social media accounts used by all of its centres, schools, and Chapters.

In response to the CRA’s request the Organization provided a list of 166 websites and social media accounts. CRA’s own research, however, found an additional 96 websites and social media accounts. Social platforms included Facebook, Vimeo, Instagram, Google+ and Twitter. Please see Appendix Q for details and a full list of websites and social media accounts.

Either the Organization failed to provide this information, or, the Organization was simply unaware of the activities being undertaken by the projects in relation to the creation and use of social media and websites. Even at the Chapter level, management does not appear to be aware of what is occurring on these platforms. In Edmonton, the local Chapter representatives indicated that they were not aware of all social media accounts associated with its programs and in particular the MAC Youth department.

With respect to content, during interviews some representatives indicated that they communicated with the Organization’s head office when posting on social media.<sup>608</sup> however, during other interviews representatives advised that head office did not provide a policy on the use of social media.<sup>609</sup> The unrestrained creation and use of websites and social media accounts indicates that the Organization is not maintaining direction and control over these activities. This puts the Organization at risk of being unaware of how these accounts are used. More importantly, the Organization does not have direction and control over the messaging that the Chapters and projects post on their websites and social media platforms.

As such, it is reasonable to conclude that the Organization failed to put in place adequate measures to direct, control, monitor, and supervise the use and content of its social media platforms and websites.

<sup>606</sup> While this example noted above is outside of the audit period, it is important to note that this email is by the same individual in Edmonton as the February 24, 2015 email, which indicates that the ID was not asked for approval for renovation and expansion of its Edmonton projects, contrary to the Organization’s policies, and this occurred repeatedly when dealing with Edmonton.

<sup>607</sup> Email from [REDACTED] to Sharaf Sharafeldin ed@macnet.ca, “Fw: email to sharaf” October 29, 2015.

<sup>608</sup> MAC Information Center of Quebec audit interview, June 2, 2016.

<sup>609</sup> Centre Communautaire Laurentien/ Al Rawdah Mosque audit interview, May 31, 2016. CIIC audit interview, May 30, 2016.

### 1.5.3.3 Youth activities

As detailed in its audit interview on February 29, 2016, the Organization explained that it is organized into five departments, one being the youth department, which works at universities and high schools.<sup>610</sup>

Generally speaking, the Organization appears to have been largely unaware about details relating to the activities being undertaken by the youth. The CRA noted that this was not unique to one project or centre, but that this is a concern that appeared to be consistent throughout the Organization. Even at the Chapter and project level, officials were unable to answer basic questions about what the youth were doing. To illustrate, the following is a non-exhaustive list of examples from the Edmonton Chapter:

- The Edmonton Chapter Head was seemingly unaware of the MAC Youth Edmonton's Instagram page or if it had a Twitter account.<sup>611</sup> He stated that it was "not an easy realm to control."<sup>612</sup>
- When asked about MAC Youth Edmonton's RAHMA Media, the Chapter's representatives described it as a youth initiative where videos are posted on YouTube, and did not think it was operating at the time of the audit.<sup>613</sup> In contrast, the CRA's review indicated that RAHMA Media videos were posted on the MAC Edmonton YouTube channel during the audit period.<sup>614</sup>
- The Youth program in Edmonton has its own charter which outlined the youth's desire to have its own bank account<sup>615</sup> so that its "treasury team" could become financially independent from the MAC Islamic Centre and conduct fundraisers to achieve its goals.<sup>616</sup> The Organization was unaware that these sentiments were expressed on its own website, and suggested that despite being on the website it was not approved, and there was no separate bank account.<sup>617</sup>
- During the interview the CRA inquired about the youth activities in Edmonton and the Organization's representative seemingly was unable to answer basic questions about the youth camps. The Edmonton representatives stated that the camps were normally over two days, but that the camps were not a set program.<sup>618</sup> In contrast, publicly available information suggests that these camps all appear to have set schedules, expenses, planned activities and logistics.<sup>619</sup>
- The Organization's representatives in Edmonton stated that MAC Youth held meetings in its centre but they did not have meeting minutes.<sup>620</sup> The CRA was able to identify that MAC

<sup>610</sup> Head office audit interview, February 29 to March 1, 2019.

<sup>611</sup> MAC Youth Edmonton joined Twitter January 2012, @MACYouthEdm, <https://twitter.com/mayouthedm?lang=en>

<sup>612</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.

<sup>613</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.

<sup>614</sup> Youtube, Mac Edmonton, <https://www.youtube.com/channel/UC1sm51PVVciukzI8HkcsW2Q>.

<sup>615</sup> Rhama Mosque Website, "Rahma Mosque Website is Coming Soon", <https://rahmamosque.com>.

<sup>616</sup> As of November 20, 2017. "MAC Treasury," <https://rahmamosque.com/mac-treasury/> archived March 14, 2016.

<sup>617</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.

<sup>618</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.

<sup>619</sup> "Timeline," Facebook, available at: <https://www.facebook.com/macislamic>; "Camp Awakening 2014", MAC Youth Edmonton. "Timeline", Facebook, <https://www.facebook.com/macyouthedmonton/>, posted July 20, 2014.

<sup>620</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.



Youth committees in Edmonton used Google Groups email accounts<sup>621</sup> to coordinate its meetings, activities, and share meeting minutes apparently unbeknownst to the Chapter management.

Across the Organization, the youth are provided a large portion of space within most buildings. When asked about the types of activities that occur within these large youth spaces, the Organization's responses were vague and did not provide detailed descriptions. For example:

- At the CIIC, the CRA was told that the space was open access,<sup>622</sup> and served as an educational alternative to help develop youth.<sup>623</sup> The Organization was not able to provide the CRA with any description of the actual activities undertaken by the youth.
- At the MAC Islamic Centre in Edmonton, when asked what the youth use the dedicated space for, the Organization described the space as "an educational/chill zone" where youth can get together, have social events, offering them a spiritual place to have activities while bringing them to the mosque. The CRA was advised that youth would play games, have study circles, watch movies, play video games, and other "typical youth activities."<sup>624</sup>

This lack of direction and control over activities for youth is concerning as youth in general can be impressionable and without proper oversight and direction, negative influences can misguide them. There appears to be some communication that this may have occurred. During a September 2013 EC meeting, the Executive Director presented youth "interaction issues" with "Incidents of improper conduct in youth activities." The EC agreed with "the potential grave consequences of this on youth work."<sup>625</sup> On February 1, 2014, the follow-up noted in the EC meeting minutes was that the issues "May have been isolated incidents."<sup>626</sup> While this may be an isolated incident, the fact that this occurred is a concern as it could be an indicator that these issues may continue to occur without proper oversight.

Based on the findings above, the Organization appears to have been largely unaware about details relating to the youth programming.

#### **1.5.4 International schools**

According to information identified by the CRA, it appears as though the Organization, or parts thereof, were attempting to establish international schools in Libya and Turkey during the audit period. The CRA has serious concerns about whether these projects were done at the behest of the Organization or were done without the Organization's knowledge. Certainly, if the Organization was aware, it did not disclose such activities outside Canada during its audit interview,<sup>627</sup> and it

<sup>621</sup> MAC Youth Brothers Edmonton used the email address myebrs@googlegroups.com, and MAC Youth Edmonton used macyouthedmonton@googlegroups.com. Email from Murtada Shah [REDACTED] to myebrs@googlegroups.com, "MAC Youth Brs Meeting Sunday 730AM Tim Hortons 16039 97 Street Northwest," February 28, 2014; Email from [REDACTED], "MAC Youth March Update Meeting," March 5, 2015; Email from Programs Coordinator programs@masjidtoronto.com, "Meeting minutes 10/06/15," June 10, 2015.

<sup>622</sup> CIIC audit interview, May 30, 2016.

<sup>623</sup> CIIC audit interview, May 30, 2016.

<sup>624</sup> MAC Islamic Centre Edmonton audit interview, October 18, 2016.

<sup>625</sup> EC Meeting minutes, September 21/22, 2013.

<sup>626</sup> EC Meeting minutes, February 1, 2014.

<sup>627</sup> Head office audit interview, January 29, 2016

appears as though financial payments were structured in a way to obfuscate the source/destination of funds. Aside from minimal transactions in late 2015, the CRA could not identify any financial transactions within the Organization's records despite email evidence suggesting there should be. Furthermore, as detailed in section 3.10 below, the lack of books and records on this issue has contributed to the CRA concerns about a lack of direction and control over the Organization's resources.

### Libya School

It appears as though in December 2012, ██████████, Edmonton Chapter Head,<sup>628</sup> was approached by Diana Salerno<sup>629</sup> on behalf of the owner of the "American Libyan School" who was "interested in forming a partnership" with the MAC Islamic School (MIS). ██████████ then signed a letter, on the Organization's letterhead, addressed to the Libyan Ministry of Education. It stated:

I, the undersigned ██████████ am signing this letter on behalf of my educational organization MAC Islamic School, where we certify that the American Libyan School, which is situated in Girgash street, in front of Zarqa Al Yamama 1, Girgash, Tripoli, owned by Mr. Khairi Zreba...

The name of the school is going to be changed to Al Rouya Al Jadida - The new vision, which is the name of the organisation owned by Mr. Khairi Zreba...

MAC Islamic School is entering a partnership with The New Vision International School – NVIS – "Al Rouya Al-Jadida"...A representative of our school will also be visiting the school at least once a year to check the above mentioned items and to reinforce our collaboration. The Al Rouya Al-Jadida's curriculum is also controlled by our school and we certify the validity of their school stamp. We also authorize them to issue school certificates with their own school stamp.<sup>630</sup>

Another letter dated August 6, 2013, and written on the Organization's letterhead, however, refers to the school in Libya as "the British Canadian School."<sup>631</sup> A third letter, dated September 8, 2015, from Mustafizur Rahman the Acting Principal of MIS, is written on MIS letterhead.<sup>632</sup> The September 8, 2015, letter identifies MIS as the "Islamic School of the Islamic Society of Canada" and acknowledges that it was given a permission to open a branch in Libya under the name of The British Canadian School.<sup>633</sup>

<sup>628</sup> Chapter Management Committee, Edmonton Chapter Head 2013, 2014.

<sup>629</sup> A profile found on Bayt.com, an employment site for North Africa and the Middle East, indicates that Diana Salerno was employed as assistant head and primary teacher at "Canadian Libyan School" under Mr. Khairi Zreba, from September 2012 to June 2013. <https://people.bayt.com/diana-salerno-sharif-22762187>.

<sup>630</sup> Letter from MAC Islamic School to The Kind Attention of the Libyan Ministry of Education, December 14, 2012.

<sup>631</sup> Letter from ██████████, Executive Director of MAC Edmonton Alberta, August 6, 2013 on behalf of MAC Islamic School to the kind attention of the Libyan Ministry of Education.

<sup>632</sup> According to CRA records ██████████ was an employee of the Organization from 2006 to 2016.

<sup>633</sup> Letter from ██████████, Acting Principal, on behalf of the MAC Islamic School to the HE Minister of Libya and Free Education Officials on September 8, 2015.

As of 2018, the British Canadian School in Libya teaches students from kindergarten to grade 10 and it is still located at “Zarkaa Al Yamama I in Tripoli.”<sup>634</sup> [REDACTED] appears to be still involved as he was part of a graduation ceremony in 2018.<sup>635</sup>

It is unclear if the Organization was aware of this activity or if this was an activity pursued by [REDACTED] without the knowledge of head office or the board of directors. Regardless, the Organization has failed to demonstrate that it maintained direction and control over the activities at the Libya School that it reports to undertake.

### School in Turkey

It appears as though Olive Grove School (OGS) principal [REDACTED], with the knowledge of the Organization’s Executive Director, attempted to establish a partnership with a school<sup>636</sup> in Istanbul, Turkey. Sometime in May 2015, [REDACTED] became aware of the possibility of offering Ontario Secondary School diplomas in Turkey, noting “if there’s an opportunity to pursue similar project, I would imagine MAC would love to.”<sup>637</sup>

Shortly thereafter, the Organization received a proposal dated July 21, 2015, titled “D2L Pricing Proposal to Olive Grove School”<sup>638</sup> which provides the fee structure for the software platform and cloud services required to enable OGS to offer online educational services to students.<sup>639</sup> By late July 2015, [REDACTED] and his daughter, and OGS employee, [REDACTED] were in Turkey meeting with Istanbul Canadian Academy (ICA) officials to work on the details for the partnership.<sup>640</sup>

On August 3, 2015, [REDACTED] sent an email to Mourah M’Hiri<sup>641</sup> and the Organization’s Executive Director with updates on his “mission in travelling to Turkey” and his goal to “establish a partnership with an existing school (newly established) in Istanbul, Istanbul Canadian Academy (ICA).”<sup>642</sup> We note the email:

- contained details on the partnership process including positions, costs, ongoing negotiations, and request for advice; and

<sup>634</sup> British Canadian School, “About,” [https://facebook.com/pg/british.canadian.school/about/?ref=page\\_internal](https://facebook.com/pg/british.canadian.school/about/?ref=page_internal).

<sup>635</sup> British Canadian School, <https://facebook.com/pg/british.canadian.school/videos/2157763040907006>.

<sup>636</sup> Initially known as the Istanbul Canadian Academy (ICA), and later Manara Canadian Academy (MCA). Manara Canadian Academy, <http://mca-tr.com/about.html>.

<sup>637</sup> Email from OGS Principal, May 21, 2015, to [REDACTED] and [REDACTED].

<sup>638</sup> Brightspace, “D2L Pricing Proposal to Olive Grove School,” July 21, 2015, D2L offers an integrated learning platform to deliver personalized educational services regardless of geography.

<sup>639</sup> Brightspace, “D2L Pricing Proposal to Olive Grove School,” July 21, 2015.

<sup>640</sup> The Organization’s records contained an itinerary for a flight to Istanbul, Turkey for [REDACTED] departing from Toronto July 20, 2015 and returning August 20, 2015, email from [REDACTED] dated August 19, 2015. In an email to the Organization’s ED on August 3, 2015, [REDACTED] refers to his travel to Turkey.

<sup>641</sup> MAC Board of Directors (Member 2015, Chair 2013-2014); Director of Institutions Department (former), 2015.

<sup>642</sup> Email from OGS Principal [principal@olivegroveschool.ca](mailto:principal@olivegroveschool.ca) to Mourad M’Hiri, [REDACTED] and Sharaf H. A. Sharafeldin, [ed@macnet.ca](mailto:ed@macnet.ca), “partnership with a school in Turkey,” August 3, 2015.

- concluded with the following remark from ██████████ "I have not detailed my negotiation with ICA with OGS board yet because I am not sure if you want this project to be part of OGS."<sup>643</sup>

In a document titled "MAC Services to Istanbul Canadian Academy,"<sup>644</sup> the OGS described its proposed role, including an audit process requiring an onsite auditor to ensure all expectations are met at a "cost to of \$600/day plus travel and accommodation, minimum of 3 days."

Whether intentionally or not, it appears as though ██████████ was positioned to be an integral part of the Organization's arrangement to develop a network of international schools with itself as the intermediary between the international school and the accredited online high school provider. The August 2015 document titled "MAC-OGS International" listed ██████████ as the administrative assistant in charge of communications and planning.<sup>645</sup> According to the document, ██████████ would be in "charge of the project overall" as well as the business and international relations, and the VP for Academic Support role could be split between ██████████<sup>646</sup> for High school support and ██████████<sup>647</sup> for elementary support.<sup>648</sup>

The Organization and ██████████ structured payments and expenses to and from the international school so it would flow through ██████████.<sup>649</sup> There were no transactions identified in relation to the international school during the audit period. However, the CRA identified that OGS paid \$3,490 to ██████████ in December 2015, and \$19,544<sup>650</sup> to ██████████ in December 2016 in relation to the international school. It is unclear as to what ██████████ did with these funds.

Furthermore, it appears based on the information available, that once this arrangement became a viable option and could be replicated to other international schools ██████████ with the knowledge of her father, took steps to extricate the Organization from its pre-existing relationships and replaced it with a company she and a partner, ██████████ had created.<sup>651</sup> In January 2016, ██████████ drafted, for her father's approval, an email to Istanbul Canadian Academy with the intent of terminating OGS' relationship with it.<sup>652</sup> It is unclear if this email was sent to its intended recipient.

In August 2016, ██████████ indicated she was forming her own education agency in Turkey with a partner, ██████████ who would be the official representative in Turkey. Her objective was to promote the Ontario Virtual School (OVS) to well established schools overseas and wanted to finalize an agreement with OVS. It appears this was a separate project between ██████████ new

<sup>643</sup> Email from OGS Principal principal@olivegroveschool.ca to Mourad M'Hiri ██████████ and Sharaf H. A. Sharafeldin ed@macnet.ca, "partnership with a school in Turkey," August 3, 2015.

<sup>644</sup> MAC Services Offered to Istanbul Canadian Academy.

<sup>645</sup> "MAC-OGS International," August 2015.

<sup>646</sup> Assistant Vice-Principal at OGS.

<sup>647</sup> ██████████ Assistant Principal at OGS, 2014.

<sup>648</sup> "MAC-OGS International", August 2015.

<sup>649</sup> Emails: from ██████████ dated June 3, 2016.

<sup>650</sup> Payments of 9,772+5,235+4,537 = \$19,544

<sup>651</sup> Email from s.bakbak@olivegroveschool.ca, August 17, 2016, "OVS agreement."

<sup>652</sup> Email from ██████████ dated January 23, 2016.

company and OVS. [REDACTED] made it clear that this new arrangement, likely to benefit [REDACTED] and [REDACTED] was done so with "OGS agree[ing] to this new arrangement."<sup>653</sup>

The CRA is concerned that the Organization lacked direction and control over its projects and as a result, [REDACTED] and [REDACTED] appear to have taken control over the international school program, extricated the Organization from existing agreements, and developed new agreements with other parties.

### **Summary of section 1.5**

As stated above, a charity can only use its resources, whether inside or outside Canada, on its own activities or on gifts to qualified donees. In order to be considered its own activities, a charity must be able to demonstrate that the activities involved are undertaken at its initiative and direction, and are conducted under its supervision and control. While the audit found that the Organization maintained direction and control over some of the activities undertaken by its many Chapters/projects, and programs, a review of the Organization's records, financial information and internal communications suggest that there remains significant gaps in the Organization's ability to demonstrate efficient and effective direction and control over all of its activities. The Organization's lack of direction and control over its operations may have also contributed to increased risk and potential loss of financial resources.

Consequently, it is our position that the Organization has ceased to comply with the requirements of section 149.1 of the Act by failing to maintain adequate direction and control over its resources. For this reason, there may be grounds to revoke the Organization charitable status under paragraph 168.1(b) of the Act.

### **1.6 Conferring an undue benefit and resourcing non-qualified donees**

The Act sets out the meaning of an undue benefit, as it relates to a disbursement or benefit conferred by a charity.<sup>654</sup> Charities that deliver a benefit to a non-eligible beneficiary or make a gift to a non-qualified donee are conferring an undue benefit.

A registered charity that confers an undue benefit on a person, at a particular time in a taxation year, is liable to a penalty under subsection 188.1(4) of the Act that is equal to 105% of the amount of the benefit. In accordance with subsection 189(7) of the Act, a registered charity that

<sup>653</sup> Email from s.bakbak@olivegroveschool.ca, August 17, 2016, "OVS agreement."

<sup>654</sup> According to subsection 188.1(5) of the Act, an undue benefit includes, among other things, any benefit conferred on a beneficiary at the direction or with the consent of the charity, that would, if it were not conferred on the beneficiary, be an amount in respect of which the charity would have a right, but does not include a disbursement or benefit to the extent that it is (a) an amount that is reasonable consideration or remuneration for property acquired by or services rendered to the charity; (b) a gift made, or a benefit conferred, in the course of a charitable act in the ordinary course of the charitable activities carried on by the charity, unless it can reasonably be considered that the eligibility of the beneficiary for the benefit relates solely to the relationship of the beneficiary to the charity; or c) a gift to a qualified donee.

contravenes the Act could, in addition to the imposition of a penalty under subsection 188.1(4), also have its registration revoked.<sup>655</sup>

### **1.6.1 Centre Culturel Aboubakerseddik**

As detailed in section 1.4.3, the CRA's preliminary audits findings indicate that the Organization purchased property<sup>656</sup> for the sole use of a non-qualified donee, CCA.<sup>657</sup> As such, the CRA considers the Organization to have provided a gift to a non-qualified donee, CCA, by allowing it and its directors to:

- 1) use the Organization's building rent free; and
- 2) collect rent revenue generated from renting out a portion of the Organization's building.

During the audit interview, when asked if there were any common directors between the Organization and CCA, Mr. Sharafeldin responded with conflicting answers. He advised there were none, he did not know, and finally that Mr. Habib [Marzougui] was a member but had not been one for the last three or four years.<sup>658</sup> CRA research identified that in addition to Mr. Marzougui, there are two additional members of the Organization listed as owners of the CCA, Mr. Mohamed Hamrani and Mr. Lazhar Aissaoui.<sup>659</sup>

The Organization appears to have provided a gift to a non-qualified donee, CCA, by permitting the CCA to conduct its own activities and rent out two of the three floors of the building without paying the Organization any rent. The Organization's September 1, 2017 letter to the CRA states that CCA does not pay rent, but that the Organization "collects rents from the tenants in the property and those rents are the used to pay the property taxes and other incidental costs related to the property." The Organization acknowledges that the arrangement with CCA may not have been in full compliance with its obligations under the Act "because it may have allowed a non-qualified donee to use its property for below fair market value." The Organization notes that it would have had to devote considerable resources to renovate the property before it could operate its own mosque there. However, in the interim period, the Organization allowed CCA to operate a mosque at the property, free of rent, "because it would offend the community for a mosque, as a place of prayer, to have to pay rent to MAC."<sup>660</sup>

<sup>655</sup> See also *Humane Society of Canada for the Protection of Animals and the Environment v. Canada* (National Revenue), 2015 FCA 178.

<sup>656</sup> 365, 369, and 371 Jean-Talon street East, in the city of Montreal, Province of Quebec, and 7160 and 7164 Saint-Denis Street, in the city of Montreal, Province of Quebec, H2R 2E2.

<sup>657</sup> Agreement of Sale between Lazhar Aissaoui on behalf of the Muslim Association of Canada and Mr. Hetu Andre, 371 Rue Jean Talon, August 18, 2008, p. 1-3.

<sup>658</sup> Centre Culturel Aboubaker audit interview, May 30, 2016.

<sup>659</sup> According to documents provided by the Organization, both Mr. Aissaoui's and Mr. Hamrani's MAC membership cards are dated December 30, 2000. Mr. Marzougui's membership card is dated January 25, 2000. In addition, Mr. Hamrani was previously the Organization's president in 2006, was the treasurer for the Centre Communautaire Laurentien / Al Rawdah Mosque, and is currently the Montreal Chapter head. Mr. Lazhar Aissaoui, has played an important role within the Organization. He was described in the Municipal Commission of Québec's report, as "the [Aboubakerseddik Culturel] Center's administrator." Furthermore, Mr. Aissaoui has played an important role as head of the institutions department on the Organization's executive council in 2013 and 2014. He has been chair of the Canadian Islamic Institute of Civilization since at least 2013.

<sup>660</sup> Letter from Carters Professional Corporation, September 1, 2017.

The CRA real estate appraisal section conducted a site visit of the property to assess the fair market value of the rent that the Organization should have charged CCA for the 371 Jean Talon building. The fair market value of rent less building costs as determined by the CRA real estate appraiser is \$112,077 per year. The Organization did not collect any rent from CCA as agreed upon in their Operations agreement dated February 6, 2009.

During the site visit on April 23, 2019, the first and third floors of the building were rented out.<sup>661</sup> CCA did not provide the lease agreements for all tenants with the exception of two dated leases.<sup>662</sup> As a result, the CRA real estate appraiser determined the rentable portion of the first floor of the building to be 3,047 square feet with a market value of \$16 per square foot and the rentable portion of the third floor of the building to be 2,878 square feet with a market value of \$10 per square foot. Based on these figures, market rent for the first floor is \$48,752 and market rent for the third floor is \$28,780 amounting to \$77,532 per year.

After the CRA advised the Organization that it intended to conduct a fair market valuation of the property located at 371 Jean Talon, the Organization represented, in its correspondence dated December 21, 2018, that CCA vacated the property located at 371 Jean Talon as of September 1, 2018.<sup>663</sup> The Organization later represented to the CRA, in its letter of February 20, 2019, that it is running the mosque as its own activity now.<sup>664</sup> The Organization's representations do not appear to be consistent with previous representations and publicly available information. Specifically, we note that the Quebec corporate registry lists CCA as operating out of 371 Jean Talon as per the CCA's last two annual returns.<sup>665</sup>

The Organization requested, in its correspondence of February 20, 2019, that the CRA consider a cheque from Qatar Islamic Bank in the amount of \$219,261.35 USD.<sup>666</sup> and a payment of \$60,000 from CCA in 2012 for "municipal taxes," as amounts CCA paid the Organization "for use of the property."<sup>667</sup>

The cheque from Qatar Islamic Bank was signed over to the Organization in May 2009, well before the audit period. If the CRA were to take into account this amount from before the audit period, the CRA would also need to consider any possible undue benefit associated with that same

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<sup>661</sup> 1<sup>st</sup> floor tenants included a restaurant and Copie Express. 3<sup>rd</sup> floor included multiple retail and office tenants.

<sup>662</sup> Leases were provided for Copie Express May 1, 2007 to March 30, 2012 and 'Unknown' February 1, 2012 to February 1, 2015.

<sup>663</sup> Letter from Carters Professional Corporation regarding the Muslim Association of Canada on December 21, 2018, In regards to "preliminary comments concerning the audit transcripts." p. 7.

<sup>664</sup> Letter from Carters Professional Corporation regarding the Muslim Association of Canada on February 20, 2019, In regards to how "CRA would still like to conduct a fair market evaluation of the property at 371 Rue Jean Talon in Montreal."

<sup>665</sup> Registre des entreprises du Quebec.

<sup>666</sup> The Organization's February 1, 2017 letter to the CRA states that as a result of CCA's 2008 fundraising efforts, it received a cheque from the Qatar Islamic Bank. The \$219,261.35 USD cheque, which was written to CCA was signed over to the Organization in 2009 "to fund the purchase of the building." The cheque was issued on May 10, 2009. The next business day – May 11, 2009 - exchange rate was 1.1658. Therefore, the Canadian amount of this cheque is \$255,614.88 CAD.

<sup>667</sup> Letter from Carters Professional Corporation, February 20, 2019.

time period.<sup>668</sup> The CRA has restricted its calculation of the undue benefit penalty with respect to this property to reflect only the amount directly related to the audit period.

While the CRA does not dispute that CCA provided the Organization with a \$60,000 payment in November 2012, in the absence of any records to suggest otherwise, we are unable to accept that the \$60,000 provided by the CCA was to cover the cost of municipal taxes. In this regard, the Organization's representations, and supporting documentation provided to the CRA conflict with its own books and records and publicly available information. Specifically:

- The Organization submitted the front copy of a cheque (#419) for \$60,000 from CCA which indicates the payment is for "taxes." However, the Organization also submitted a deposit slip indicating that cheque #419 from CCA, in the amount of \$60,000, was a "donation" for the activity of "school/project."<sup>669</sup> Our review of the Organization's records indicates that the payment of \$60,000 was received on November 30, 2012, and was recorded as a donation in the Organization's general ledger.<sup>670</sup>
- The operating agreement between the Organization and CCA states that the transferee (CCA) shall assume full responsibility with government authorities, particularly tax authorities.<sup>671</sup>
- The audit did not reveal any evidence to suggest that the Organization paid taxes for the property located at 371 Jean Talon.
- Emails provided by the Organization show its account manager, [REDACTED] forwarding the property tax bills to "Br. Habib [Mr. Marzougui] to be paid as soon as possible."<sup>672</sup>
- The audit found that the \$60,000 payment received from CCA in November 2012 was the only payment recorded from CCA during the audit period.

The Organization's agreement with CCA to use its property, has resulted in an increase of CCA's net income by \$189,609 per year.<sup>673</sup> As such, the Organization has provided a gift to a non-qualified donee, CCA during the audit period in the amount of \$568,827 calculated as \$189,609 during 2015, 2014, and 2013,<sup>674</sup> in contravention with the Act.

According to paragraph 188.1(4)(a) of the Act, a registered charity that confers an undue benefit, including a gift to a non-qualified donee, may be subject to a penalty of 105% of the value of the

<sup>668</sup> Based on a review of the information available to us and the amount of undue benefit calculated during the audit period, the CRA estimates that for the years 2009 to 2012, the Organization conferred a gift to a non-qualified donee, CCA of approximately \$189,609 per year which totals approximately \$758,436 for the four years 2009 to 2012. If we were to deduct the payment of \$255,615 CAD, the Organization would have conferred an additional \$502,821 in undue benefit to CCA for the 2009 to 2012 fiscal periods. The CRA expanded the audit period on October 5, 2016, to include all matters related to the Organization's real estate and as such, this amount could fall under this expansion. Therefore, the Organization could be liable of a penalty of 105% for this additional undue benefit amount.

<sup>669</sup> Letter from Carters Professional Corporation, February 20, 2019.

<sup>670</sup> Head Office journal entry #798 'Donation from Centre Culturel Aboubakr'.

<sup>671</sup> CCA Operating Agreement, February 6, 2009.

<sup>672</sup> Email from [REDACTED] January 13, 2014, Email from [REDACTED] September 26, 2013.

<sup>673</sup> Fair market value of rent expense not incurred \$112,077 + Rent revenue collected \$77,532 = \$189,609.

<sup>674</sup> \$189,609 \* 3 = \$568,827 Centre Culturel Aboubakerseddik (CCA) - Gift to Non-qualified donee Calculation.



benefit. In the Organization's case, the undue benefit is \$568,827. Therefore, the penalty is calculated to be \$597,268,<sup>675</sup> which represents 105% of the benefit provided.

### **1.6.2 Mr. Mohamed Habib Marzougui**

As detailed above, on February 6, 2009, the Organization assigned the property located at 371 Jean Talon to CCA and its directors, particularly Mr. Mohamed Habib Marzougui, for its sole use. According to the Organization, it did not conduct any activities at the property and it was not involved in the property.<sup>676</sup>

However, the property agreement between the parties, specifically clause 5, states:

Throughout the entire duration of the usufruct, the building's manager shall be Mr. Mohammed Habib Marzougui, failing which the transferor may discontinue the said usufruct. **The transferee shall be responsible for the latter's remuneration** [emphasis added].<sup>677</sup>

The audit findings indicate that, the Organization, starting in 2009, has been paying Mr. Marzougui a salary ranging from \$19,999 in 2009 to \$40,000 in 2015.<sup>678</sup> Between 2009 and 2016, the CRA calculates a total combined salary of \$296,086.

It is the CRA's opinion that the Organization provided an unacceptable undue benefit to Mr. Marzougui. There is nothing in the agreement that stipulates that Mr. Marzougui is to perform any sort of work for the Organization in exchange for the salary. Mr. Sharafeldin, made it clear in the audit interview that not only is the Organization not involved in the property, but the activities being undertaken at the property are not the Organization's.

The addition of Mr. Marzougui to the Organization's payroll appears to have been done in such a way as to hide Mr. Marzougui's salary. For example,

- T4's were issued using his first and second given names—Mohamed Habib rather than his full name.
- Mr. Marzougui's salary was allocated to the head office cost center rather than one in Montreal where he lives and works.<sup>679</sup>
- Mr. Marzougui was listed under the title of Imam, a position he does not appear to perform for the Organization since it is not involved in any activities at the property.<sup>680 681</sup>

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<sup>675</sup> Undue benefit amounts calculated  $\$568,827 * 105\% = \$597,268$ .

<sup>676</sup> Centre Culturel Aboubaker audit interview, May 30, 2016.

<sup>677</sup> Assignment of Usufruct by Muslim Association of Canada in favour of Centre Culturel Aboubakerseddik, February 6, 2009.

<sup>678</sup> Purchase Agreement for 371 Jean Talon Est, October 29, 2008.

<sup>679</sup> Position Titles and Employee Lists Habib Mohamed – Department TORO06 – per TORO06 is the Head Office ADP payroll project code.

<sup>680</sup> Position Titles and Employee Lists.

<sup>681</sup> Centre Culturel Aboubaker audit interview, May 30, 2016.

We note that the Organization's own human resources department seemed to be confounded by the presence of Mr. Marzougui on the payroll. In a series of email correspondence between the Organization's human resources department, it is clear that the Organization does not have supporting documentation as to when Mr. Marzougui was hired, where he works, and why he is under the head office cost centre. Further, there are no copies of his contract on file with the Organization's human resources.<sup>682</sup>

Considering the conditions under which the Organization purchased the property, for the sole benefit and use of CCA, and the unrestricted and continuous use of the property by Mr. Marzougui until such time he is no longer involved in the property, it appears that the Organization has provided a gift to a non-qualified donee, Mr. Marzougui, by paying him a salary.

According to paragraph 188.1(4)(a) of the Act, a registered charity that confers an undue benefit to any person or entity may be subject to a penalty of 105% of the value of the benefit. In the Organization's case, the undue benefit penalty relating to payments made to Mr. Marzougui is \$126,000. This penalty has been calculated is based on a salary of \$40,000 over the three year audit period.<sup>683</sup>

### **1.6.3 Trilex Group Inc.**

Between 2006 and 2008, the Organization invested a total of \$360,000 in Trilex Group Inc., (Trilex) through investments made directly in Trilex in the amount of \$200,000 and through a purchase of Trilex shares from Mr. Ehab El-Komy in the amount of \$160,000. In the Organization's notes to financial statements, it indicated that it "purchased 16 Class "A" Common Shares in the private company Trilex Group Incorporated, for a consideration of \$160,000 holding an equity of 16%."<sup>684</sup> A review of the Organization's financial statements indicates that as of December 31, 2015, there was a Trilex account receivable in the amount of \$75,868.<sup>685</sup>

The Organization appears to have engaged in a business relationship with Trilex<sup>686</sup> and Mr. El-Komy. However, it is also the CRA's preliminary position, that this business relationship would not have occurred were it not for Mr. El-Komy's relationship to the Organization and thus an undue benefit was conferred upon Trilex and Mr. El-Komy.

According to the Organization's T3010s Ehab El-Komy, President of Trilex, was officially a director of the Organization from 2002-2005. Our review of the Organization's records indicates that he continues to play an important and meaningful role within the Organization.<sup>687</sup>

<sup>682</sup> Email correspondence dated, October 2014 to April 2015.

<sup>683</sup> Undue benefit amounts calculated (3 years x \$40,000 = \$120,000) \* 105%.

<sup>684</sup> Note 6 to financial statements as filed with the Organization's T3010 June 30, 2015.

<sup>685</sup> T3010 and financial statements filed by the Organization, December 31, 2015.

<sup>686</sup> BN88780 5919 RC 0001, also known as SECURITE TRILEX, Numero d'entreprise du Quebec (NEQ) : 1164933534.

<sup>687</sup> In 2011, the Organization listed El-Komy as one of its six newly elected Ottawa National Convention members (Email from MAC Head Office <mac@macnet.ca> to abakbak@macnet.ca, Congratulations to Elected NC Members, January 19, 2011.) January 2013 meeting minutes show Mr. El-Komy as one of its nine directors (20130112 - 2012

The Organization initially invested in Trilex in the amount of \$200,000<sup>688</sup> and then purchased \$160,000 in shares from Mr. El-Komy.<sup>689</sup> Based on this share purchase price, the valuation of Trilex would be \$1 million at that time; however, there is no evidence to suggest that Trilex warranted such a valuation. A review of Trilex's financial information at the time of the original investment to current reveals that Trilex was suffering from severe financial losses and would not become financially viable for several years. As such, it is unclear as to why the Organization would choose to invest in a company that did not appear to be viable. This would not appear to be a prudent investment.

The Organization's meeting minutes and other records reviewed during the audit offer no explanation as to the reason for the investment. Therefore, it is reasonable to conclude that the Organization's decision to invest in Trilex was likely based on its pre-existing and ongoing relationship with Mr. El-Komy rather than sound and prudent investing criteria. The Organization's relationship with Mr. El-Komy appears to be central in the Organization's decision to continue to support Trilex. According to the investment agreement with Trilex, the Organization, as an investor, is entitled to 45.5% of the profits or losses in Trilex and all profits or surplus available to the two parties at the end of each fiscal year.<sup>690</sup> During the audit interview with the Organization, the CRA asked about the investment in Trilex to which Mr. Sharafeldin indicated that the Organization was trying to get out of the investment because they did not deliver on their receivables and performance did not go according to plan.<sup>691</sup> Trilex's apparent inability to uphold its share of the investment agreement resulted in a large account receivable outstanding from Trilex.<sup>692</sup> Despite the large account receivable, the Organization's projects continued to provide security alarm business to Trilex including the payment of invoices in the amount of \$37,570 in 2015<sup>693</sup> and \$11,298 in 2014,<sup>694</sup> which were not applied to the outstanding account receivable. It is unclear why the Organization, with a substantial account receivable owed by Trilex, would continue to provide Trilex with business and pay for services.

Based on a review of the Trilex investments on the Organization's financial statements, it appears that the 2008 share purchase of \$160,000<sup>695</sup> was not fully recorded as an investment in Trilex and was not reported on the Organization's notes to financial statements until the 2010 fiscal year. During 2008, the Organization purchased shares with a value of \$160,000 and entered into an

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NC Meeting Minutes-v2.doc, 2012 National Convention Meeting Minutes, January 12-13, 2013.) and Mr. El-Komy was also listed as a member of the Organization from 2013-2015 (2013, 2014, and 2015 MAC Membership List.) One of the Organization's Adjunct Usrah follow-up committee leaders in 2013 (MAC Meeting Minutes, October 26, 2013), the Organization's Imam in October 2014 (Email from contact account <contact@macottawaeid.com> to [REDACTED] > Re: Imam, October 1, 2014.) and a prayer and sermon leader for the Organization's Eid Al-Fitr Festival in 2016 (Guest Reception Information (Ottawa, Fitr and MSF 2016).docx)

<sup>688</sup> Trilex Investment Agreement dated April 6, 2006 \$100,000 plus Ongoing Account Purchase and Service Agreement dated March 1, 2008 \$100,000.

<sup>689</sup> Share purchase agreement dated March 1, 2008 between the Organization and Ehab El-Komy.

<sup>690</sup> Trilex Investment Agreement dated April 26, 2006, paragraph 6.

<sup>691</sup> Audit interview, February 29, 2016.

<sup>692</sup> Trilex receivable \$75,583, \$58,769 and \$51,624 (2015, 2014 and 2013).

<sup>693</sup> Invoices paid by Ottawa Abraar School and Maple Grove School.

<sup>694</sup> Invoices paid by Ottawa Abraar School.

<sup>695</sup> Share Purchase Agreement between Ehab El-Komy and The Muslim Association of Canada on March 1, 2008.

ongoing purchase and service agreement in the amount of \$100,000 for a total additional 2008 investment in Trilex of \$260,000. The financial statements for 2008 only recorded an additional investment of \$150,000, an understatement of \$110,000.

It does not appear that the Organization will be able to collect on the outstanding investment in Trilex. The investment has been written down since 2008. The Organization also acknowledged during the audit that it was attempting to get out of the above noted agreements.<sup>696</sup> Of the total \$360,000 investment,<sup>697</sup> \$142,668 remains as an asset on the Organization's balance sheet.

Based on the above analysis, it appears that the Organization provided a gift to Trilex, a non-qualified donee, in the amount of \$200,000. During the period in which the Organization invested in Trilex, the latter was in a deficient financial position, and would not have been considered a safe investment in a viable business. Accordingly, it appears that the Organization was attempting to resuscitate Trilex rather than invest in it. Moreover, the Organization should have identified that this was not a prudent use of the charity's assets.

In addition, the Organization has provided an undue benefit to former director, Ehab El-Komy, for the purchase of his shares in Trilex in the amount of \$160,000.

According to paragraph 188.1(4)(a) of the Act, a registered charity that confers an undue benefit, including a gift to a non-qualified donee, to any person or entity may be subject to a penalty of 105% of the value of the benefit. In the Organization's case, the undue benefit penalty is \$378,000. This penalty has been calculated based on the initial investment of \$200,000 and the purchase of share for \$160,000.<sup>698</sup>

#### **1.6.4 Muslim Resource Centre for Social Support and Integration (MRC)**

A review of the Organization's electronic communication appears to show the Organization's officials discussed methods on how to transfer funds to other organization's that were not registered charities.

As detailed in Appendix R the Organization appears to have fundraised with the intention of providing funding to the Muslim Resource Centre (MRC), a non-qualified donee. In so doing, the Organization appears to have created an invalid invoice in order to conceal the transfer of funds from the Organization to the MRC.

The CRA has reviewed the Organization's financial data and could not confirm whether the \$10,000 invoice was entered into the system, or if the Organization issued a payment to MRC. Our analysis of the invoice revealed the following:

- The \$10,000 invoice for services matches the exact amount that was reportedly raised for the MRC.

<sup>696</sup> Audit interview, February 29, 2016.

<sup>697</sup> \$100,000, Trilex Investment Agreement, April 6, 2006, \$100,000 Ongoing Account Purchase and Service Agreement (OAPA) between Trilex Group Incorporated and The Muslim Association of Canada, March 1, 2008, \$160,000, Share Purchase Agreement between Ehab El-Komy and The Muslim Association of Canada on March 1, 2008.

<sup>698</sup> Undue benefit amounts calculated  $\$360,000 * 105\% = \$378,000$ .

- As represented by the Organization during an interview with CRA auditors, invoices for regular expenses such as work/services are entered into the accounting system by the MAC Youth Centre staff, the cheque for payment is issued by the MAC Youth Centre staff, and a copy of the invoice is provided to head office as part of the monthly package that is sent.<sup>699</sup> The audit found no evidence of the invoice being entered in the Organization's records as per the described process.
- The date of the alleged services, as outlined in the invoice, is from August 1 to 14, 2012, but also includes a Family Honour Project during the month of July 2012, which occurred before the original conversation about transferring funds to MRC. If the Organization had already received services from MRC, it is unclear why the subsequent email exchange would occur and Mr. Sharafeldin would propose that the Organization would commission the MRC to do work for them on August 24, 2012.<sup>700</sup>

Based on the information available to the CRA, it appears that the Organization has provided \$10,000 to the MRC, a non-qualified donee. It is reasonable to believe that the Organization was aware of the restrictions under the Act with regards to gifts to non-qualified donees, and as such appears to have knowingly attempted to circumvent the rules by creating an invoice for services as a pretext to transfer funds to the MRC. We find it extremely troubling that the Organization went so far as to create a false record in an attempt to provide funds to a non-qualified donee.

According to paragraph 188.1(4)(a) of the Act, a registered charity that confers an undue benefit, including a gift to a non-qualified donee, to any person or entity may be subject to a penalty of 105% of the value of the benefit. In the Organization's case, the undue benefit penalty is \$10,500, which represents 105% of the benefit provided to MCR.

### **1.6.5 Gifts to other non-qualified donees**

A review of the Organization's books and records suggest that it made several gifts to non-qualified donees throughout the audit period.

#### **Muslim Student's Association (MSA)**

The Organization, on several occasions, appears to have provided gifts to the Muslim Students' Association (MSA), a non-qualified donee. According to information available to CRA, it appears as though many of these gifts involve events that were primarily MSA events even though they were co-branded with the Organization's logo. The Organization's email suggest that in these cases, the Organization simply provided financial support. For example:

- University of Toronto MSA president, [REDACTED] contacted Masjid Toronto on March 20, 2015, requesting sponsorship from the Organization for an event called "Know your Rights."<sup>701</sup> In response, the Masjid Toronto's Executive Director advised that the Organization could sponsor up to \$250 by paying the invoices directly, indicating that

<sup>699</sup> As represented by the Organization at the MAC Youth Centre audit interview September 19, 2016.

<sup>700</sup> Invoice dated October 16, 2012, to Muslim Association of Canada.

<sup>701</sup> Emails between [REDACTED] president@uoftmsa.com, [REDACTED]; programs@masjidtoronto.com and [REDACTED] February 23, 2015, "NCCM Know Your Rights Sponsorship," p.44-45.

it "would be perfect" if the invoices were made out to Masjid Toronto.<sup>702</sup> A follow up email indicates the Masjid Toronto's committee agreed to pay \$360 for audio visual (AV) and an honorarium for NCCM.<sup>703</sup> According to the Organization's general ledger, the payment was made on 2015-06-17 (TN#145355) to MSA, University of Toronto St George in the amount of \$360.<sup>704</sup> The payment was recorded to expense account #5003020 "Support of Non-Mac programs." An invoice was apparently given by president of MSA University of Toronto for audit visual (AV) costs - asking for \$300 honorarium and \$60 for AV.<sup>705</sup>

- The MAC Islamic Center (Edmonton) promised to pay a donation to support MSA's Shaikh A'la program (50/50). Emails indicated that the payment was promised a year prior (in 2013).<sup>706</sup> The Organization's general ledger indicates that a \$600 payment was made on October 16, 2013 (TN#34402 and TN#34289) to the University of Alberta Muslim Student Association. The expense was recorded to expense account #5003020 "Support of Non-Mac programs." The cheque cleared the MAC Islamic Center bank account on October 16, 2013.<sup>707</sup>
- A table of itemized deposits/terminal summary for Masjid Toronto suggests funds were being collected on behalf of "MSA Orphan" in the amount of \$1,624.10 in 2014.<sup>708 709</sup>
- The expense was recorded to expense account #5003020 "Support of Non-Mac programs," CHQ.1915-Muslim Students Association, dated May 9, 2014 (TN#62483). Of note, an email dated February 19, 2014 indicated that [REDACTED] had approved a \$500 donation to the IAW (Islam Awareness Week), an MSA led event.<sup>710</sup>

Given the above, it appears as though the Organization gifted \$3,084 to MSA, an non-qualified donee.

<sup>702</sup> Emails between El-Tantawy Attia: [REDACTED], Masjid Toronto: programs@masjidtoronto.com, [REDACTED], Waqqas Shafique: [REDACTED] and [REDACTED] February 25, 2015, "Re: NCCM Know Your Rights Sponsorship," p.43.

<sup>703</sup> Emails between [REDACTED] president@uoftmsa.com and [REDACTED] Programs Coordinator: programs@masjidtoronto.com, February 25-26, 2015, p.55-58.

<sup>704</sup> General ledger TN#145355.

<sup>705</sup> Emails between [REDACTED] president@uoftmsa.com and [REDACTED] February 23, 2015.

<sup>706</sup> Emails between Rahma Mosque: office@rahmamosque.com and [REDACTED] ridrees@macnet.ca, March 11, 2014 "Re: CHQ# 1644;" Emails between Murtada Shah: [REDACTED] Rahma Mosque: office@rahmamosque.com and [REDACTED] fi@ualberta.ca, September 5, 2013, "600 for MSA- Sh. A'La;" and emails between Murtada Shah: [REDACTED] and Rahma Mosque: office@rahmamosque.com, September 6, 2013, "Re: 600 for MSA-Sh. A'La,"

<sup>707</sup> General ledger TN#34402 and General ledger TN#3428.

<sup>708</sup> Table 1 - Masjid Toronto Itemized Deposit/Terminal Summary, 2013 and 2014.

<sup>709</sup> The MSA asked if they could fundraise again in 2015, and the MT responded that the MSA was not a registered charity so they couldn't give them a donation, that they had allowed it in the past but it was very confusing for them. Email from El-tantawy: [REDACTED] to Programs Coordinator: programs@masjidtoronto.com, Waqqas Shafique [REDACTED] and Mohie: [REDACTED] on June 21, 2015, "Re: UoIT MSA Frosh + Ramadan Orphan Sponsorship," p. 34-36.

<sup>710</sup> Email from [REDACTED] to Rahma Mosque: office@rahmamosque.com, "Re: MSO food booth," February 19, 2014.

According to paragraph 188.1(4)(a) of the Act, a registered charity that confers an undue benefit, including a gift to a non-qualified donee, to any person or entity may be subject to a penalty of 105% of the value of the benefit. In the Organization's case, the undue benefit penalty is \$3,238, which represents 105% of the benefit provided to MSA.

### **Forum Musulman Canadien (FMC)**

Our analysis of the Organization's records and activities did not find any information to indicate that it maintained any direction or control over the provision of resources to Forum Musulman Canadien (FMC). In particular, we have identified the following instances where the Organization provided funds to FMC:

- According to the Organization's records, the Montreal Chapter made a payment for an invoice issued in FMC's name in the amount of \$1,879.84 (TN#119987) paid to Chateau Royal for 55 meals on October 21, 2014.<sup>711</sup>
- The Organization also made a donation to FMC for its 7<sup>th</sup> annual banquet in the amount of \$1,075 (TN#125340) on November 21, 2014.<sup>712</sup>
- In December, 2013 a payment was made to Canadian Muslim Forum in the amount of \$900. The expense was recorded to expense account #5003020 "Support of Non-Mac programs," CMF-CHQ#00163-Canadian Muslim Forum, dated December 4, 2013 (TN#34135).

The audit revealed that the Organization provided \$3,855 to FMC during the audit period.

According to paragraph 188.1(4)(a) of the Act, a registered charity that confers an undue benefit, including a gift to a non-qualified donee, to any person or entity may be subject to a penalty of 105% of the value of the benefit. In the Organization's case, the undue benefit penalty is \$4,048, which represents 105% of the benefit provided to FMC.

### **Summary of section 1.6**

#### **Penalty proposed**

#### **188.1(4) Undue benefits**

A registered charity or registered Canadian amateur athletic association that, at a particular time in a taxation year, confers on a person an undue benefit is liable to a penalty under this Part for the taxation year equal to

- (a) 105% of the amount of the benefit, except if the charity or association is liable under paragraph (b) for a penalty in respect of the benefit; or
- (b) if the Minister has, less than five years before the particular time, assessed a liability under paragraph (a) or this paragraph for a preceding taxation year of the charity or association and the undue benefit was conferred after that assessment, 110% of the amount of the benefit.

#### **188.1(5) Meaning of undue benefit**

Under the Act, an undue benefit conferred on a person by a registered charity

<sup>711</sup> Chateau Royal Paid invoice, "FMC-CMF FORUM MUSULMAN CANADIEN," September 26, 2014.

<sup>712</sup> FORUM MUSULMAN CANADIAN (FMC-CMF) Receipt to Al Bayan School-Montreal c/o [REDACTED], for CMF 7<sup>th</sup> annual banquet, November 21, 2014.

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

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

**Technical grounds for penalty**



Under the Act, a registered charity cannot confer on a person an undue benefit including a transfer of property or the amounts of any part of resources, or otherwise make available for the personal benefit of any person or entity.<sup>713</sup>

### **Penalty Calculation:**

Due to the serious nature of the non-compliance issues described above, it is our preliminary conclusion that there may be grounds for penalties under paragraph 188.1(4)(a) of the Act.

It is our preliminary conclusion that the Organization has gifted \$1,065,766 to non-qualified donees and has operated in contravention to subsection 149.1(1) of the Act that requires that a charitable organization devote all of its resources to charitable activities carried on by the organization itself, calculated as follows:

<b>Non-Qualified Donee</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Total</b>
Centre Culturel Aboubakerseddik Rent not charged	\$112,077	\$112,077	\$112,077	\$336,231
Centre Culturel Aboubakerseddik Rent Revenue	\$ 77,532	\$ 77,532	\$ 77,532	\$232,596
Mr. Mohamed Habib Marzougui	\$ 40,000	\$ 40,000	\$ 40,000	\$120,000
Trilex Security Inc.	NIL	NIL	\$200,000 <sup>714</sup>	\$200,000
Mr. Ehab El-Komy	NIL	NIL	\$160,000 <sup>715</sup>	\$160,000
Muslim Resource Centre	NIL	NIL	\$ 10,000	\$10,000
Muslim Student's Association (MSA)	\$ 360	\$ 2,724	NIL	\$ 3,084
Forum Musulman Canadien (FMC)	\$ 2,955	\$ 900	NIL	\$ 3,855
Total undue benefit, gifts to Non-Qualified Donees	\$232,924	\$233,233	\$599,609	\$1,065,766
Penalty pursuant to 188.1(4) of the Act	105%	105%	105%	105%
<b>Total Penalty</b>	<b>\$244,570</b>	<b>\$244,895</b>	<b>\$629,589</b>	<b>\$1,119,054</b>

<sup>713</sup> See subsections 188.1(4) and 188.1(5) of the Act; CSP-U02, Undue Benefits; and CRA Guidance on Penalties and suspensions available at [canada.ca/charities-giving](http://canada.ca/charities-giving).

<sup>714</sup> The above noted investments in Trilex Security occurred in 2006 and 2008, prior to the audit period, of which \$142,668 remains outstanding and the balance has been written off. As such, this amount is included in the 2013 column for the penalty calculation.

<sup>715</sup> The above noted share purchase from Mr. El-Komy occurred in 2008, prior to the audit period, and the shares remain held by the Organization. As such, this amount is included in the 2013 column for the penalty calculation.

For these reasons, it appears the Organization is liable to a penalty under paragraph 188.1(4)(a) of the Act in the amount of \$1,119,054, and/or revocation of its charitable status under paragraph 168(1)(b) of the Act.

## **2. Issuing official receipts not in accordance with the Act and/or its Regulations**

The Act permits a registered charity to issue official donation receipts for income tax purposes for donations that legally qualify as gifts. Generally, a gift is a voluntary transfer of property without valuable consideration to the donor. A transfer of property for which the donor received an advantage<sup>716</sup> is still considered a gift for purposes of the Act as long as the CRA is satisfied that the transfer of property was made with the intention to make a gift.<sup>717</sup> The onus is on the registered charity to ensure the accuracy of its official donation receipts.

A registered charity is in contravention of the Act and its Regulations when it issues donation receipts that are incorrect, incomplete, or contain deliberately false information. The Act and its Regulations 3500 and 3501<sup>718</sup> set out the requirements for registered charities with respect to the issuing of official donation receipts, and allows for various penalties or sanctions as set out in subsections 188.1(7) to 188.1(10) of the Act for failure to comply with the requirements. Improper receipting of gifts or donations is considered serious enough that it may, on its own, result in the revocation of registered status under paragraph 168(1)(d) of the Act.

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<sup>716</sup>The advantage is generally the total value of any property, service, compensation, use or any other benefit that the donor is entitled to as partial consideration for, or in gratitude for, the gift.

<sup>717</sup>The existence of an advantage will not necessarily disqualify the transfer from being a gift if the amount of the advantage does not exceed 80% of the fair market value of the transferred property. For more information see CRA Publication, Gifts and Income Tax: P113.

<sup>718</sup>Regulation 3501(1) 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,

- (a) the name and address in Canada of the organization as recorded with the Minister;
- (b) the registration number assigned by the Minister to the organization;
- (c) the serial number of the receipt;
- (d) the place or locality where the receipt was issued;
- (e) where the gift is a cash gift, the date on which or the year during which the gift was received;
- (e.1) where the gift is of property other than cash
- (i) the date on which the gift was received,
- (ii) a brief description of the property, and
- (iii) the name and address of the appraiser of the property if an appraisal is done;
- (f) the date on which the receipt was issued;
- (g) the name and address of the donor including, in the case of an individual, the individual's first name and initial;
- (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;
- (i) the signature, as provided in subsection (2) or (3), of a responsible individual who has been authorized by the organization to acknowledge gifts; and
- (j) the name and Internet website of the Canada Revenue Agency.

As detailed below, the audit found that the Organization issued official receipts in the amount of \$2,601,219 that contain information that is otherwise than in accordance with the Act and the Regulations. Specifically, audit findings indicate that the Organization incorrectly issued donation receipts for gifts in kind, incorrect donation date, and overinflated receipts for religious tuition.

### **2.1 Gift in kind receipts**

A gift in kind refers to a gift of property (a non-cash gift) such as capital property and personal-use property. This includes items such as artwork, equipment, securities and gift cards (in certain circumstances) and cultural and ecological property. A contribution of service, that is, of time, skills or effort, is not property and, therefore, does not qualify as a gift or a non-cash gift for the purposes of issuing official donation receipts.

The audit revealed that the official receipts issued by the Organization did not fully comply with the requirements of Regulation 3501(1) of the Act.

#### **2012-2013**

The Organization provided a list of seven gift in kind donations for fiscal 2013 during the audit. A review of this listing, and the corresponding gift in kind donation receipts identified that the Organization did not include the following elements on the gift in kind receipts, as required by Regulation 3501:

- the date the gift was received;
- a brief description of the gift received by the charity; and
- the name and address of the appraiser (if the gift was appraised).

<b>Receipt number</b>	<b>Amount of gift reported</b>	<b>Description of property</b>
297851	\$4,800.00	Books
TR-000002700	\$226.07	Printers and photocopier
303992	\$1,200.00	Computer Software
297617	\$161,750.00	Gift - Land purchase
297616	\$161,750.00	Gift - Land purchase
297619	\$323,500.00	Gift - Land purchase
297618	\$250,000.00	Gift - Land purchase
<b>Total</b>	<b>\$903,226.07</b>	

In addition, the Organization did not issue a separate gift in kind receipt for a donation of books with a value of \$4,800. The donation receipt #297851 was combined with a cash donation for a total receipt of \$31,880. A separate donation receipt must be issued for each gift in kind.<sup>719</sup>

Issuing a receipt with incorrect information is subject to a penalty under subsection 188.1(7) of the Act equal to 5% of the amount reported on the receipt. The total penalty for 2012-2013 fiscal

<sup>719</sup> For more information on issuing receipts go to [canada.ca/charities-giving](http://canada.ca/charities-giving).

year based on the incorrect gift in kind receipts issued by the Organization would amount to \$45,161 (\$903,226 \* 5%).<sup>720</sup>

### 2013-2014

The Organization provided a list of five gift in kind donations for fiscal 2014 during the audit. A review of this listing, and the corresponding gift in kind donation receipts identified that the Organization did not include the following elements on the gift in kind receipts, as required by Regulation 3501:

- the date the gift was received;
- a brief description of the gift received by the charity; and,
- the name and address of the appraiser.

Receipt number	Amount of gift reported	Description of property
TR-000005044	\$108,333.33	Donation of Cold Lake community Center
TR-000005492	\$108,333.33	Donation of Cold Lake community Center
TR-000007346	\$54,166.67	Donation of Cold Lake community Center
TR-000007345	\$54,166.67	Donation of Cold Lake community Center
TR-000007978	\$800,000.00	Donation of land and building at 12259 Boul. Laurentien, Montreal PQ
<b>Total</b>	<b>\$1,125,000.00</b>	

Gift in kind donation receipts should not be combined with other cash donations. Official donation receipt #TR-000005044 and #TR-000005492 combined the gift of capital property<sup>721</sup> value of \$108,333.33 with a cash donation amount. A separate donation receipt must be issued for the gift in kind amount.<sup>722</sup>

With respect to the gift of capital property<sup>723</sup> from Dekis Trading, the receipt issued to Dekis Trading was marked as a 'General Donation' rather than a gift in kind. The gift was made on February 28, 2014, and an official donation receipt<sup>724</sup> was dated February 28, 2015.<sup>725 726</sup> Rather than issue the receipt for the year in which the gift was received, 2014, the Organization appears to have backdated the receipt to fiscal year 2013.

<sup>720</sup> Receipt # 297851, 303992, 297617, 297616, 297619, 297618 and TR- 000002700.

<sup>721</sup> TR-000005044 Donation Receipt and Letter to Yousef Elkadri, dated February 17 2014 and; TR-000005492 Donation Receipt and Letter to Hussein Elkadri, dated February 17 2014.

<sup>722</sup> For more information on issuing receipts go to [canada.ca/charities](http://canada.ca/charities).

<sup>723</sup> Land located at 12253 Boul. Laurentien, Montreal, Quebec.

<sup>724</sup> TR-000007978 Donation Receipt and Letter to Dekis Trading Investment Inc., dated December 9 2015.

<sup>725</sup> 12253 Boulevard Laurentien- Gift Agreement.

<sup>726</sup> 12261 Boulevard Laurentien property information- JLR Solutions Foncières.

It should also be noted that the appraisal<sup>727</sup> indicates that the fair market value of the property is \$800,000 on June 28, 2013, the same amount displayed on the official tax receipt #TR-000007978.<sup>728</sup> Given the actual transfer date of the property is eight months after the appraisal date, there could be a discrepancy in the fair market value of the property between the appraisal date and the date of the donation, in contravention with Regulation 3501.

Based on the above noted findings, it appears that the Organization has issued a receipts for fiscal year 2014 with incorrect information and is therefore, subject to a penalty under subsection 188.1(7) of the Act equal to 5% of the amount reported on the receipt. The total penalty based on the 2013-2014 fiscal year based on the incorrect amount of gift in kind receipts issued by the Organization would amount to \$56,250 (\$1,125,000 \* 5%).<sup>729</sup>

#### 2014-2015

The Organization provided a list of three gift in kind donations for fiscal 2015 during the audit. A review of this listing, and the corresponding gift in kind donation receipts identified that the Organization did not include the following elements on the gift in kind receipts, as required by Regulation 3501:

- the date the gift was received;
- a brief description of the gift received by the charity; and
- the name and address of the appraiser (if the gift was appraised).

Receipt number	Amount of gift reported	Description of property
TR-000019368	\$6,500.00	Donation - office supplies
TR-000007886	\$23,411.26	Computer Equipment and Monitors
TR-000019265	\$10,800.00	Food - Dates
<b>Total</b>	<b>\$40,711.26</b>	

The Organization did not issue a separate gift in kind receipt for a donation of computer equipment and monitors with a value of \$23,411. The donation receipt, #TR-000007886, was combined with a cash donation, for a total receipt of \$25,971.<sup>730</sup> A separate donation receipt must be issued for each gift in kind.<sup>731</sup>

Issuing a receipt with incorrect information is subject to a penalty under subsection 188.1(7) of the Act equal to 5% of the amount reported on the receipt. The total penalty based on the 2014-2015 fiscal year based on the incorrect amount of gift in kind receipts issued by the Organization would amount to \$2,036 (\$40,711 \* 5%).<sup>732</sup>

<sup>727</sup> Appraisal Report for 12253 Boulevard Laurentien, dated May 4<sup>th</sup> 2014.

<sup>728</sup> TR-000007978 Donation Receipt and Letter to Dekis Trading Investment Inc., dated December 9 2015.

<sup>729</sup> TR-000007978, TR-000005044, TR-000005492, TR-000007346, TR-000007345.

<sup>730</sup> TR-000007886 Donation Receipt and Letter to Sameh El-Batroukh, dated November 26 2014.

<sup>731</sup> For more information on issues receipts go to [canada.ca/charities-giving](http://canada.ca/charities-giving).

<sup>732</sup> TR-000019368, TR-000007886, TR-000019265.

Under paragraph 168(1)(d) of the Act, the registration of a charity may be revoked if it issues a receipt for a gift otherwise than in accordance with this Act and the Regulations.

## **2.2 Incorrect eligible amount of donation receipts re: full time schools/cost per pupil calculations**

During the audit visit to head office in February, 2016, the Organization provided CRA auditors with a document entitled, *Tuition Fees and the Calculation of the Official Donation Receipt*. In this document, the Organization outlines the nature of its schools and how it determines its costs per pupil calculation. Specifically:

- MAC schools operate in a dual capacity in providing and teaching both secular (academic) and non-secular (religious) classes/subjects.
- MAC schools do not segregate the cost of operating the secular portion of the school and the cost of providing religious education.
- The net operating cost of the school (the total operating costs of the school includes both secular and religious education) less the capital expenditures and depreciation less miscellaneous income are itemized on a monthly basis. Then, the net cost is multiplied by the percentage of the secular (academic) education taught at the school.
- The net result is the secular cost of operating the secular portion of the school, which is then pro-rated over the average number of pupils enrolled during the school year to determine the "cost per pupil" for the secular education (called the "deductible"). An official donation receipt is then issued for the portion of a tuition payment which is in excess of the pro-rated "cost per pupil" (also known as "deductible") for academic training.
- The Organization maintains a separate cost centre per school, so the "cost per pupil" (or deductible) is different from one school to the other.

CRA's information circular, IC75-23, *Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*, covers the exceptions of the rule where an official donation receipt can be issued for a portion of tuition fees. The two types of schools which give rise to these special circumstances: a) those which teach exclusively religion and b) those which operate in a dual capacity providing secular (academic) and religious education, such as the Organization.

IC75-23 notes there are two methods<sup>733</sup> of calculating the donation portion of amounts paid, depending on how the school maintains its records. The Organization's schools operate in a dual capacity and do not segregate the cost of operating the secular portion of the school and the cost of providing religious education. Given that the Organization does not segregate its books and records between religious and secular education, the second method must be used for purposes of

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<sup>733</sup> The first method is outlined in Paragraph 7 of IC75-23. The most favourable treatment is received where the school can and does segregate the cost of operating the secular portion of the school and the cost of providing religious training. Under this method the net operating cost of the secular portion is prorated over the number of pupils to discover cost per pupil for secular training. An official donation receipt can be issued for that portion of a payment in excess of the pro-rated "cost per pupil" for academic training. The second method is outlined in Paragraph 9 of IC75-23. Where a school operates in dual capacity and does not or cannot segregate the cost of operating the secular portion of the school and the cost of providing religious training, a donation receipt can only be issued for the part of the payment in excess of the net operating "cost per pupil" of the whole school for a school year.

calculating the net operating cost per pupil and to then calculate the eligible amount of the official donation receipt.

As detailed below in section 3.6 Cost per pupil calculations, the CRA requested, on several occasions, the Organization's cost per pupil calculations for full time schools. The Organization only provided the calculation for January to June 2015 for Olive Grove School, MAC Islamic School, Maple Grove School and York Islamic School.<sup>734</sup> The Organization also provided calculations for Abraar Elementary and Abraar Secondary Schools for 2013 and 2014, but not 2015. To summarize, for four of the requested schools, the Organization has provided cost per pupil calculations for only six months of the three year audit period. The Organization provided cost per pupil calculations for January to December 2014 only, amounting to one year of the three year audit period for Abraar Secondary School. For Abraar Elementary School the Organization provided cost per pupil calculations from July 2012 to December 2014, amounting to two and a half years of the three year audit period.

In addition, the Organization provided the rationale for how it calculates cost per pupil for all of its schools.<sup>735</sup> Based on a review of the Organization's rationale as well as the cost per pupil calculations that were provided, it appears as though the Organization has attempted to use the more favourable first method to calculate secular cost per pupil based on the percentage of secular education being taught at the school. The Organization does not qualify to use the first method because it operates in dual capacity and has not segregated the cost of operating the secular portion to the cost of providing religious training in their books and records, as required by IC75-23. As such, it appears that the Organization has not properly calculated the eligible amount of the donation receipt or cost per pupil and it has incorrectly issued official donation receipts for tuition fees paid at its full time schools, in contravention with Regulation 3501.

Based on the calculations provided by the Organization, the CRA conducted its own cost per pupil calculation for a six month period, on a sample of the school calculations provided including Olive Grove School, Maple Grove School, Abraar Elementary School and Abraar Secondary School<sup>736</sup> based on the second method described in IC-75-23.<sup>737</sup> Our review indicates that the Organization's cost per pupil calculation has been incorrectly calculated by each school. This resulted in the Organization issuing official donation receipts for incorrect amounts. The CRA calculates, for a six month period, the incorrect eligible amount of donation receipts issued by the Organization amounts to \$1,765,826 for the four schools sampled.

Issuing incorrect receipts is subject to a penalty of 5% (first infraction) or 10% (repeat infraction) of the eligible amount of the gift on the incorrect tax receipt, according to subsection 188.1(7) of

<sup>734</sup> Although outside the audit period, July 1 to December 31, 2015, was also provided.

<sup>735</sup> Tuition fees and donation receipt calculation provided by the Organization.

<sup>736</sup> The calculations for January to June 2015 were reviewed for Olive Grove School and Maple Grove School. The calculations provided for July to December 2014 were reviewed for Abraar Elementary and Abraar Secondary Schools.

<sup>737</sup> IC75-23 paragraph 9, Where a school operates in dual capacity and does not or cannot segregate the cost of operating the secular portion of the school and the cost of providing religious training, a donation receipt can only be issued for the part of the payment in excess of the net operating "cost per pupil" of the whole school for a school year.

the Act. Under paragraph 168(1)(d), the registration of a charity may be revoked if it issues a receipt for a gift otherwise than in accordance with this Act and the regulations.

The following is a summary of the total incorrect eligible amount of donation receipts for a six month period, for the four schools reviewed. Please see Appendixes S, T, U, V, W for details on the CRA's cost per pupil analysis.

School	Incorrect eligible amount on the donation receipt	5% penalty
Olive Grove School	\$935,408	\$46,770
Maple Grove School	\$175,346	\$ 8,767
Abraar Elementary School	\$477,888	\$23,894
Abraar Secondary School	\$177,184	\$8,859
<b>Total</b>	<b>\$1,765,826</b>	<b>\$88,290</b>

Considering it is the Organization's first infraction, the CRA has calculated a penalty of \$88,290 for the incorrect eligible amount of the donation receipts.<sup>738</sup> It should be noted that given the Organization provided representations that it calculated its cost per pupil using the same method throughout the audit period,<sup>739</sup> the incorrect eligible amount of official donations receipts for the entire three year audit period would have been much larger, had the CRA been provided with the detailed calculations for the entire audit period. Based on the CRA's analysis of the six month period for the four schools reviewed in detail, it is estimated that the total incorrect eligible amount of the donation receipts would have been over \$9,542,880<sup>740</sup> with a total penalty of \$477,144 ( $\$9,542,880 * 5\%$ ).

We advise that the CRA is reviewing IC75-23. After this review is completed, the Organization may be required to change its receipting practices.

### **2.3 Receipt issued in wrong name – donors not resident of Canada**

The Organization's Vancouver Chapter undertook a fundraising trip, led by Mustafa Abousaleh, to Saudi Arabia from April 9-25, 2013, to raise funds for a new centre.<sup>741</sup> According to the trip report which detailed the fundraising activities, the Organization's delegation met with five people to solicit donations. Of the five potential donors, the report mentions a single donor,

<sup>738</sup> Please see Appendix S for the entire calculation of the incorrect eligible amount and associated penalties.

<sup>739</sup> Tuition Fees and the Calculation of the Official Donation Receipt document provided by the Organization.

<sup>740</sup> Maple Grove School was not operational until September 2014, so it was not factored into this calculation. Estimated overstatement is calculated by 6 month overstatement \* 6 (6, 6 month periods = 3 year audit period) for each school reviewed:

- Appendix T Olive Grove School – 6 month overstatement  $\$935,408 * 6 = \$5,612,448$
- Appendix V Abraar Elementary School – 6 month overstatement  $\$478,281 * 6 = \$2,867,328$
- Appendix W Abraar Secondary School – 6 month overstatement  $\$177,184 * 6 = \$1,063,104$

Total estimated overstatement of tuition receipts for audit period = \$9,542,880

<sup>741</sup> MAC Vancouver Center Fundraising Trip to Saudi Arabia: Trip Report, June 23, 2013



Dr. Mohamed Jamjoom as “donating some money in cash.”<sup>742</sup> As the Organization failed to report any donors not resident of Canada (foreign donations) on Schedule 4 of its 2013 T3010, further analysis was conducted.

Our review of the Organization’s financial records failed to reveal any transactions from Dr. Jamjoom. However, we note that the Organization’s Saudi Arabia trip report, under the heading Monetary Transfer, states:

All monetary transfers are closely watched in the gulf regions especially ones supporting Islamic projects. If the project is in the West, then matters become even more complicated. Many of the donors will ask you donate in cash. This might scare you off a little, but that’s the only way they can give money. Transferring money to an outside bank is also not allowed and will be stopped. If the bank account is with a known organization, such as Islamic Development Bank, then matters might become easier. Try to not touch cash unless absolutely necessary. One way to avoid that is to have someone from Saudi Arabia accompanying you at all times. **When the donor gives you the money, you hand the money to the person accompanying before leaving the office. Figure out how to get the money in Canada later on** [emphasis added].

While the trip report does not state the name of the person who accompanied Mustafa Abousaleh to the fundraising session, it states that “most likely, when you meet the donors, you will have someone living in Saudi Arabia with you. It is highly recommended to not go alone as to show that there is strong connection with people in Saudi Arabia. The person accompanying you will introduce you initially.” In this regard, a search of the Organization’s email records collected during the audit revealed an email from ██████████<sup>743</sup> to Hamed Albar of King Abdulaziz University (KAU) thanking him for assisting Mustafa Abousaleh with arranging the Organization’s fundraising efforts in Saudi Arabia.<sup>744</sup> The email states: “I would like to forward the greetings of our group for the hard work you made with Mustafa in Jeddah which resulted in the 35000 CAD donation. MAC administration is very pleased and thankful for your effort...”.

While it is unclear what role ██████████ holds within the Organization, open source information suggests that he is an assistant professor at KAU and was studying in Vancouver during this time.<sup>745</sup> In this regard, it is reasonable to believe that ██████████ and Hamed Albar may be acquainted through their shared employment at KAU.

According to the Organization’s donation list, on June 23, 2013, an individual named ██████████<sup>746</sup> made a gift to Vancouver MAC Community Centre for \$35,000 and received a

<sup>742</sup> MAC Vancouver Center Fundraising Trip to Saudi Arabia: Trip Report, June 23, 2013

<sup>743</sup> Also appears to be known as ██████████

<sup>744</sup> Email from ██████████, dated June 21, 2013.

<sup>745</sup> [https://gmousa.kau.edu.sa/CVEn.aspx?Site\\_ID=0005387&Lng=EN](https://gmousa.kau.edu.sa/CVEn.aspx?Site_ID=0005387&Lng=EN).

<sup>746</sup> Refer to 2013 donation listing provided by the Organization, TR-000000887 issued 2014-02-16 to ██████████ for \$35,000.

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personal donation, receipt #TR-000000887.<sup>747</sup> The official donation receipts provided by the Organization during the audit did not contain a copy #TR-000000887 despite assurances that the records were complete. Based on the information available to the CRA, it is reasonable to conclude that [REDACTED] are the same individual.

As the Organization's records indicate that Dr. Mohamed Jamjoom provided the \$35,000 donation, [REDACTED] does not appear to be the true donor but rather an individual who helped facilitate the fundraising trip and may have assisted in facilitating the transfer of funds from Saudi Arabia to the Organization in Canada.

The Organization's records indicate that it was aware that the \$35,000 gift was made by a donor in Saudi Arabia and yet the donation was still accepted and recorded as a personal donation from Mr. Monsa. As such, it appears that the Organization has issued an incorrect official donation receipt, in contravention with subsection 188.1(7) of the Act, and is subject to a penalty equal to 5% of the amount reported on the receipt. The total penalty based on this receipt would amount to \$1,750 (\$35,000 \* 5%) (receipt #TR-000000887 issued 2014-02-16).

It should also be noted that issuing an official donation receipt with incorrect information is sufficient reason to revoke an organization's charitable status under paragraph 168(1)(d) of the Act.

### **Penalty Calculation**

The penalty calculations proposed by the CRA for issuing receipts not in accordance with the Act and the Regulations are calculated as follows:

Type of Donation Receipt	2015	2014	2013	Total
Error in gift in kind receipt 188.1(7)	\$ 40,711	\$1,125,000	\$ 903,226	\$2,068,937
Overstated receipts – incorrect cost per pupil calculation 188.1(7)	\$1,765,826			\$1,765,826
Incorrect receipt – foreign donation 188.1(7)			\$ 35,000	\$ 35,000
Total error in donation receipts	\$1,806,537	\$1,125,000	\$938,2263	\$3,869,763
Penalty pursuant to 188.1(7) of the Act	5%	5%	5%	
<b>Total penalty</b>	<b>\$ 90,327</b>	<b>\$ 56,250</b>	<b>\$ 46,911</b>	<b>\$ 193,488</b>

It is our view that the Organization has contravened subsection 188.1(7) of the Act. It appears that the Organization is has issued receipts with incomplete or incorrect information and is liable to a penalty of \$193,488 under subsection 188.1(7) of the Act.

<sup>747</sup> Refer to Vancouver MAC Community Centre general ledger Trans\_No 284, 2013-06-12 \$35,000 and bank deposit to Vancouver MAC Community Centre.

Under paragraph 168(1)(d) of the Act, the registration of a charity may be revoked for failure to issue receipts otherwise than in accordance with the Act and its Regulations. As the Organization issued receipts otherwise than in accordance with the Act there may be grounds to revoke its charitable registration in addition to imposing penalties.

### **3. Failed to maintain and provide books and records as required**

Subsection 230(2) of the Act requires that registered charities maintain adequate books and records<sup>748</sup> of account, at an address in Canada registered with the CRA, containing information in such form as will enable the Minister to determine whether there are grounds for the revocation of its registration under the Act. Failure to maintain adequate books and records in accordance with the requirements of the Act is itself sufficient reason for the CRA to revoke an organization's charitable registration.<sup>749</sup>

Subsection 231.1(1) of the Act permits an authorized person to inspect, audit, or examine the books and records of a taxpayer, as well any document of the taxpayer, or of any other person that relates, or may relate, to the information that is, or should be, contained in the books and records of the taxpayer, or to any amount payable by the taxpayer under the Act.

In order to meet these requirements, a charity's books and records must allow the CRA to verify the charity's revenues and expenses, as well as any official donation receipts it may have issued. Further, the Act requires that a charity's records contain such information so as to allow the CRA to determine whether the charity's activities continue to be charitable at law.

The requirement relating to the maintenance of books and records, and books of account, is based on several court decisions, which have held, among other things, that:

- The onus is on the registered charity to provide that its charitable status should not be revoked.<sup>750</sup>
- A registered charity must maintain, and make available to the CRA at the time of an audit, meaningful books and records, regardless of its size or resources. It is not sufficient to supply the required books and records at some later date.<sup>751</sup>
- Paragraph 168(1)(e) of the Act provides that the Minister may propose to revoke registration of a charitable organization if it fails to comply with, or contravenes, any of sections 230 to 231.5 of the Act, and the Federal Court of Appeal has determined that non-compliance with subsection 230(2) of the Act is a proper basis upon which the Minister may issue such a notice.<sup>752</sup>

<sup>748</sup> Subsection 248(1) of the Act defines a record in the following way: "record includes an account, an agreement, a book, a chart or table, a diagram, a form, an image, an invoice, a letter, a map, a memorandum, a plan, a return, a statement, a telegram, a voucher, and other thing containing information, whether in writing or in any other form."

<sup>749</sup> *College Rabbinique de Montreal Oir Hachaim D'Tash v. Canada (Minister of Customs and Revenue Agency)* 2004 FCA 101, and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21.

<sup>750</sup> *The Canadian Committee for the Tel Aviv Foundation v. Canada* 2002 FCA 72.

<sup>751</sup> *Ibid.* See also *The Lord's Evangelical Church of Deliverance and Prayer of Toronto v. Canada* 2004 FCA 397.

<sup>752</sup> *Opportunities for the Disabled Foundation v. Canada (National Revenue)* 2016 FCA 94; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21.

- The requirement to keep proper books and records is foundational and non-compliance with the requirement is sufficient to justify revocation.<sup>753</sup>

While paragraph 230(2)(a) of the Act does not explicitly set out the types of books and records that a registered charity is required to maintain, which could therefore lead to a technical failure to comply with the Act,<sup>754</sup> given the significant privileges that flow from registration as a charitable organization under the Act, the Minister must be able to monitor the continuing entitlement of charitable organizations to those privileges. In that regard, the Federal Court of Appeal has held that there exists a serious obligation for registered charities to maintain adequate books and records.<sup>755</sup> and that material or significant, and/or repeated, non-compliance with the requirements of subsection 230(2) of the Act constitutes sufficient grounds for revocation.<sup>756</sup>

As outlined below, the audit has identified a number of deficiencies with respect to the Organization's books and records.

### **3.1 Emails**

In audit interviews, many of the Organization's project representatives stated that they communicated with the head office by email to undertake its activities. Emails were used to send financial information such as invoices, budgets, and reporting to the head office, fundraise/promote events, and discuss day-to-day operations.<sup>757</sup> These communications form part of the Organization's books and records during the audit period.

In February 2016, the CRA requested,<sup>758</sup> and received, a list of the Organization's email addresses (including groups, email addresses and shared mailboxes). During audit visits, the CRA also requested email records for a selection of emails at its various projects/centres. When compared with email addresses found in a review of the Organization's records and publicly available information, the list provided by the Organization did not include all email addresses used by its projects, employees and Chapters to conduct activities. Though likely not an exhaustive list, the CRA identified an additional 167 email addresses used by the Organization which were not included on the lists provided. These email addresses were found during the review of the Organization's emails and other records, and publicly available sources such as social media, crowdfunding platforms, media articles and websites.

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<sup>753</sup> *Jaamiah Al Uloom Al Islamiyyah Ontario v. Canada (National Revenue)* 2016 FCA 49, paragraph 15; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 43.

<sup>754</sup> *Prescient Foundation v. Canada (National Revenue)* 2013 FCA 120; and *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 27.

<sup>755</sup> *Humane Society of Canada for the Protection of Animals and the Environment v. Canada (National Revenue)* 2015 FCA 178, paragraph 80.

<sup>756</sup> *Ark Angel Foundation v. Canada (National Revenue)* 2019 FCA 21, paragraph 43.

<sup>757</sup> For example: Questionnaires with the corresponding MAC Project: CIIC; Verdun; CCL; MICQ; MAC Islamic Center; Cold Lake; Kitchener; MAC Islamic School; Calgary Chapter; MAC Youth Center; Southdale; ICCO; OGS; Abraar Grenon; AlFurqan; Masjid Toronto; MGS; Masjid Aisha; Rose City Islamic Center

<sup>758</sup> Letter from Carters Professional Corporation to CRA, dated February 29, 2016.

Location/Area of Operation	# Email addresses provided by the Organization	# Additional email addresses found
MAC National	177	2
Montreal/Quebec	42	18
Ottawa	18	14
Toronto	17	13
Mississauga/Hamilton	9	8
Kitchener/Waterloo	11	14
London	5	4
Windsor	14	11
Calgary	2	6
Edmonton	51	25
Vancouver	4	4
Other Personal Emails	4	48
<b>Total</b>	<b>354</b>	<b>167</b>

See Appendix X for a comparison of email addresses provided by the Organization and additional email addresses discovered during our analysis.

It is not clear whether the Organization lacked direction and control over its resources and was not aware that its employees were using these additional email accounts or the Organization simply did not provide the complete list. Regardless, without a complete and total list the CRA could not adequately determine which accounts to review to ensure the Organization was conducting charitable activities.

#### Use of personal emails

In some of its projects, employees and/or directors used personal emails to conduct the Organization's activities. For example, during the audit interview at the CIIC on May 30, 2016, the project's management committee chair stated that he had used his macnet.ca email account until approximately 2013, however since it was no longer functional, he was using his personal email account.<sup>759</sup> At other projects, the CRA was informed by the Organization's representatives that they too used personal emails during the audit period,<sup>760 761</sup> but that some of them transitioned to the macnet.ca accounts around May 2015.<sup>762 763</sup>

As detailed in Appendix X the CRA identified at least 52 personal emails which had been used by the Organization to conduct charity related business during the audit period. These included personal emails apparently used as contact emails for events or programs, personal emails used in discussion about lease agreements, membership-related activities, and other communications related to the Organization's activities.

<sup>759</sup> Canadian Institute of Islamic Civilization (CIIC) audit interview May 30, 2016.

<sup>760</sup> Masjid Toronto- Dundas/Adelaide audit interview January 30 and February 2, 2017.

<sup>761</sup> Centre Communautaire Laurentien (CCL) audit interview May 31, 2016.

<sup>762</sup> Centre Communautaire Laurentien (CCL) audit interview May 31, 2016.

<sup>763</sup> Kitchener Masjid audit interview September 20, 2016.

From the Organization's standpoint, by allowing its employees to use personal email accounts, it does not have control or direct access to the information stored within. Furthermore, the Organization appears unaware of the extent of the use of personal emails and as a result is unlikely to be able to access its own information.

It is the CRA's position that personal email accounts used to discuss/undertake the Organization's activities form part of the Organization's books and records, and, as such, need to be provided and reviewed by the CRA upon request.<sup>764</sup> The CRA considers the Organization to have failed to maintain proper books and records as it allowed for its employees to use personal email accounts without ensuring that the books and records in relation to the Organization's operations were in fact maintained.

#### **Deleted emails**

During the audit visit on October 19, 2016 at the MAC Islamic Center, the CRA requested a copy of four email accounts.<sup>765</sup> The Organization informed the CRA that the domains for two of these accounts, macyouthedmonton.com and convertconnect@macedmonton.com, had been closed two years earlier (in 2014) and that the email accounts for the domain macyouthedmonton.com had been deleted.<sup>766</sup>

Despite the email accounts being deleted in 2014, the Organization was able to provide the CRA with the email account office@macyouthedmonton.com during the CRA's audit visit to the Organization's Ottawa project December 12-13, 2016. It is not clear how the Organization was able to produce the deleted account or why it could produce one of the deleted accounts but not the others.

Research conducted by the CRA indicates that the Organization was incorrect when it advised that the domain macyouthedmonton.com was closed in 2014. Domain registration information obtained about macyouthedmonton.com suggests that domain continued to be registered to Organization until sometime between March 24, 2016, and June 5, 2016.<sup>767</sup> The domain macedmonton.com continued to be active as of at least April 17, 2018.<sup>768</sup>

Given the apparent closure of email accounts without retaining the Organization's information, combined with the prevalent use of personal email accounts by the Organization's directors and employees to conduct the Organization's activities, and the incomplete list of emails provided by the Organization to the CRA, the Organization either did not maintain or was otherwise unable to provide, complete books and records in regards to its email communications.

<sup>764</sup> Southdale Project audit interview dated September 19, 2016.

<sup>765</sup> office@macyouthedmonton.com, learn@macyouthedmonton.com, brothers@macyouthedmonton.com, convertconnect@macedmonton.com

<sup>766</sup> MAC Islamic Centre – Email discussion, October 19, 2016.

<sup>767</sup> <https://research.domaintools.com/research/whois-history/search/?q=macyouthedmonton.com#>.

<sup>768</sup> [www.macedmonton.com](http://www.macedmonton.com).

### **3.2 Social media and websites**

Many of the Organization's Chapters, centres, schools and projects have their own websites and social media accounts. Social media platforms used by some of the Organization's projects include Facebook, Vimeo, Instagram, Google+ and Twitter. As part of its books and records, the Organization was asked to provide a list of all of its websites<sup>769</sup> and social media accounts for its projects and Chapters. The CRA requested this information in order to assess and understand if the Organization's activities were charitable.

The Organization provided the CRA with a list of 70 websites and 96 other social media accounts associated with the Organization during the audit period. When compared with the list of social media accounts identified through its own research, the CRA identified an additional 94 websites and social media accounts that were not disclosed by the Organization.

<b>Online Platform</b>	<b># Provided by the Organization</b>	<b># Additional sites not provided</b>	<b>Total</b>
Websites	70	14	84
Facebook	57	19	76
Instagram	8	16	24
Youtube/Blogs/Other	9	26	35
Twitter	22	19	41
<b>Total</b>	<b>166</b>	<b>94</b>	<b>260</b>

See Appendix Q for additional detail and complete list of online platforms not provided by the Organization.

The undisclosed social media accounts and websites represent approximately 36% of the Organization's total online presence and represent a significant amount of missing information. The CRA cannot fully assess the Organization's activities when it is missing a large percentage of information directly linked to the Organization's activities.

Without access to the entirety of the Organization's social media accounts, the CRA is unable to determine if the Organization is conducting charitable activities. Reviewing the websites/social media accounts gives the CRA an idea of:

- the types of events the organization's are holding at their centres;
- the circumstances and methods of the Organization's fundraising activities; and
- the types of ideology/religious perspective advanced by the Organization groups or individuals who work with the Organization.

Considering that the CRA found 94 undisclosed social media accounts and websites, it is our view that the Organization has not provided adequate books and records regarding to its activities in relation to these accounts and websites. As such, the Organization is in contravention with subsection 230(2) of the Act.

<sup>769</sup> CRA Pre-Audit List: Required Information and Documentation.

### **3.3 MAC Education Fund**

The MAC Education Fund is a general fund, through which the Organization offers subsidies to families who cannot afford the tuition fees for the Organization's full time and part time schools.<sup>770</sup> In order to receive the tuition subsidy, an individual must fill out an application form and demonstrate a financial need through the provision of supporting documentation. Based on the Organization's representations, it evaluates the individual's suitability and the request goes to the board for approval. If approved, a 30% tuition assistance discount is provided.<sup>771</sup> In the Organization's financial records, the tuition assistance is recorded as a reduction in revenue rather than an expense. The Organization also provides its staff discounted tuition fees (full time, part time, and day care fees) in the amount of 25%.<sup>772</sup>

Prior to the audit visits in Montreal, Ottawa and Toronto, the CRA requested a listing of students from part time and full time schools that received tuition assistance from the MAC Education Fund, including the amount received, for each year in the audit period. In addition, during the audit visits, a detailed review of the MAC Education Fund applications and supporting documentation was reviewed at Olive Grove School, Abraar Elementary School, and York Islamic School.

Based on a review of the listings provided and documentation reviewed during the audit visits, it appears that the Organization has not maintained adequate books and records to support the MAC Education Fund grants as follows:

#### **Part time schools**

The list of tuition subsidy recipients provided to the CRA, did not identify the type of discount provided and as such the CRA could not determine which recipients received the 25% staff discount versus the financial needs subsidy.

Furthermore percentage discounts were not consistently applied from project to project, and sometimes, even within the same project. For example, tuition discounts range from 5% to 125%<sup>773</sup> with no rationale as to how these percentages were determined.

#### **Olive Grove School**

During the audit visit to Olive Grove School (OGS) in Mississauga, the Organization indicated that online applications are available for MAC Education Fund grants and once complete, the application is submitted to the OGS bookkeeper. The applicant's notice of assessment is included with the application and once received, the application is forwarded to head office for approval through the principal. If approved, the tuition discount is a 30% fee reduction for each case.<sup>774</sup>

<sup>770</sup> Audit interview, February 26, 2016, Mississauga, Ontario.

<sup>771</sup> MAC Learning Centre, OGS, Abraar School, MGS.

<sup>772</sup> CCL, MAC Islamic School, Abraar School, Maple Grove School, York Islamic School.

<sup>773</sup> In one instance, Al-Rahma School in Ottawa showed a \$200 tuition and a \$250 discount applied to one student.

<sup>774</sup> Discussion with Olive Grove School representatives during onsite review of books and records February 1, 2017.



The MAC Education Fund list provided by the Organization indicates that OGS provided 42 subsidies in the amount of \$68,670 during fiscal 2015.<sup>775</sup> The discount provided to all families is 30%, consistent with the Organization's representations, but inconsistent with the other full time schools reviewed in detail including York Islamic School, Abraar School and the part time schools.

A review of the applications and source documents included 15 applications from within the audit period. Of these 15 applications, 10 applications did not include income support documentation.

It should be noted that the MAC Education Fund application forms include a 'for office use only' initials box in the bottom right hand corner where approvals are recorded. Based on the review of applications for OGS, these applications are signed by the bookkeeper or principal. According to discussions with OGS representatives on February 1, 2017, the principal advises the bookkeeper of the approvals verbally, and then the spreadsheet is updated. There is no formal approval made by head office or documented for these subsidies.<sup>776</sup>

It is the CRA's position that the Organization has not maintained adequate source documentation including proof of income and evidence of board or head office approval to support the OGS MAC Education Fund subsidies.

#### **Abraar Elementary School**

During the audit visit to Abraar Elementary School in Ottawa, the Organization indicated that the information collected for MAC Education Fund includes an application form and proof of income, usually a Notice of Assessment. The fee reduction is reportedly approved by head office. All the applications are put into a spreadsheet, the school makes recommendations and then sends it for approval to the School Management Board. Once approved, Abraar Elementary School informs the parents and gives head office the detailed spreadsheet with the amounts and names.<sup>777</sup>

A review of the applications and source documents revealed that source documents were only available from October 2014. The Organization advised that it gets rid of the applications and proof of income after about a year.<sup>778</sup> As such, minimal source documentation to support MAC Education Fund discounts from the audit period was available for review.

Based on applications and source documents available for review for the 2014-2015 academic year, the Organization had documentation for six of the 14 tuition discounts provided. Of these six, five included proof of income as required, of which two exceeded the income threshold, and two did not have an application form.

Due to limited source documents available for review during the audit period, the CRA looked at the documentation maintained since the audit period, for 2016 and 2017 years. In 2016,

<sup>775</sup> MEF 2014-2015 as provided by the Organization.

<sup>776</sup> Discussion with Olive Grove School representatives during onsite review of books and records February 1, 2017.

<sup>777</sup> Discussion with Abraar Elementary School Vice Principal, [REDACTED] during onsite review of books and records December 13, 2017.

<sup>778</sup> Discussion with Abraar Elementary School Vice Principal, [REDACTED] during onsite review of books and records December 13, 2017.

Abraar Elementary School had 30 applications. Three families had income exceeding the threshold, and one family did not provide proof of income. In 2017 there were 24 applications, of which two families did not provide proof of income, and two families exceeded the income threshold.

In addition, there does not appear to be any notation made on the applications or spreadsheets to document that head office or the School Management Board approved these tuition discount amounts. Further, the approved amounts are not 30% for all families, but rather a range of percentages between 5% and 48%. The rationale for how the discount percentage for each family was arrived at, has not been provided.

It appears that for the most part, Abraar Elementary School collects the required applications and proof of income consistent with Organization policies. However, the CRA considers the Organization to have failed to maintain its books and records because the Organization has not maintained the source documentation to support these discounts for longer than one year, in contravention with subsection 230(2) of the Act.

#### **York Islamic School**

During the audit visit to York Islamic School (YIS) in Vaughan, the Organization acknowledged that it had taken over YIS in 2015 and assumed the existing subsidies. During the 2015 school year, the application form was completed by parents and YIS did not attempt to verify the income level of applicants.

Based on listings provided to the CRA,<sup>779</sup> YIS provided 14 tuition discounts amounting to \$14,480 during fiscal 2015. Given that there was no source documentation to support the 2015 discounts to review, the CRA reviewed the source documents on hand for 2016. For 2016 the school required a completed application and proof of income. The School Committee met to approve the applications but there were no formal minutes or other records to demonstrate the approvals.<sup>780</sup>

YIS representatives indicated that the amount is determined based on the number of dependents, family status, and total income. An applicant can be approved for a discount up to 30%.<sup>781</sup> Based on the five applications for 2016, three applicants did not provide proof of income and it was not clear who gave final approval for the discount. There was also a range of subsidies from 15-30% of total tuition, but not a breakdown of how each applicant warranted the percentage they received.

Based on the above noted findings, it appears as though the Organization has not maintained proper books and records in regards to the MAC Education Fund. In some cases, the Organization appears to not have collected supporting documents to verify applicant income and in other cases, the Organization provided a tuition subsidy despite the applicant exceeding the income threshold. The Organization also has not maintained adequate records to demonstrate that

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<sup>779</sup> YIS-Discounts-List.

<sup>780</sup> Discussion with [REDACTED] and Khalyl Khan during onsite review of books and records, February 2, 2017.

<sup>781</sup> Discussion with [REDACTED] and Khalyl Khan during onsite review of books and records, February 2, 2017.

the discount percentages and amounts were approved by the Organization. As such, it appears that the Organization has not maintained adequate books and records with regards to tuition discounts provided through the MAC Education Fund, in contravention with subsection 230(2) of the Act.

### **3.4 Meeting minutes**

Meetings provide an opportunity for informed decision making, monitoring the implementation of decisions and the clarification of responsibilities. As such, the minutes of meetings held by a charity constitute part of the organization's books and records. Although meeting minutes are not required to contain a verbatim record of conversations, they should record information that is important to the charity: for example its activities, governance issues, future plans and decision making.<sup>782</sup> In this regard, meeting minutes should provide the CRA with sufficient information to help determine whether a charity's activities continue to be charitable.

#### **Missing meeting minutes**

The Executive Council (EC) lies at the heart of the Organization's decision making apparatus. All material decisions, affecting all facets of the Organization, supposedly flow from the EC. The Organization provided copies of 22 EC meeting minutes, and meeting minutes for the EC departments – Institutions, Outreach, Tarbiyah/Education, and Youth as part of the data collected by the CRA during the Toronto visit January 30 to February 3, 2017.

A review of the Organization's various email accounts identified what appears to be an additional 15 EC meetings that occurred (not including the EC departments),<sup>783</sup> which were not otherwise provided to the CRA. This amounts to nearly half of all EC meetings that occurred. Without the entire collection of meeting minutes, it is impossible for the CRA to determine how the Organization's resources were utilized.

<sup>782</sup> <https://www.gov.uk/government/publications/charities-and-meetings-cc48/charities-and-meetings>.

<sup>783</sup> In addition, the Organization's records suggested that there were another 15 EC meetings or conference call meetings held on the following dates, for which no meeting minutes were provided by MAC: September 21/22, 2013, January 25/26, 2014, January 27, 2014, March 15, 2014, May 10, 2014, June 26, 2014, July 2, 2014, September 5/7, 2014, September 20/21, 2014, October 17, 2014, December 16, 2014, December 18, 2014, February 15, 2015, March 4, 2015, March 25, 2014, May 25, 2015, June 7, 2015. sources: Email "Updated Invitation: EC Meeting@ Sat Sep 21 10am - Sun Sep 22, 2013 3pm", organizer: [REDACTED] Email from anakua Nakua [REDACTED] January 27, 2014, "reminder - EC meeting tonight"; Email from [REDACTED] March 14, 2014, "EC Meeting Agenda for Tomorrow"; Phone meeting, email from [REDACTED], June 25, 2014, "EC Meeting TOMORROW @ 9:30PM"; Email from Tarek Zayed [REDACTED], July 1, 2014, "GoToMeeting Invitation - EC Meeting July 2 at 7pm"; Email from Hoda Kurabi, August 29, 2014, "EC Meeting at MAC Head office Sept 6 and Sept 7 2014"; Teleconference meeting: Email from H. Kurabi, October 17, 2014, "RE: EC Meeting"; Telephone conference meeting: "EC Meeting", organizer H. Kurabi; Teleconference meeting: organizer H. Kurabi, "EC Meeting". Email from Tarek Zayed [REDACTED], February 14, 2015, "EC meeting on Sunday Feb 15 at 9:30pm - GoToMeeting Invitation - EC Meeting"; Email from Ahmed Khalil [REDACTED], March 4, 2015, "Re: EC Meeting"; Email from Tarek Zayed [REDACTED] March 25, 2015, "EC meeting tonight for 30 minutes"; Email from Hoda Kurabi, June 5, 2015, "Chapter Heads and EC meeting agenda"; Email from [REDACTED] shafez@macnet.ca, January 14, 2014, "Meeting with EC Jan 25/26"; Email from [REDACTED], May 9, 2014, "EC Meeting Agenda and Schedule".

With respect to the EC departments, a review of the Organization's email accounts identified that three additional Institutions Department meetings were held during the audit period,<sup>784</sup> but the corresponding meeting minutes were not provided to the CRA.<sup>785</sup> For the Outreach Department it appears an Outreach National Annual Meeting was held November 23, 2013;<sup>786</sup> however, a record of the minutes was not provided.

Likewise, a review of Tarbiyah/Education department meeting minutes suggests that the Organization failed to provide at least nine Tarbiyah/Education Department meeting minutes.<sup>787</sup> The Organization provided meeting minutes for its Tarbiyah/Education Department for fiscal years 2014 and 2015; however, only three meeting minutes were provided for fiscal 2014 and one for fiscal 2015.<sup>788</sup> For its Mississauga Chapter, the Organization provided four Chapter Tarbiyah meeting minutes for fiscal year 2015.<sup>789</sup>

As detailed in section 1.5.3, the Organization represented the Executive Director holds monthly teleconferences with the Chapters and projects. When asked to provide copies of these meeting minutes for the audit period (36 meetings for each Chapter/project), the Organization was only able to provide a fraction of the meetings minutes that were reported to have occurred.

#### **Lack of details/Information within meeting minutes**

In many of the meeting minutes provided, the CRA noted a lack of detail and information in the notes from meeting discussions. In particular, the EC meeting minutes were vague and lacked detail. As a result the CRA could not adequately determine that the EC actually directed and controlled the Organization's activities within all of its centres, departments, projects, and Chapters. While not an exhaustive list, the we provide the following examples to illustrate:

- In the July 6, 2013, minutes pertinent details were omitted or purposefully vague. For example, [Name] "presented an update about" [Department name].<sup>790</sup> Another item stated, "Discussion about the situation in Calgary."<sup>791</sup>
- The November 16, 2013, meeting minutes "General updates about membership bylaws, institutions" by Executive Director.<sup>792</sup> Another item stated, "Discussed and agreed upon the structure for the Annual Report."<sup>793</sup> Other items stated, "Adjustment of education program in light of Arab Spring" and "Arab Spring ripple effects on North America."<sup>794</sup>

<sup>784</sup> February 9-10, 2013, April 19-20, 2014 and August 17, 2014.

<sup>785</sup> E-mail from admin@macnet.ca to various MAC members dated January 10, 2013; E-mail from [REDACTED] to various MAC members dated March 23, 2014.

<sup>786</sup> Email from Anakua Abdussalam, dated November 3, 2013, "[MAC Chapters]: Outreach National Annual Meeting."

<sup>787</sup> Through a review of emails and other records the CRA has identified nine other apparent Tarbiyah meeting minutes that occurred either at central committee level or at the chapter level: June 2, 2013, December 8, 2013, December 14, 2013, December 22, 2013, January 5, 2014, February 2, 2014, March 22-23, 2014, Nov. 21 - 23, 2014.

<sup>788</sup> Meeting minutes provided occurred on October 17, 2013, December 12, 2013, April 7, 2014, July 2, 2014.

<sup>789</sup> Provided during audit visit, February 19 to March 4, 2017: December 18, 2014, January 8 and 19, 2015, and February 2, 2015.

<sup>790</sup> "Executive Committee Meeting" Minutes dated July 6, 2013.

<sup>791</sup> "Executive Committee Meeting" Minutes dated July 6, 2013.

<sup>792</sup> "Executive Committee Meeting" Minutes dated November 16, 2013.

<sup>793</sup> "Executive Committee Meeting" Minutes dated November 16, 2013.

<sup>794</sup> EC Meeting Minutes, meeting November 16, 2013.

- On September 6, 2014: “Resolving organizational and administrative issues” at CCL.<sup>795</sup>

In each of these instances, the meeting minutes did not provide any insight into the discussion at hand. It was simply a vague, one line statement. The CRA has also noted above in section 1.5 that the EC meeting minutes are almost completely devoid of any discussion of the youth, the Anti-terrorism policy, and EMAAN, despite representations from the Organization indicating that these discussions occurred at the EC meetings.

The Institutions Department (ID) meeting minutes also did not include an agenda or record the attendees of the meeting, nor did they document specific decisions being made or approved by the ID. During the interview, representatives at head office stated that the ID is responsible for running the physical projects.<sup>796</sup> However, due to the lack of detail and information, the CRA is unable to determine if the Organization maintained direction and control over the projects.

#### **Omission of minutes**

Overall, the meeting minutes for the board of directors were sufficiently detailed and contained enough information for the CRA to understand the matters discussed during the meetings. However, there remains some concern with respect to items noted in the board of directors meeting minutes dated October 2, 2013. In particular we have identified the following statements recorded in the meeting minutes:

- some items should be excluded from the briefing notes at the discretion of the board
- sensitive items like salary adjustments or issues harmful to the organization could be excluded
- may need to add context to certain items but other items may be worth delaying until they are ready to be announced publicly.<sup>797</sup>

The CRA also identified EC meeting minutes that had items listed on the agenda that did not have any corresponding discussion recorded in the minutes.<sup>798 799</sup> It therefore remains unclear if these items were discussed and omitted from the meeting minutes, or if they were not addressed in meetings. The CRA noted that this occurred in five<sup>800</sup> of the EC meeting minutes provided by the Organization. The same issue was identified in the CRA’s review of the Chapter Management Committee meeting minutes, with seven of the meeting minutes having items listed in the meeting agendas for which no discussion was noted.<sup>801</sup>

It is concerning that the Organization may be omitting items from the meeting minutes. This appears to suggest that the Organization’s meeting minutes may not be an actual reflection of the discussions occurring at the board of director and EC level.

<sup>795</sup> ‘Executive Committee Meeting’ Minutes dated September 6, 2014.

<sup>796</sup> Audit interview, February 29 to March 1 2016.

<sup>797</sup> BOD Meeting Minutes dated October 2, 2013.

<sup>798</sup> ‘Executive Committee Meeting’ Minutes dated July 17, 2013.

<sup>799</sup> ‘Executive Committee Meeting’ Minutes dated September 21-22, 2013.

<sup>800</sup> July 13, 2013, July 17, 2013, September 21/22, 2013, November 16, 2013 and September 6, 2014.

<sup>801</sup> London Chapter: September 18, 2013, December 19, 2013, February 19, 2014; Mississauga Chapter, May 20, 2015; Waterloo/Kitchener, October 29, 2013; Toronto Chapter, August 13, 2013; Calgary Chapter, November 10, 2014.

Considering the missing meeting minutes not provided by the Organization, the lack of detail and/or information of the minutes provided, and the apparent omission of discussions, it is the CRA's position that the Organization did not maintain adequate books and records, and as per the requirements of subsection 230(2) of the Act.

### **3.5 PayPal and other third party payments services**

As detailed in section 1.5.2.2 above, the CRA identified two additional PayPal accounts belonging to MAC Islamic Center of Verdun (ICV) and the MAC Youth Montreal Chapter that were used during and after audit period. The Organization's email records indicate that head office was aware of these additional PayPal accounts, yet the Organization failed to disclose and provide these accounts to CRA.<sup>802 803</sup>

As noted in sections 1.5.2.1 and 1.5.2.3 above, the Organization also uses various crowdfunding and third party payment platforms including Anfiq, Eventbrite, Stripe and Square. The Organization provided limited information and records to the CRA for these crowdfunding and third party payment sites. Based on the CRA's analysis of limited records and open source research the CRA identified the following:

- Anfiq appears to have been used on fundraising campaigns for about two years (2014-2016) and helped, in part, to raise almost \$1.5 million.<sup>804</sup> Of this amount, only \$143,442 or, 9.5% of the total funds allegedly raised, could be traced through the Organization's PayPal account. Because no Anfiq donation records were provided by the Organization, the CRA cannot determine if the \$143,442 represents the entirety of funds raised through Anfiq.
- The Organization collected Eventbrite payments through a third party business bank account in the name of Serene Core Technologies Inc. (Serene). The first known Eventbrite event undertaken by the Organization was in May 2012. However, due to lack of Eventbrite records, the CRA was not able to complete a proper analysis of all deposits to Serene's bank accounts and determine when and if the funds intended for the Organization received through the Eventbrite account were transferred from Serene's bank account to the Organization's bank account.
- The CRA was able to identify numerous instances during the audit period, and several after, where projects used Eventbrite, and Stripe, to sell tickets. Because these event sales were driven by the projects and done largely without the direction and control of the head office, the Organization was unable to provide books and records to support these tickets sales. As a result, the CRA was unable to trace the funds that the projects generated through these systems with the exception of some Eventbrite and Serene deposits noted above.

<sup>802</sup> Email from Hoda Kurabi: hkurabi@macnet.ca to Executive Director: ed@macnet.ca, "CCCV montreal Paypal", February 12, 2015.

<sup>803</sup> Email from Anakua Nakua: [REDACTED] to Executive Director, November 2, 2015.

<sup>804</sup> Funds Raised amounts noted on the various project Anfiq pages. As noted by the Organization the campaign totals include donations through Anfiq, offline fundraisers, and sometimes community loans.

As such, it appears that the also Organization failed to maintain adequate books and records to support its crowdfunding and other third party payment transactions as required under subsection 230(2) Act.

### **3.6 Cost per pupil calculations**

The Organization has failed to provide CRA with the books and records requested<sup>805</sup> to support its cost per pupil calculations for its full time schools for each year of the audit period as requested by the CRA. The Organization only provided the calculation for January to June 2015 for Olive Grove School, MAC Islamic School, Maple Grove School and York Islamic School.<sup>806</sup> The Organization also provided calculations for Abraar Elementary and Abraar Secondary Schools for 2013 and 2014, but not 2015. To summarize, for four of the requested schools, the Organization has provided cost per pupil calculations for only six months of the three year audit period. The Organization provided cost per pupil calculations for January to December 2014 only, amounting to one year of the three year audit period for Abraar Secondary School. For Abraar Elementary School the Organization provided cost per pupil calculations from July 2012 to December 2014, amounting to two and a half years of the three year audit period.

Without theses calculations, the CRA cannot verify whether the amount of the official donation receipts issued for the amount of the tuition payment in excess of the cost of academic education is correct. Our review of the partial records provided for the schools noted above raised concerns that the calculations may have resulted in the issuance of incorrect donation receipts. A detailed analysis of the estimated eligible amount of the Organization's incorrect official donation receipts related to cost per pupil calculations is outlined in section 2.2 above.

As a result, the Organization has failed to maintain and provide adequate books and records in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act.

### **3.7 Travel overseas for fundraising**

The Organization actively sought foreign sources of fundraising for some of its projects. In the audit interviews, the Organization's representatives confirmed various individuals have travelled overseas for the purpose of fundraising.<sup>807</sup> When asked for a complete list of individuals who travelled overseas to fundraise on behalf of the Organization, it provided a list of five fundraising trips.<sup>808</sup>

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<sup>805</sup> The CRA requested cost per pupil calculations for all full time schools, for each year of the audit period in our Audit Commencement Letter dated December 22, 2015, and our request for information dated November 10, 2016 requested calculations for Olive Grove School, MAC Islamic School, Maple Grove School and York Islamic School for each year under audit. The CRA also requested the calculations for Abraar Elementary and Abraar Secondary schools on November 10, 2016.

<sup>806</sup> Although outside the audit period, July 1 to December 31, 2015, was also provided.

<sup>807</sup> Initial audit interview, January 26, 2016. See Foreign Donor Organizations for more information about donor organizations.

<sup>808</sup> Muslim Association of Canada, List of Employees who Travel overseas for Fundraising: For 2013 - 2015 Fiscal year.

A review of the Organization's books and records identified additional fundraising trips that the Organization did not disclose. (See Appendix Y for a list of fundraising trips identified by the CRA).

The additional fundraising trips identified by the CRA appears to suggest the Organization has a greater focus on foreign fundraising trips than it had previously disclosed. Furthermore, the additional fundraising trips appear to have also resulted in additional funds from overseas during the audit period. As detailed in section 4 below, the Organization failed to report this additional revenue as required on its T3010.

Without proper books and records related to foreign fundraising and foreign donation reporting, the CRA cannot determine who the Organization is soliciting funds from and if there is the potential for foreign influence as the CRA noted in section 1.3.3 above. While the CRA was able to identify some additional trips, the CRA is concerned that there could be more. As such, the CRA considers the Organization to not have provided adequate books and records related to foreign fundraising travel.

### **3.8 Islamic Development Bank accounts**

As part of the audit, the CRA requested the Organization provide a list of bank accounts used during the audit period.<sup>809</sup> The list of accounts provided by the Organization included 63 Canadian bank accounts, two Canadian investment accounts, one US bank account and two US investment accounts. CRA's research findings as outlined in section 1.3.4 above, suggest the Organization may have one or more active accounts with the Islamic Development Bank (IDB), which may have been used to route money collected from donors in Saudi Arabia to Canada.

Electronic correspondence collected by the CRA during the audit appears to indicate that Organization had the following accounts with the IDB and that each account was associated with a specific project:

<b>Account</b>	<b>MAC Project</b>
Project 12-13; CAN-0023 <sup>810</sup>	Dar Al Iman <sup>811</sup>
Project 17-18	Olive Grove School <sup>812</sup>
Project 25	Maple Grove School <sup>813</sup>
CAN-48P	Abraar School <sup>814</sup>

<sup>809</sup> Initial audit interview, January 26, 2016.

<sup>810</sup> Email correspondence from Hossam Bahgat hbahgat@isdb.org to Sharaf Sharafeldin, subject: Fw: Final Payment for Dal Iman school project, Montreal-Canada (CAN-0023)", dated September 3, 2013.

<sup>811</sup> Income Wire Payment Notification from Islamic Development Bank, May 29, 2015.

<sup>812</sup> Letter correspondence from Sharaf Sharfeldin to Islamic Development Bank representative, subject: "Full loan payment for Olive Grove School, Mississauga, Ontario, Canada (Project No. 2CAN-18)", dated July 30, 2015.

<sup>813</sup> Email correspondence from Hoda Kurabi on behalf of Executive Director (SS), subject: Muslim Association of Canada additional funding" dated August 20, 2015.

<sup>814</sup> The document from MAC to IDB refers to its application for 'Acquiring New Building for Abraar School II, Canada" (CAN-48P). In response, the IDB sent a letter dated February 11, 2014 to MAC regarding their project proposal and noted that they had started reviewing the project proposal "under No.CAN-48P (under pipeline)".



It appears as though, through these accounts which are associated with the Organization's projects, foreign donors were directed to deposit funds to the specific IDB accounts for the IDB to then forward their donations to the Organization.<sup>815</sup> The Organization did not provide a copy of bank statements for these accounts, and it did not identify or disclose the inflow and outflow of funds from these accounts. Without such information, the CRA is unable to confirm that the Organization is spending the entirety of its resources on charitable activities.

As such, it appears that the Organization did not maintain and provide adequate books and records regarding the IDB bank accounts as required under subsection 230(2) of the Act.

### **3.9 Muslim Youth Soccer League**

The CRA inquired about the Organization's activities and the Organization did not acknowledge Muslim Youth Soccer League (MYSL) as its activity in the list of activities provided to the CRA. Further, the Organization did not provide any documentation about it as requested. As detailed above, the CRA's review of information provided by the Organization, combined with publicly available information, suggest that the MYSL was in fact the Organization's own activity undertaken during the audit period. As such, the Organization should have maintained and been able to provide sufficient books and records as requested by the CRA on January 16, 2017.<sup>816</sup> Since the Organization did not provide adequate books and records for its MYSL related activities, it appears that the Organization is unable to demonstrate that it is compliant with the requirements under subsection 230(2) of the Act.

### **3.10 International schools**

As indicated above in section 1.5.4, the Organization appears to have engaged in activities outside Canada by entering into partnership agreements with schools in Libya and Turkey. In the CRA's audit commencement letter dated December 22, 2015, the CRA requested a list of programs undertaken outside of Canada, all documentation related to disbursements outside of Canada, copies of agency agreements and/or other structured arrangements with foreign organizations.<sup>817</sup>

The Organization provided no records to indicate that it had/or was undertaking foreign activities, its representatives indicated that the Organization's activities were entirely within Canada.<sup>818</sup> and it reported no foreign activities on its T3010. Yet, as detailed above, the Organization's email records suggest that foreign activities were, in fact, occurring.

<sup>815</sup> For example, see emails: Fax/Email to [REDACTED] from IDB, dated November 11, 2008; [REDACTED] dated December 3, 2015; [REDACTED], August 25, 2011.

<sup>816</sup> Attachment – email from D. Davies-Ostrom to ed@macnet.ca, January 16, 2017; Toronto audit interviews from January 30, 2017 to February 3, 2017.

In the email, the Organization was asked to provide:

“A list of all the programs, as well as any and all associated fees, carried out at the location; e.g. – part-time and full-time schools, daycares, day and/or weekend camps, etc.;

“Details of all the activities undertaken at the location, supported by copies of brochures, pamphlets, publications, membership and fundraising correspondence, newsletters, press releases, and media-related materials for events that were organized and/or held by the location

<sup>817</sup> Audit Commencement Letter CRA to Carters Professional Corporation dated December 22, 2015

<sup>818</sup> Olive Grove School audit interview February 1, 2017.

With respect to the school in Turkey, financial payments were structured in a way so payments and expenses flowed through a third party, [REDACTED].<sup>819</sup> Because of this, the CRA could not track or identify the entirety of funds dedicated or expended to the Organization's program.

The CRA acknowledges that this partnership may have been formalized soon after the end of the audit period. However, it would appear that plans were in place prior to any formal agreements. In fact, records indicate the Organization began exploring ways to expand, franchise and monetize the OGS model as early as 2013. Email records from January 16, 2013 indicate meetings took place to discuss "franchising model for OGS."<sup>820</sup> In February 2013, OGS Principal [REDACTED] and OGS Assistant Vice-Principal [REDACTED]<sup>821</sup> attended a seminar in Mississauga, ON, entitled "How to Franchise Your Business."<sup>822</sup> The Organization, however, did not provide books and records when the CRA requested information about future plans for OGS.

The Organization failed to provide books and records including the agreements with the schools located in Libya and Turkey, as well as the related financial records between the Organization and the partner schools located outside Canada.

### **3.11 Vancouver Chapter specific concerns**

A review of the Organization's books and records provided identified an email dated December 29, 2015 from the Organization's Executive Assistant, Hoda Kurabi. In this email, instructions are given to the projects under two sections: "Tax Receipts and Closing of the Financial Year" and "CRA Audit Program Information." The CRA Audit Program Information listing requests information for three fiscal years (2013-2015) including:

- A review of the projects' websites including social media and report any incidents of text that does not correspond with the Organization policies
- Complete Chapter and Project Committee name listing in worksheet
- Send Chapter Committee meeting minutes
- Detail the Chapters and projects' activities supported by copies of brochures, pamphlets, publications, membership and fundraising correspondence, newsletters, press releases and media-related materials for events
- Detailed description of events including topics covered, speakers and participants for conventions, conferences, workshops, speakers or lecturers including any supporting documentation such as agendas, hand-outs, flyers, etc.<sup>823</sup>

In a reply to this request, [REDACTED]<sup>824</sup> from the Vancouver Chapter responded on December 31, 2015 that the Vancouver Chapter did not have an official Chapter Committee until

<sup>819</sup> Emails: from [REDACTED], dated June 3, 2016.

<sup>820</sup> Email from principal@olivegroveschool.ca, dated January 16, 2013.

<sup>821</sup> MAC Position Titles 2012-2013.

<sup>822</sup> Registration forms/Email from m.attia@olivegroveschool.ca dated February 22, 2013.

<sup>823</sup> E-mail correspondence from Hoda Kurabi, subject "RE: Year End Requirements" dated December 31, 2015.

<sup>824</sup> Vancouver Chapter Head in 2015, Outreach Department Rep 2014 and 2013.

last month and therefore much of the information requested is lacking either because it was never collected or never kept. He also notes the centre was inactive during renovations in 2012-2013.<sup>825</sup>

It should be noted that according to the Chapter Management Committee listing provided by the Organization,<sup>826</sup> there was a Chapter Management Committee in place for 2013, 2014 and 2015, for the Vancouver Chapter. It is unclear why a Chapter Management Committee listing for the audit period was provided by the Organization for the Vancouver Chapter, if a Chapter Management Committee was not established until after the audit period.

Based on the above noted correspondence, it appears that the Organization has not maintained adequate books and records in support of the Vancouver Chapter and its projects as required by subsection 230(2) of the Act.

### **Summary of section 3**

Based on the above analysis, it is our preliminary conclusion that the Organization has not maintained or provided adequate books and records in the following areas:

- Emails
- Social media and websites
- MAC Education Fund
- Meeting minutes
- PayPal and other third party payment services
- Cost per pupil calculations
- Travel overseas for fundraising
- Islamic Development Bank accounts
- Muslim Youth Soccer League
- International schools
- Vancouver Chapter

In some instances, the Organization either did not maintain, or was unable to provide, books and records, and as such the CRA was not able to verify income, expenses, donations, and use of resources.

Under subsection 188.2(2), an Organization may have its receipting privileges suspended for failing to comply with subsection 230(2) of the Act. It is our position the Organization has failed to comply with subsection 230(2) of the Act by not keeping proper books and records or providing them to authorized CRA officials when requested, as outlined above. For this reason, there may be grounds to suspend the Organization's authority to issue official receipts under subsection 188.2(2) of the Act.

Under paragraph 168(1)(e) of the Act, the registration of a charity may be revoked if it fails to comply with or contravenes subsection 230(2) of the Act dealing with books and records. For this

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<sup>825</sup> E-mail correspondence from Hoda Kurabi, subject "RE: Year End Requirements" dated December 31, 2015.

<sup>826</sup> Vancouver Chapter Head in 2015, Outreach Department Rep 2014 and 2013.

reason, it is our position that there may be grounds for revocation of the charitable status of the Organization under paragraph 168(1)(e) of the Act.

#### **4. Failure to file a complete and accurate Registered Charity Information Return (T3010)**

Subsection 149.1(14) of the Act requires that every registered charity file an information return in the prescribed form, containing the prescribed information, without notice or demand, within six months of its fiscal year end.

It is the responsibility of the charity to ensure that the information provided in its return, applicable worksheets and financial statements, is factual and complete in every respect. A charity must keep track of its expenditures during the fiscal period in such a way that it is able to give amounts that are reasonably accurate. A charity cannot arbitrarily allocate its expenditures at the end of the fiscal period. It must be able to justify its amounts. While the categories on the return may not correspond exactly to the categories used by a charity to record its expenditures, we need to know how much the charity spent on these categories to determine if it meets all of its requirements under the Act. A charity is not meeting its requirements to file an Information Return if it fails to exercise due care with respect to ensuring the accuracy thereof. The Federal Court of Appeal has confirmed that major inaccuracies in a T3010 are a sufficient basis for revocation.<sup>827</sup>

The audit revealed that the Organization did not accurately complete its T3010s for the fiscal periods under audit. Complete details of the errors and omissions are located in Appendix Z.

Under subsection 188.2(2.1), an Organization may have its receipting privileges suspended for failing to comply subsection 149.1(14). It is our position the Organization has failed to comply with the Act by failing to file an accurate T3010 including Schedule 6 Lines 5000-5100, Lines 4250 assets not used in charitable activities, Lines 4510 amounts from other registered charities, Lines 4155 land and buildings, 4160 other capital assets, and 4166 accumulated amortization on capital assets, Schedule 4 Information about donors not resident of Canada and Schedule 5, Line 580 non-cash gifts. For this reason, there may be grounds to suspend the Organization's authority to issue official receipts under subsection 188.2(2.1) of the Act.

Under paragraph 168(1)(c) of the Act, the registration of a charity may be revoked if it fails to file a charity information return when required under the Act. It is our position the Organization has failed to comply with the Act by failing to file an accurate T3010. For this reason, there may be grounds to revoke the registered status of the Organization under paragraph 168(1)(c) of the Act.

#### **5. Failure to prepare proper documentation for payments to employees (T4 Statement of Remuneration Paid and T4A Information for payers)**

The CRA reviewed the gifts and benefits that the Organization provided to its employees. According to the T4130, Employers' Guide – Taxable Benefits and Allowances, "A benefit is a good or service you give, or arrange for a third party to give, to your employee such as free use of

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<sup>827</sup> Opportunities for the Disabled Foundation v MNR, 2016 FCA 94 at paras 48-51.

property that you own. A benefit includes an allowance or a reimbursement of an employee's personal expense." The CRA has noted several instances where the Organization's employees were given a financial benefit but the Organization did not make the appropriate income adjustments on the employee's T4 Statement of Remuneration Paid (T4 slip). For example:

- The MAC Islamic Centre provided Eid cash gifts<sup>828</sup> as a bonus to employees for extra time and effort during Ramadan.<sup>829</sup> The CRA concluded that five employees, in six different transactions, received a total of \$6,750 and that the Organization failed to include the gifts on the employees' respective T4 slip and failed to withhold the required payroll deductions. Further, in five out of six instances the source documents did not have approval signatures.
- As detailed in section 3.3, the Organization offers an education subsidy for its employees who have children attending one of the Organization's schools. The subsidy appears to be substitute for salary<sup>830</sup> and therefore a taxable benefit<sup>831</sup> exists.
  - Based on books and records provided, the Organization gave a 25% discount on the tuition fee for children of employees of the Olive Grove School. For the academic year 2014-2015 (fiscal 2014), the Organization provided \$46,167.50 in discounts.<sup>832</sup> The CRA reviewed a sample of discounts provided to Olive Grove School employees and determined that the tuition discounts were not included in the employee T4 or T4A slips. Therefore, the Organization has not complied with paragraph 6(1)(a) of the Act by failing to include the amount the 25% tuition discount provided to staff members as a taxable benefit as required under subsection 200(1) of the Income Tax Regulations.

It is our view that the Organization has failed to issue T4 information slips in accordance with the Act. Under paragraph 168(1)(b) of the Act, the registration of a charity may be revoked if it ceases to comply with the requirements of the Act. For this reason there may be grounds to revoke the registered status of the Organization.

<sup>828</sup> The CRA reviewed source documents provided to support Eid cash gifts given to employees from August to October, 2014.

<sup>829</sup> MAC Islamic Centre (Edmonton) audit interview, October 18, 2016.

<sup>830</sup> The CRA makes this determination on the following 1) the Organization's records appear to acknowledge that Olive Grove School's teacher salary is approximately 70% less than teachers in public schools. 2) A sample of teacher employment letters state how full time staff received a 25% discount on their children's education. 3) At least one employee was offered a 30% discount in lieu of a higher salary. Source: E-mail from [REDACTED] to OGS Principal; subject "RE: Your offer letter" dated July 20, 2010, E-mail from [REDACTED] to a.seif@olivegroveschool.ca subject "RE: So good to see you today :)" dated December 7, 2010. E-mail from [REDACTED] to [REDACTED], subject "RE: Preschool staff discount" dated September 15, 2015.

<sup>831</sup> Under subparagraph 6(1)(a)(vi) of the Act, any benefit received or enjoyed on or after October 31, 2011 by the family member of a taxpayer under a program offered by the taxpayer's employer that is designed to assist the family member in furthering his or her education, will not be included in the taxpayer's income as an employment benefit, where:

- the employer and the taxpayer deal with each other at arm's length; and
- it is reasonable to conclude that the benefit is not a substitute for salary, wages or other remuneration of the taxpayer.

<sup>832</sup> Staff discounts at Olive Grove School, as provided by the Organization.

**Conclusion**

On the basis of our audit findings, it is our view that for each of the reasons above, there are sufficient grounds for the revocation of the Organization’s charity registration under subsection 168(1) the Act.

**The Organization’s options:**

**a) No response**

The Organization may choose not to respond. In that case, the Director General of the Charities Directorate may issue a notice of intention to revoke the registration of the Organization in the manner described in subsection 168(1) of the Act.

**b) Response**

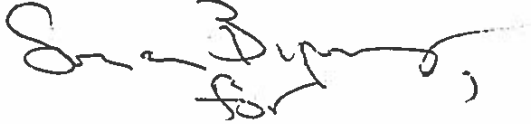
Should the Organization choose to respond, please provide your written representations and any additional information regarding the findings outlined above **within 90 days** from the date of this letter to the address below. After considering the representations submitted by the Organization, the Director General of the Charities Directorate will decide on the appropriate course of action. The possible actions include:

- no compliance action;
- issuing an educational letter;
- resolving the issues through a Compliance Agreement;
- applying penalties or suspensions or both, as described in sections 188.1 and 188.2 of the Act; and/or
- issuing a notice of intention to revoke the registration of the Organization in the manner described in subsection 168(1) of the Act.

If the Organization appoints a third party to represent it in this matter, send us a written request with the individual’s name, the individual’s contact information, and explicit authorization that the individual can discuss the file with us.

If you have any questions or require further information or clarification, please contact me at the numbers indicated below.

Yours sincerely,



Leah Harris, Manager

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Attachments: Appendix A to Z

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