



April 2, 2026

Meir Eizental
President
Everlight Charitable Foundation
66 Lynnhaven Road
Toronto ON M6A 2K9

BN: 119229466RR0001

Case number: [REDACTED]

Dear Meir Eizental:

Subject: Notice of intention to revoke

The Canada Revenue Agency (CRA) received the Certificate of Amendment dated September 25, 2025, stating that The David Hofstedter Family Foundation had changed its name to the Everlight Charitable Foundation. In addition, all directors were replaced with a new board, effective the same date.

We note that all prior correspondence and audit concerns identified using the name The David Hofstedter Family Foundation are applicable to the same entity under its new name Everlight Charitable Foundation. We continue to refer to the entity as the Organization below.

We are writing with respect to our letter dated July 23, 2025, (copy enclosed) in which the Organization was invited to respond to the findings of the latest audit conducted by the CRA—for the period from January 1, 2019, to December 31, 2020. Specifically, the Organization was asked to explain why its registration should not be revoked in accordance with subsection 168(1) of the *Income Tax Act*.

Additionally, our letter outlined other possible consequences for the Organization's actions, including financial sanctions for conferring undue benefits under subsection 188.1(4) of the Act and issuing official donation receipts containing incorrect information under 188.1(7) of the Act, and suspension of the authority to issue official donation receipts for one year under subsections 188.2(2)(a) and 188.2(2.1) of the Act.

We have reviewed and considered your written response, dated September 28, 2025. Your reply has not alleviated our concerns with respect to the Organization's repeated non-compliance with the requirements of the Act for registration as a charity. Our concerns are explained below.

Conclusion

The current audit is the fourth conducted by the CRA. The extent and nature of the non-compliance identified, some of which is repeated, are significant and systemic. The current audit revealed multiple serious and continued breaches of the Act and common law. Despite the Organization signing a compliance agreement with the CRA on December 15, 2011, which resulted from its last audit, the Organization failed to implement the corrective measures it agreed to undertake to bring itself into compliance.

Specifically, the Organization has demonstrated repeat non-compliance in that it failed to devote resources to charitable activities, failed to maintain adequate books and records, and failed to file an information return as and when required by the Act and/or its Regulations. In addition, the current audit found that the Organization is not constituted and operated exclusively for charitable purposes, gifted its charitable resources to non-qualified donees, provided non-incident private benefits approximating \$43,000,000, and failed to issue official donation receipts in accordance with the Act and/or its Regulations. This non-compliance constitutes a serious breach of the requirements for registration. For these reasons, it is our position that the Organization no longer meets the requirements for charitable registration.

While we maintain our positions that the Organization conferred undue benefits, which is subject to a financial penalty under subsection 188.1(4) of the Act, failed to maintain and provide adequate books and records, which is subject to a one year suspension of the authority to issue official donation receipts under subsection 188.2(2)(a) of the Act, failed to file an information return as and when required by the Act, which is subject to a one year suspension of the authority to issue official donation receipts under subsection 188.2(2.1) of the Act, and issued an official donation receipt that contained incorrect information, which is subject to a financial penalty under subsection 188.1(7) of the Act, we are no longer considering assessing this additional sanction as we have declared our intention to instead revoke the Organization's registered status.

Consequently, for the reasons mentioned in our letter dated July 23, 2025, and pursuant to subsection 168(1) and 149.1(4) of the Act, we hereby notify you of our intention to revoke the registration of the Organization. By virtue of subsection 168(2) of the Act, the revocation will be effective on the date of publication of the following notice in the *Canada Gazette*.

Notice is hereby given, pursuant to paragraphs 168(1)(b), 168(1)(c), 168(1)(d), 168(1)(e), and subsection 149.1(4) of the *Income Tax Act*, that I propose to revoke the registration of the charity listed below and that by virtue of paragraph 168(2)(b) thereof, the revocation of registration is effective on the date of publication of this notice in the *Canada Gazette*.

Business number	Name
119229466RR0001	Everlight Charitable Foundation Toronto, ON

As the CRA has decided to revoke the Organization's registration, the Minister will publish a copy of this notice in the *Canada Gazette* immediately after the expiration of **30 days** from the date of mailing pursuant to paragraph 168(2)(b) of the Act

Should the Organization choose to object to this notice of intention to revoke its registration in accordance with subsection 168(4) of the Act, a written notice of objection, with the reasons for objection and all relevant facts, must be filed within **90 days** from the day this letter was mailed. The notice of objection should be sent to

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

However, please note that even if the Organization files a notice of objection with the CRA Appeals Branch, this will not prevent the CRA from publishing the notice of revocation in the *Canada Gazette* immediately after the expiration of **30 days** from the date of mailing of this notice

The Organization has the option of filing an application with the Federal Court of Appeal (FCA), as indicated in paragraph 168(2)(b) of the Act, to seek an order staying publication of the notice of revocation in the *Canada Gazette*. The FCA, upon reviewing this application, may extend the 30-day period during which the CRA cannot publish a copy of the notice.¹

The relevant provisions of the Act concerning revocation of registration, including appeals from a notice of intention to revoke registration, are available on our website at **canada.ca/charities-ITA-revocation**

Consequences of revocation

As of the effective date of revocation

- a) the Organization will no longer be exempt from Part I tax as a registered charity and **will no longer be permitted to issue official donation receipts**. This means that gifts made to the Organization would not be allowable as tax credits to individual donors or as allowable deductions to corporate donors under subsection 118.1(3) and paragraph 110.1(1)(a) of the Act respectively,
- b) by virtue of section 188 of the Act, the Organization will be required to pay a tax within one year from the date of the notice of intention to revoke. This revocation tax is calculated on Form T2046, Tax Return where Registration of a Charity is revoked. Form T2046 must be filed, and the tax paid, on or before the day that is

¹ Unless an order from the FCA is issued extending the 30 day period, the Minister will publish the notice of revocation in the *Canada Gazette* after the 30 day period has elapsed.

one year from the date of the notice of intention to revoke Form T2046 and the related Guide RC4424, Completing the Tax Return where Registration of a Charity is revoked, are available on our website at canada.ca/charities-giving,

- c) the Organization will no longer qualify as a charity for purposes of subsection 123(1) of the *Excise Tax Act*. As a result, the Organization may be subject to obligations and entitlements under the *Excise Tax Act* that apply to entities other than charities that may result in significant changes in how the Organization calculates its Goods and Services Tax/Harmonized Sales Tax (GST/HST) to be collected, input tax credits, and rebate entitlements. If you have any questions about your GST/HST obligations and entitlements, please go to canada.ca/gst-hst or call GST/HST Rulings at 1-888-830-7747 (Quebec) or 1-800-959-8287 (rest of Canada)

Reminder

We advise that subsection 150(1) of the Act requires that every corporation (other than a corporation that was a registered charity throughout the year) file a return of income with the Minister in the prescribed form, containing prescribed information, for each taxation year. The return of income must be filed without notice or demand.

Yours sincerely,

Sharmila P Khare

Sharmila Khare
Director General
Charities Directorate

Enclosures

- CRA letter dated July 23, 2025
- Organization's representations dated September 28, 2025
- Appendix A, Comments on representations

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The CRA collects personal information in order to administer or enforce the Act and related programs and activities. The CRA may use or disclose the information it collects to administer or enforce other federal acts that provide for the imposition and collection of a tax or duty. In addition, collected information may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide information requested by the CRA may result in the assessment of interest and/or penalties or other compliance enforcement actions. Under the *Privacy Act*, individuals have a right of protection access to and correction of their personal information or to file a complaint with the Privacy Commissioner of Canada with respect to the handling of their personal information. Please refer to Personal Information Bank CRA PPU 200 on Information about Programs and Information Holdings at canada.ca/cra-information-about-programs or canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/access-information-privacy-canada-revenue-agency/info-source-appendix.html



July 23, 2025

SENT BY AUDIT ENQUIRIES & MAIL

David Hofstedter
Director
The David Hofstedter Family Foundation
[REDACTED]

BN: 119229466RR0001
Case Number: [REDACTED]

Dear David Hofstedter:

Subject: Audit of The David Hofstedter Family Foundation

This letter results from the audit of The David Hofstedter Family Foundation (the Organization) conducted by the Canada Revenue Agency (CRA). The audit related to the operations of the Organization for the period from January 1, 2019 to December 31, 2020. The Organization utilized their authorized representative, [REDACTED] (the Representative), as the point of contact for the audit.

Background

The Organization was incorporated under the *Canada Corporations Act* on September 2, 1987, and granted registered charity status effective September 2, 1987, as a private foundation. The Organization's purpose have not been amended since it was registered as a charity:

"THE undersigned [the Organization] will restrict its activities to receiving and managing funds for the exclusive purpose of making gifts to "qualified donees", which "qualified donees" are listed in paragraphs 110(1) (a) and (b) of the Income Tax Act (Canada)."

The registration was based on the information supplied by the Organization and on the understanding that it would only be making gifts to qualified donees.

Previous audits

The Organization was previously audited three times. The first audit was for the fiscal period of January 1, 1999, to December 31, 1999, the second audit was for the fiscal periods of January 1, 2002, to December 31, 2003, and the third audit was for the fiscal periods of January 1, 2008, to December 31, 2009, the result of which indicated that the Organization was not compliant with the *Income Tax Act* and/or its Regulations.

The audit for fiscal periods of January 1, 2008, to December 31, 2009, concluded with a Compliance Agreement that the Organization accepted by signing on December 15, 2011. The Compliance Agreement identified specific areas of non-compliance with the Act and/or its Regulations, which included failing to maintain adequate books and records, failing to file an information return as and when required by the Act and/or its Regulations, and failing to devote its resources to charitable activities carried on by the Organization itself.

Current audit

The current audit reviewed the implementation of the Compliance Agreement, as well as the Organization's operations as a whole. CRA identified specific areas of non-compliance with the provisions of the Act and/or its Regulations in the following areas.

AREAS OF NON-COMPLIANCE		
	Issue	Reference
1	It is not constituted and operated exclusively for charitable purposes i Unstated collateral non-charitable purpose	149 1(1) 149 1(2) 168(1)(b)
2	Failed to devote resources to charitable activities carried on by the Organization itself i Lacked direction and control over its own resources/ Gifted to non-qualified donees ii Delivered non-incidental private benefits iii Conferred an undue benefit on a person	149 1(1) 168(1)(b) 188 1(4), 188 1(5), 188 2(1)(b)
3	Failed to maintain adequate books and records	230(2), 230(4), 168(1)(e), 188 2(2)(a)
4	Failed to issue donation receipts in accordance with the Act and/or its Regulations	168(1)(d) 188 2(c), 188 1(7) Regulations 3500 and 3501
5	Failed to file an information return as and when required by the Act and/or its Regulations	149 1(14), 168(1)(c) 188 2(2 1)

This letter describes the areas of non-compliance identified by the CRA relating to the legislative and common law requirements that apply to registered charities and which may be subject to sanctions under the Act. This letter also offers the Organization an opportunity to respond and present additional information and explain why a sanction should not be applied and/or its registered status should not be revoked.

As a registered charity, the Organization must comply with the law. If it fails to comply with the law, it may be subject to sanctions under sections 188 1¹ and/or 188 2² of the Act, and/or have its registered charity status revoked in the manner described in section 168 of the Act. These include suspension of the Organization's authority to issue official donation receipts and suspension of its status as a qualified donee. While the purpose of a sanction is to provide an alternative to revocation, notice may still be given of our intention to revoke in the manner described in section 168 of the Act.

The balance of this letter describes the identified areas of non-compliance, and the potential consequences of the non-compliance in further detail.

General legal principles

In order to maintain charitable registration under the Act, Canadian law requires that an organization demonstrate that it is constituted and operated exclusively for charitable purposes (or objects) and that it devotes its resources to charitable activities carried on by the organization itself in furtherance thereof.³ To be exclusively charitable, a purpose must fall within one or more of the following four categories, also known as heads of charity,⁴ and deliver a public benefit.

¹ Financial sanctions are assessed under Section 188 1 of the Act.

² Suspensions of a registered charity's authority to issue official donation receipts and qualified donee status are assessed under section 188 2 of the Act.

³ See subsection 149 1(1) of the Act which requires that a charitable organization devote all of its resources to charitable activities carried on by the organization itself and *Vancouver Society of Immigrant and Visible Minority Women v MNR* [1999] 1 SCR 10 1999 CanLII 704 (SCC) at paras 156-159. A registered charity may also devote resources to activities that, while not charitable in and of themselves, are necessary to accomplish their charitable purposes (such as expenditures on fundraising and administration). However, any resources so devoted must be within acceptable legal parameters and the associated activities must not become ends in and of themselves.

⁴ The Act does not define charity or what is charitable. The exception is subsection 149 1(1) which defines charitable purposes 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 categories, also known as the four heads of charity, were

- (1) the relief of poverty
- (2) the advancement of religion,
- (3) the advancement of education, and
- (4) other purposes beneficial to the community as a whole in a way which the law regards as charitable

An organization's purposes must fall within one or more of these categories to be considered for registration as a charity. The formal purposes as set out in an organization's governing document must be clear and precise so as to reflect exclusively charitable purposes.

The public benefit requirement involves a two-part test:

- The first part of the test requires the delivery of a **benefit** that is recognizable and capable of being proved, and socially useful. To be recognizable and capable of being proved, a benefit must generally be tangible or objectively measurable.
 - Benefits may be measurable or intangible. Benefits that are not tangible or objectively measurable should be shown to be valuable or approved by the common understanding of enlightened opinion for the time being.⁵ In most cases, the benefit should be a necessary and reasonably direct result of how the purpose will be achieved.⁶ An assumed prospect or possibility of gain that is vague, indescribable or uncertain, or incapable of proof, cannot be said to provide a charitable benefit.⁷
- The second part of the test requires the benefit be directed to the **public** or a sufficient section of the public. This means a registered charity cannot
 - have an eligible beneficiary group that is negligible in size or restricted based on criteria that are not justified based on the charitable purpose(s)
 - or
 - provide an unacceptable private benefit. Typically, a private benefit is a benefit provided to a person or organization that is not a charitable beneficiary, or to a charitable beneficiary that exceeds the bounds of charity. A private benefit will usually be acceptable if it is incidental, meaning it is necessary, reasonable, and not disproportionate to the resulting public benefit.⁸

Prior to a June 2022 amendment to the Act, a registered charity was required to devote all of its resources (funds, personnel, and property) inside or outside Canada to charitable activities carried on by the organization itself. This meant a registered charity was required to devote its resources in at least one of two ways:

- on its own charitable activities – undertaken by the charity itself or under its continued supervision, direction and control (i.e. through an intermediary)
- by gifting to qualified donees as defined in the Act

outlined by Lord Macnaghten in *Commissioners for Special Purposes of the Income Tax v Pemsel* [1891] AC 531 (PC). The classification approach was explicitly approved of by the Supreme Court of Canada in *Guaranty Trust Co of Canada v Minister of National Revenue* [1967] SCR 133 and confirmed in *Vancouver Society of Immigrant and Visible Minority Women v MNR* [1999] 1 SCR 10 1999 CanLII 704 (SCC).

⁵ For more information about public benefit see CRA Policy statement CPS 024 *Guidelines for registering a charity Meeting the public benefit test*. See also generally *British Columbia (Assessor of Area #09 Vancouver) v Arts Umbrella* 2008 BCCA 103 and *Vancouver Society of Immigrant and Visible Minority Women v MNR* [1999] 1 SCR 10 1999 CanLII 704 (SCC).

⁶ For more information about public benefit see CRA Policy statement CPS 024 *Guidelines for registering a charity Meeting the public benefit test* and CRA Guidance CG 019 *How to draft purposes for charitable registration*. See also *Commissioners for Special Purposes of the Income Tax v Pemsel* [1891] AC 531 (PC) at 583.

⁷ *Co-operative College of Canada v Saskatchewan (Human Rights Commission)* 1975 CanLII 808 (SKCA) at para 19. *Vancouver Society of Immigrant and Visible Minority Women v MNR* [1999] 1 SCR 10 1999 CanLII 704 (SCC) at para 202. For more information about charitable purposes see CRA Guidance CG 019 *How to draft purposes for charitable registration* at para 19.

⁸ For more information about public benefit see CRA Policy statement CPS-024 *Guidelines for registering a charity Meeting the public benefit test*.

As a result of the June 2022 amendment to the Act, in addition to devoting its resources to its own charitable activities a registered charity may now make a qualifying disbursement.⁹ Under qualifying disbursements registered charities may continue gifting to qualified donees and can now make a grant to a grantee organization. With grants a charity can support the **grantee's own** activities provided the charity shows that it meets the requirements. Please see Guidance CG-032, *Registered charities making grants to non-qualified donees*.

It is important to note that the legislative change is not retroactive. As the Organization's audit period is January 1, 2019, to December 31, 2020, the non-compliance issues outlined in this letter reflect the Act's requirements as they existed at that time. However, this letter additionally considers the identified non-compliance within the context of the new legislation. Our concerns regarding the Organization's non-compliance remain.

The CRA must be satisfied that an organization's activities directly further charitable purposes in a manner permitted under the Act.

Identified areas of non-compliance

1 It is not constituted and operated exclusively for charitable purposes

Legislation and jurisprudence

To be registered as a charity under the Act, Canadian law requires that an organization's purposes be exclusively charitable, must fall within one or more of the four categories of charity and deliver a charitable public benefit. In addition, the purposes must define the scope of the activities that can be engaged in by the organization.¹⁰

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 an organization currently engages. In *Vancouver Society of Immigrant and Visible Minority Women v MNR*, the Supreme Court of Canada stated as follows:

In *Guaranty Trust* supra at p 144, this Court expressed the view that the question of whether an organization was constituted exclusively for charitable purposes cannot be determined solely by reference to the objects and purposes for which it was originally established. It is also necessary to consider the nature of the activities presently carried on by the organization as a potential indicator of whether it has since adopted other purposes. In other words, as Lord Denning put it in *Institution of Mechanical Engineers v Cane*, [1961] A C 696 (H L), at p 723, the real question is, for what purpose is the Society at present instituted? (emphasis in original)¹¹

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

i Unstated collateral non-charitable purpose

Although the formal purposes of a registered charity are the apparent source of reference of whether or not the charity is constituted exclusively for charitable purposes, it is not the sole indicator. The CRA also

⁹ Subsection 149.1(1) – Definitions, qualifying disbursement, Effective June 23, 2022.

¹⁰ *Vancouver Society of Immigrant and Visible Minority Women v MNR*, [1999] 1 SCR 10, 1999 CanLII 704 (SCC) at para 159; *Travel Just v Canada Revenue Agency*, 2006 FCA 343 at para 2.

¹¹ *Vancouver Society of Immigrant and Visible Minority Women v MNR*, [1999] 1 SCR 10, 1999 CanLII 704 (SCC) at para 194; *Iacobucci J*. See also *AYSA Amateur Youth Soccer Association v Canada (Revenue Agency)*, 2007 SCC 42 at para 42.

examines an organization's activities to determine whether it may be pursuing an unstated collateral non-charitable purpose

Audit findings

In order to meet the legislative requirements for registration it is not enough that an applicant be simply constituted exclusively for charitable purposes, but that it must also operate exclusively for charitable purposes. The Organization was registered to only make gifts to qualified donees. The Organization's activities were reviewed and it appears that the Organization was pursuing an unstated collateral non-charitable purpose of providing funds to non-qualified donees.

The Organization stated that its current activities include administering Torah study programs and tests both on its own and through agents outside of Canada¹² under the name 'Dirshu'. The Organization also stated that it provides various financial incentives (based on marital status and test scores) to beneficiaries who write Torah study program tests. The financial incentives are either paid directly to the beneficiaries from the Organization, or to various third-party agents in other countries who are purportedly administering the Torah study programs on behalf of the Organization.

Dirshu appears to be an international organization that was founded by David Hofstedter and is headquartered in Israel.¹³ The activities that the Organization has described as its own appear to belong to Dirshu. The Organization appears to be transferring its funds to a non-qualified donee that then carries out its own activities.

As well, the Organization provided loans to Westside Capital Corporation and Bnei Torah Congregation.

Due to the limited documentation provided regarding the Organization's purported activities both inside and outside of Canada and given the Organization's lack of demonstrated direction and control over its purported activities outside of Canada (i.e. Dirshu) it is our view that the Organization is also established to gift funds to non-qualified donees. Funding entities that are non-qualified donees is not a charitable purpose.

In summary

Based on the above findings, there are grounds for revocation of the Organization's charitable status in the manner described in paragraph 168(1)(b) of the Act as the Organization has ceased to comply with the requirements for its registration.

2 Failed to devote resources to charitable activities carried on by the Organization itself

Legislation and jurisprudence

To comply with the requirement that a registered charity devote all of its resources to charitable activities the Act allows a registered charity to use its resources (funds, personnel, and/or property) inside or outside Canada in only two ways:

- for its own charitable activities – undertaken by the charity itself under its continued supervision, direction and control¹⁴ and

¹² The audit determined that the countries that received funds from the Organization for Dirshu expenses during the audit period were the USA, UK, Israel, Argentina, Mexico, Australia, Venezuela, Ukraine, and South Africa.

¹³ <https://www.dirshu.co.il/>

¹⁴ Canadian Committee for the Tel Aviv Foundation v. Canada, 2002 FCA 72 (CanLII) at para 31.

- for making qualifying disbursements through gifting to qualified donees¹⁵ or granting¹⁶ to non-qualified donees (grantee organizations)¹⁷ as defined in the Act

A **qualified donee** means a donee defined in subsection 149 1(1) of the Act, as follows

- a registered charity (including a registered national arts service organization)
- a registered journalism organization
- a registered Canadian amateur athletic association
- a registered housing corporation resident in Canada constituted exclusively to provide low-cost housing for the aged,
- a registered Canadian municipality,
- a registered municipal or public body performing a function of government in Canada
- a registered university outside Canada, the student body of which ordinarily includes students from Canada,
- a registered foreign charity to which Her Majesty in right of Canada has made a gift
- Her Majesty in right of Canada or a province, or a territory and
- the United Nations or an agency of the United Nations

As the Act specifically states what constitutes a qualified donee, entities not expressly stated in this list are not considered qualified donees

1 Lack of direction and control over its own resources/gifted to non-qualified donees

As stated above during the audit period the Act allowed a registered charity to carry out its charitable purposes in two ways

- on its own charitable activities – undertaken by the charity itself or under its continued supervision, direction and control (i.e. through an intermediary)
- by gifting to qualified donees as defined in the Act

A registered charity should consider at the outset whether it will carry on its own activities using its staff including volunteers, directors and employees through an intermediary (for example a private contractor) acting on its behalf or by making qualifying disbursements to qualified donees or grantees. When using its own staff or working through an intermediary, a charity must direct and control the use of its resources. Although it may delegate the responsibility for day-to-day operating decisions to an intermediary, it cannot act as a conduit that merely funnels resources to an organization that is not a qualified donee. A charity's resources include all its physical and financial resources as well as its staff and volunteers.¹⁸

A registered charity must be careful about how it carries on its activities and ensure that it maintains sufficient direction and control over its resources. When working with an intermediary, the absence of appropriately structured arrangements, such as agency agreements and sufficient documentation in its books and records to establish the necessary direction and control over its funds and purported activities indicates the charity is gifting its funds to non-qualified donees, which is not a charitable activity and contrary to the provisions of the Act.

¹⁵ See Subsection 149 1(1) of the Income Tax Act for a list of qualified donees

¹⁶ A grant includes both monetary and non-monetary resources. A charity's resources include all its physical and financial resources. For example, this includes its staff, intellectual property, and real property.

¹⁷ As defined in Subsection 149 1(1) of the Income Tax Act, a grantee organization includes a person, club, society, association, or organization or prescribed entity, but does not include a qualified donee.

¹⁸ For more information, see CRA Guidance CG 002, *Canadian registered charities carrying out activities outside Canada* and CRA Guidance CG-004, *Using an intermediary to carry out a charity's activities within Canada*.

Audit findings

Dirshu

As discussed above the Organization's activity known as 'Dirshu' involves providing financial incentives to beneficiaries directly from the Organization or through third-party agents. As part of the support provided with your letter dated November 8, 2024, the Organization provided a summary of amounts paid as financial incentives to beneficiaries directly from the Organization and through third-party agents, totalling \$19,773,359 CAD and \$23,384,733 CAD in fiscal years 2019 and 2020 respectively. Additionally, the Organization reported salaries in both fiscal years 2019 and 2020 on their Form T3010, *Registered Charity Information Return*. The amounts reported for salaries totalled \$689,001 CAD and \$516,432 CAD in fiscal years 2019 and 2020 respectively. In your letter dated September 30, 2022, the Organization explained that the salaries reported were paid to the third-party agents as compensation for their employees and independent contractors, as the Organization does not have any employees.

During the audit period, the Organization had agreements in place with the third-party agents. However, the agreements did not include detailed descriptions of how the activities would be conducted on the Organization's behalf or how the activities would further the Organization's charitable purposes. Moreover, the agreements did not contain sufficient information to establish adequate or continuous direction and control by the Organization over the use of its funds, thus failing to demonstrate that the activities carried out were in fact their own.

In your letter dated November 8, 2024, the Organization stated that it does not retain completed applications from beneficiaries. As a result, during our review of the financial incentives paid directly to beneficiaries by the Organization, we were unable to confirm that the financial incentives provided to each beneficiary aligned with the financial incentive criteria, as one of the criteria (marital status of the beneficiaries) was unable to be verified. Additionally, we were unable to confirm that the beneficiaries took the tests during the audit period, as there were no dates on the test score letters sent to beneficiaries.

Further, for the financial incentive expenses paid via the third-party agents, we were unable to confirm if the expenses were for charitable purposes, if the funds actually were paid to the beneficiaries, or if the financial incentive amounts for each beneficiary aligned with the criteria (as no application or test score letters were provided). As such, we were unable to verify the nature of the payments and how these expenditures furthered the Organization's purposes. Therefore, we are of the opinion that the books and records provided failed to demonstrate that the Organization's resources were used in furtherance of its own activities and that those activities were in support of its charitable purposes in a manner consistent with the Act and common law.

As a result, it appears that the Organization was neither using its charitable resources in support of its own activities, nor gifting to a qualified donee. Rather, the Organization was gifting its resources to non-qualified donees. Consequently, the Organization has failed to meet the definitional requirements of paragraphs 149.1(1) and 149.1(2) of the Act. For this reason, it is our position that there are grounds for the Minister to revoke the charitable status of the Organization under paragraph 168(1)(b) of the Act.

Loans

It appears that the Organization transferred its charitable resources to non-qualified donees without necessary safeguards. The Organization was unable to provide sufficient documentation to show that the loans it made were structured so to maintain ongoing control over its funds or how the loans furthered the Organization's charitable purpose.

Westside Capital Corporation

Westside Capital Corporation is a non-qualified donee. The Organization held a \$1,155,592 CAD loan with Westside Capital Corporation in both fiscal year 2019 and 2020, and did not collect any interest during the audit period.

The Organization stated their letter dated November 8, 2024, that there was no formal loan agreement in place. The Organization was also asked to explain how the loan was used and the Representative stated:

These funds were not required for immediate use in charitable activities and were instead loaned to Westside Capital.

Based on this response, the Organization confirmed that the use of the loan was not for charitable purposes. Given the limited supporting documents provided during the audit and the absence of an appropriately structured arrangement establishing the Organization's necessary direction and control over its funds, we conclude that the Organization was funding a non-qualified donee, contrary to the provisions of the Act.

Bnei Torah Congregation

Khal Bnei Torah - Kollel Dirshu of Flatbush, also referred to by the Organization as Bnei Torah Congregation, is a religious organization located in Brooklyn, New York.²⁰ Bnei Torah Congregation is a non-qualified donee. The Organization held a \$59,460 CAD loan outstanding to Bnei Torah Congregation in both fiscal year 2019 and 2020, and did not collect any interest during the audit period.

The Organization stated in its letter dated November 8, 2024, that there was no formal loan agreement in place and that the loan was non-interest bearing. Moreover, the Organization was asked to provide details for what the loan was used for, to which it was stated in the same letter that a loan of \$100,000 USD was originally issued in 2004 to help build a synagogue in Flatbush, New York, USA. While building a synagogue could be considered charitable, we have not been provided with any supporting documents to substantiate that this was the Organization's activity. Rather, it appears that the Organization was funding a non-qualified donee, contrary to the provisions of the Act.

Form T1236, Qualified Donees Worksheet

For both the 2019 and the 2020 fiscal years, the Organization listed non-qualified donees on Form T1236, *Qualified Donees Worksheet*. The non-qualified donees listed were:

Non-qualified donee	2019	2020
Beth Medrash Govoha – foreign organization	\$18,000	\$18,000
Rabbinical Seminary of America – foreign organization	\$1,000	\$1,500
Vaad Mishmeres Mitzvos – revoked as a registered charity in 2017	\$1,500	\$500
Beth Oloth Charitable Organization – revoked as a registered charity in 2019	\$360	-
Yeshiva Gedolah of Toronto	\$10,000	\$10,000
TOTAL	\$30,860	\$30,000

As a result, we conclude that the Organization was funding non-qualified donees, contrary to the provisions of the Act.

¹⁹ Per the Ontario Business Registry.

²⁰ Website of Bnei Torah Congregation in Brooklyn, New York. Last accessed March 3, 2025. <https://www.khalbneitorah.org/contact-us.html>

ii Delivered non-incident private benefits

Legislation and jurisprudence

A registered charity must be established and operated for the purpose of delivering a charitable benefit to the public or a sufficient segment thereof. The public benefit requirement prevents a charity from conferring an unacceptable private benefit in the course of pursuing charitable purposes.

At common law, a private benefit²¹ means a benefit provided to a person or organization that is not a charitable beneficiary or a charitable beneficiary where a benefit goes beyond what is considered to be charitable. Private benefits can be conferred on a charity's staff, directors, trustees, members, and/or volunteers while they are carrying out activities that support the charity, or to third parties who provide the charity with goods or services. Where it can be fairly considered that the eligibility of a recipient relates solely to the relationship of the recipient to an organization, any resulting benefit will not be acceptable. Providing a private benefit is unacceptable unless it is **incidental** to accomplishing a charitable purpose. A private benefit will usually be incidental where it is necessary, reasonable, and proportionate to the resulting public benefit.²²

(i) **Necessary** – Necessary means legitimately and justifiably resulting from

- (a) an action taken to achieve a charitable purpose or
- (b) a necessary step, a consequence, or a by-product of an action taken to achieve a charitable purpose or
- (c) the operation of a related business as defined in subsection 149.1(1) of the Act

and

(ii) **Reasonable** – Reasonable means related to the charitable need and no more than is needed to achieve the purpose, and fairly and rationally assessed and distributed.

and

(iii) **Proportionate** – Proportionate means the private benefit cannot be a substantial part of a purpose or activity, or be a non-charitable end in itself. The private benefit must be secondary and the public benefit must be predominant and more significant.

The public benefit cannot be too speculative, indirect or remote, as compared to a more direct private benefit, particularly when a direct benefit is to private persons, entities, or businesses.

Audit Findings

The Organization did not demonstrate that its charitable resources were used in furtherance of a charitable purpose. The Organization also failed to demonstrate that it maintained direction and control over how all of its funds were used. As a result, it appears that the Organization allowed other organizations, who are non-qualified donees, to use its resources in whatever manner they chose, providing them with a private benefit. The Organization is unable to demonstrate that any of these payments were necessary, reasonable, and proportionate.

Additionally, the Organization provided a private benefit to Davpart Inc. (owned by Director, David Hofstetter) by issuing an official donation receipt for amounts that were not actually received from Davpart Inc. The Organization added \$82,470 CAD to the total donation receipt as the value of rent that was forgiven by the Organization's landlord. However, this would not be considered a gift as there was no

²¹ **Personal benefit** is also sometimes used instead of **benefit** in the common law private benefit context. See CRA Guidance CG 019 *How to draft purposes for charitable registration*.

²² For more information, see CRA Policy statement CPS 024 *Guidelines for registering a charity: Meeting the public benefit test*.

transfer of property. Additionally, Davpart Inc. was not the landlord on the agreement.²³ Therefore, the \$82,470 CAD added to the donation receipts was incorrect and resulted in a non-incident private benefit to Davpart Inc.

Non-incident private benefit	2019	2020
Dirshu (financial incentives and salaries)	\$20,462,360	\$23,901,165
Westside Capital Corporation	\$1,155,592	heldover
Bnei Torah Congregation	\$59,460	heldover
Davpart Inc.	-	\$82,470
Beth Medrash Govoha – foreign organization	\$18,000	\$18,000
Rabbinical Seminary of America – foreign organization	\$1,000	\$1,500
Vaad Mishmeres Mitzvos – revoked as a registered charity in 2017	\$1,500	\$500
Beth Oloth Charitable Organization – revoked as a registered charity in 2019	\$360	-
Yeshiva Gedolah of Toronto	\$10,000	\$10,000

iii Conferred undue benefits on a person

Legislation and jurisprudence

Pursuant to subsection 149.1(1) of the Act, as a charitable organization, no part of the Organization's income can be payable to, or otherwise made available for the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof. Any portion of a charitable organization's income that is received by such a person would be an unacceptable private benefit.

Typically, private benefits that are unacceptable under the common law will also be undue under subsection 188.1(5) of the Act. An **undue benefit** means a benefit provided by a registered charity, a registered Canadian amateur athletic association (RCAAA), or a third party at the direction, or with the consent, of a charity or RCAAA that would otherwise have had a right to that amount. An undue benefit 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 RCAAA that is paid, payable, assigned or otherwise made available for the personal benefit of any person who

- (a) is a proprietor, member, shareholder, trustee or settlor of the charity or RCAAA,
- (b) has contributed or otherwise paid into the charity or RCAAA more than 50% of the capital of the charity or RCAAA, or
- (c) does not deal at arm's length with a person in (a) or (b), or with the charity or RCAAA.

Undue benefit does not include

- (a) a gift to a qualified donee,
- (b) reasonable consideration or remuneration for property acquired or services received by the charity or RCAAA,
- (c) a gift made or a benefit provided, in the course of a charitable act²⁴ in the ordinary course of the charitable activities carried on by the charity or RCAAA, unless it can be reasonably considered that the beneficiary was eligible for the benefit solely due to the relationship of the beneficiary to the charity or RCAAA.

²³ Davpart Inc. was not the landlord. The rental agreement was between the Organization and [REDACTED].

²⁴ While charitable act is not defined in the Act, it is considered to refer to an activity that itself provides a charitable benefit to an eligible beneficiary.

Audit Findings

It is our view that the Organization provided unacceptable private benefits when it transferred its resources to various non-qualified donees. In our view, the following unacceptable private benefits also meet the definition of undue benefits for the following reasons:

- 1 The gifted funds were not reasonable consideration for property acquired or services received by the Organization
- 2 The gifted funds were not made in the course of charitable acts
- 3 The gifted funds were not given to qualified donees²⁵

As such, the gifted funds can be considered undue benefits per the definition of 'undue benefits' provided in subsection 188 1(5) of the Act.

Please see **Table 1-6** below for a calculation of the total undue benefit and see **Table 7** for the calculation of the proposed penalty assessed.

Table 1 Undue benefit conferred by the Organization as a result of its gifts to other non-qualified donees via Dirshu

Fiscal period end	Gifts to non-qualified donees via Dirshu
December 31, 2019	\$20,462,360
December 31, 2020	\$23,901,165
Total Undue Benefit	\$44,363,525

Table 2 Undue benefit conferred by the Organization as a result of its loan outstanding to Westside Capital Corporation

Fiscal period end	Loan to Westside Capital Corporation
December 31, 2020	\$1,155,592
Total Undue Benefit	\$1,155,592

Table 3 Undue benefit conferred by the Organization as a result of its loan outstanding to Bnei Torah Congregation

Fiscal period end	Loan to Bnei Torah Congregation
December 31, 2020	\$59,460
Total Undue Benefit	\$59,460

Table 4 Undue benefit conferred by the Organization as a result of its gifts to other non-qualified donees per Form T1236

Fiscal period end	Gifts to non-qualified donees per Form T1236
December 31, 2019	\$30,860
December 31, 2020	\$30,000
Total Undue Benefit	\$60,860

²⁵ Paragraph 188 1(5)(a) of the Act

Table 5 Undue benefit conferred by the Organization as a result of incorrect information included on donation receipts to Davpart Inc

Fiscal period end	Gifts to Davpart Inc via donation receipts
December 31 2020	\$82,470
Total Undue Benefit	\$82,470

Table 6 Calculation of the total undue benefits conferred by the Organization

Fiscal period end	Table 1	Table 2	Table 3	Table 4	Table 5	Total funds gifted to non-qualified donees
December 31, 2019	\$20 462 360	\$0	\$0	\$30 860	\$0	\$20 493,220
December 31 2020	\$23 901 165	\$1,155 592	\$59,460	\$30 000	\$82,470	\$25 228,687
Total Undue Benefit						\$45,721,907

Table 7 Calculation of sanction proposed

The David Hofstedter Foundation				
Fiscal period end	Type of Sanction	Sanction %	Sanctioned amount	Sanction
December 31, 2019	Undue Benefit	105%	\$20 493,220	\$ 21 517 881
December 31, 2020	Undue Benefit	105%	\$25,228,687	\$ 26 490,121
Total Sanction Proposed				\$ 48,008,002

In summary

While the above activities of the Organization were considered with respect to the change in legislation to allow for qualified disbursements, they would not meet the legislative requirements as the Organization has shown no accountability of its charitable resources by gifting charitable resources to non-qualified donees

Based on the audit findings it is our view that by gifting funds to non-qualified donees the Organization has provided unacceptable private benefits. As a result the Organization has failed to meet the requirements of subsection 149 1(1) of the Act that it devote its resources to charitable activities carried on by the Organization itself. For this reason it is our view that there are grounds for the Minister to revoke the charitable status of the Organization under paragraph 168(1)(b) of the Act

Financial penalty proposed

Additionally it is our view that the above mentioned unacceptable private benefits are also considered to be undue benefits as described in subsection 188 1(5) of the Act. As such, there are grounds for the Minister to sanction the Organization under subsection 188 1(4) of the Act

3 Failed to maintain adequate books and records**Legislation and jurisprudence**

Subsection 230(2) of the Act requires that registered charities maintain adequate books and records²⁶ of account, at an address in Canada registered with the CRA, containing information in such form as will

²⁶ 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.

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.²⁷

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.

Subsection 230(4) also states that every person required by this section to keep records and books of account shall retain

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

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 prove that its charitable status should not be revoked.²⁸
- 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.²⁹
- 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 section 230(2) of the Act is a proper basis upon which the Minister may issue such a notice.³⁰
- the requirement to keep proper books and records is foundational and non-compliance with the requirement is sufficient to justify revocation.³¹

While paragraph 230(2) 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,³² 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 records³³ 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.³⁴

²⁷ College Rabbiniqne de Montreal Or 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

²⁸ The Canadian Committee for the Tel Aviv Foundation v. Canada 2002 FCA 72

²⁹ *ibid*. See also The Lord's Evangelical Church of Deliverance and Prayer of Toronto v. Canada 2004 FCA 397

³⁰ Opportunities for the Disabled Foundation v. Canada (National Revenue) 2016 FCA 94 and Ark Angel Foundation v. Canada (National Revenue) 2019 FCA 21

³¹ 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

³² Prescient Foundation v. Canada (National Revenue) 2013 FCA 120 and Ark Angel Foundation v. Canada (National Revenue) 2019 FCA 21 paragraph 37

³³ Humane Society of Canada for the Protection of Animals and the Environment v. Canada (National Revenue) 2015 FCA 178 paragraph 80

³⁴ Ark Angel Foundation v. Canada (National Revenue) 2019 FCA 21 paragraph 43

Audit findings

The audit found that the Organization failed to maintain adequate books and records with respect to the following facets of its operations during the audit period

- a The Organization's purported activities show that it is in furtherance of purposes other than those in its governing documents
- b The Organization's current governing documents on file do not align with the transition from the *Ontario Corporations Act* to the *Ontario Not-for-Profit Corporations Act, 2010*, which was required to be completed by October 19, 2024
- c The Organization stated in a letter dated September 30, 2022, that there are no meeting minutes for board of directors meetings. As such, there are no records of discussions of the Organization's operations, such as its decision-making process, approval of disbursements or details of discussions on the Organization's foreign activities
- d The Organization stated its letter dated September 30, 2022, that there are no loan agreements for the loans held with Davpart Inc. and Westside Capital Corporation. Furthermore, the letter also stated that the loan agreement held with Bnei Torah Congregation was not available due to the age of the document
- e The Organization did not provide any documents to support the use of funds loaned to Westside Capital Corporation and Bnei Torah Congregation. The Organization stated in their letter dated November 8, 2024, that the documents provided were all the support the Organization had for the loans
- f In fiscal years 2019 and 2020, the Organization maintained a loan balance of \$53,750 CAD issued to Davpart Inc. on their general ledger, trial balance, financial statements and Form T3010. However, upon CRA's inquiry into the loan, the Organization stated in its letter dated November 8, 2024, that the loan had been paid off in 2016. As a result, the loan balance to Davpart Inc. should not have been included in the Organization's books and records for the audit period. The Organization acknowledged the error in their letter dated November 8, 2024
- g In fiscal years 2019 and 2020, the Organization provided incomplete general ledgers and trial balances. An updated trial balance for 2019 and 2020 was provided based on CRA's query letter dated August 23, 2024
- h In fiscal years 2019 and 2020, the Organization failed to convert their USD amounts within their general ledger and trial balance before consolidating their records. As a result, Form T3010 and the financial statements were reported with amounts in both CAD and USD, which is not in compliance with subsection 261(2) of the Act, which requires that taxpayers determine their Canadian tax results in Canadian currency. The Organization acknowledged the error in their letter dated November 8, 2024
- i In fiscal year 2019, the amounts for gifts to qualified donees varied between the General Ledger, the listing of qualified donee disbursement provided as support, and Form T1236, *Qualified Donee Worksheet*
- j In fiscal year 2020, the Organization included a donation that was made by the donor and received by the Organization in 2019. As a result, the Organization recorded the donation in the incorrect fiscal year
- k In fiscal year 2020, the Organization included an amount as a donation expense. However, the amount was payment for a service and therefore, this amount should not have been recorded as

a donation expense The Organization acknowledged the error in their letter dated November 8, 2024

- l In fiscal years 2019 and 2020, the Organization incorrectly recorded revenue from the sale of books³⁵ as a contra-expense As a result revenue was underreported Moreover, the Organization did not provide sufficient books and records for CRA to adequately review this revenue
- m In fiscal year 2020, the Organization recorded rent expense however payments were never made due to rent forgiveness provided by the landlord As a result expenses were overstated
- n The general ledger lacked detail which prevented the verification of the purpose of the Organization's expenditures and ensuring expenses were recorded and categorized properly on Form T3010 The general ledger account 40080 entitled "Kollel costs had bulk entries consisting of multiple wire transfers with only "Kollel" stated as the description and did not include any details as to whom the amounts were paid to and/or for what activities
- o The Organization provided many of its records in Hebrew including excel spreadsheets reports and invoices While the Act does not explicitly require records to be kept in one of the two official languages of Canada (English or French) charities are strongly advised to do so Records in other languages cannot be interpreted by the CRA and therefore, are not effective in meeting the requirements of the Act at paragraph 230(2)(a), which states that information must be kept in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act "
- p The agency agreements and documents to support the funds transferred to agents were inadequate to establish that any activities that purport to be those of the Organization are effectively authorized controlled and monitored by the Organization
- q The Organization has poor internal controls with respect to safeguarding of the Organization s assets based on the above findings and the following
 - a Bank account reconciliations for both the CAD and USD bank accounts included stale-dated cheques that went back to 2011
 - b Inconsistencies on who has authorization to sign the Organization s cheques
 - c Inconsistencies on who has access to the Organization s accounting records
 - d Unaudited financial statements ³⁶
 - e No policies and procedure manuals in place ³⁷
- r During the audit period, the Organization purportedly distributed financial incentives to scholars of Talmudic religious learning The Organization, through their agents, would provide scholars with a structured study calendar and scheduled tests Upon completion of tests scholars would be issued financial incentives based on meeting various criteria, which would be paid through the Organization's agents However, the Organization did not have the appropriate supporting documents to demonstrate that they maintained ongoing communication with their agents to provide necessary instructions on how to carry out the Organization s activities or monitor the progress of the activities carried out through the agents Due to the lack of adequate books and records CRA was unable to
 - i verify the accuracy of the reported disbursements to the agents,

³⁵ [REDACTED]

³⁶ All directors of the Organization signed a resolution to be exempt from the audit requirements of the *Corporations Act (Ontario)* for fiscal year 2020

³⁷ As indicated in the Chanty Audit Questionnaire submitted on September 30 2022

- ii determine if the Organization maintained ongoing direction and control over the funds transferred to the agents or the activities conducted by the agents and
- iii determine that the funds transferred to the agents were used for charitable purposes

In summary

It is our view that the Organization has failed to comply with the Act by failing to maintain adequate books and records

Under paragraph 188 2(2)(a) of the Act an organization may receive a notice of suspension of issuing official receipts if it contravenes subsection 230(2) of the Act For this reason, there are grounds to suspend the Organization's authority to issue official receipts

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 For these reasons there are grounds for revocation of the Organization's charitable status

3 Failed to issue official donation receipts in accordance with the Act and/or its Regulations

Legislation and jurisprudence

The law provides various requirements with respect to issuing official donation receipts by registered charities These requirements are contained in Regulation 3500 and 3501 of the Act and are described in detail in Income Tax Folio S7-F1-C1 *Split-receipting and Deemed Fair Market Value*

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

Under subsection 188 1(7) of the Act every registered charity that issues an official donation receipt other than in accordance with the Act and/or its Regulations is liable to a penalty equal to 5% of the donation amount reported on the receipt Similarly under paragraph 168(1)(d) of the Act the Minister may revoke a registered charity's registration if it issues a receipt for a gift otherwise than in accordance with the Act and/or its Regulations

Audit findings

The audit identified concerns with respect to the issuance of, and procedures applicable to, official donation receipts In particular, the following deficiencies were noted

a) Improper Receipting – Issuing official donation receipts with incorrect information

In fiscal year 2020, the Organization issued two official donation receipts to Davpart Inc Each of these donation receipts included amounts that were not actually received by the Organization the total of which was \$82,470 CAD The amounts relate to the value of rent that was forgiven by the landlord³⁸ which cannot be considered as a gift due to no transfer of property taking place, and therefore, cannot be receipted For this reason the amount of \$82 470 CAD should not have been included in the donation receipts issued to Davpart Inc

As a result, the Organization incorrectly issued official donation receipts to include funds that it actually did not receive and could be liable to a penalty of 5% of the eligible donation amount stated on the official donation receipt as seen below

³⁸ Davpart Inc was not the landlord The rental agreement was between the Organization and [REDACTED]

The David Hofstедter Foundation				
Fiscal period ended	Type of Sanction	Sanction %	Sanctioned Amount	Sanction
December 31, 2020	Incorrect Information	5%	\$82 470	\$4,124
			Total	\$4,124

b) Improper Receipting – Issuing official donation receipt to wrong donor

In fiscal year 2019, the Organization issued an official donation receipt to [REDACTED]. However, based on the details of the general ledger and the official donation receipt listing provided by the Organization, the donation was actually made by the Abraham Bleeman Foundation. Therefore the official donation receipt was issued to the wrong donor.

c) Improper Receipting – Issuing official donation receipt to a registered charity

In fiscal year 2019 the Organization issued a donation receipt to a registered charity. However, official donation receipts that bear a charity's registration number and other information required by the Act are for tax deduction or credit purposes only. Official donation receipts should not be issued to other registered charities to acknowledge gifts.

In summary

Based on the above audit findings, we are considering revoking and/or penalizing the Organization for issuing official donation receipts not in accordance with the Act and/or its Regulations. As such, there are grounds for the Minister to revoke the charitable status of the Organization in the manner as described under paragraph 168(1)(d) of the Act.

Financial penalty proposed

Additionally, it is our view that the Organization issued official donation receipts that contained incorrect information. As such, there are grounds for the Minister to sanction the Organization under subsection 188 1(7) of the Act.

4 Failed to file an information return as and when required by the Act and/or its Regulations

Legislation and jurisprudence

Subsection 149 1(14) of the Act states that

Every registered charity and registered Canadian amateur athletic association shall within six months from the end of each taxation year of the charity or association and without notice or demand, file with the Minister both an information return and a public information return for the year in prescribed form and containing prescribed information.

It is the responsibility of a charity to ensure that the information provided in its Form T3010, Registered Charity Information Return, schedules and statements is factual and complete in every respect. A charity is not meeting its requirements to file an information return in prescribed form if it fails to exercise due care with respect to ensuring the accuracy thereof. The Federal Court of Appeal has confirmed that a significant number of inaccuracies or beyond what might reasonably be viewed as minor in Form T3010 are a sufficient basis for revocation.³⁹

³⁹ Opportunities for the Disabled Foundation v MNR, 2016 FCA 94 at paras 50-51.

Audit findings

The following errors and omissions were found in the review of the Form T3010 for the audit period

- a) Line 3400, Did the charity incur any expenses for compensation of employees during the fiscal period?

In fiscal years 2019 and 2020 the Organization responded "Yes" to having compensation for employees on Line 3400. However, the Organization, in their letter dated September 30, 2022, indicated that it did not have any employees during the audit period. Therefore, the response should have been "No".

- b) Schedule 2 – Activities outside Canada

In fiscal years 2019 and 2020, the Organization responded "No" to the charity's financial resources being spent on programs outside of Canada under any kind of an arrangement including a contract agency agreement or joint venture to any other individual or organization (excluding gifts to qualified donees). However, the majority of the Organization's expenses were funds sent for activities outside of Canada. Therefore, the response should have been "Yes" on Line 200 of Schedule 2. Moreover, the details of the amounts transferred should have been included in the table in Schedule 2.

- c) Schedule 3 – Compensation

In fiscal years 2019 and 2020, the Organization completed Schedule 3 recording compensation expenses. However, in a letter dated September 30, 2022, the Organization stated that it did not have any employees during the audit period and that all compensation was for employees of its agents for whom the Organization did not directly compensate. Therefore, Schedule 3 should not have been completed.

- d) Line 4320, Amounts owing to non-arm's length persons

In fiscal years 2019 and 2020, the Organization recorded \$53,750 on Line 4320 for a loan provided to Davpart Inc. However, per the Organization, the loan had been paid off in 2016. Therefore, no amount should have been recorded on Line 4320. The Organization explained and acknowledged the error in their letter dated November 8, 2024.

- e) Line 4880, Total expenditures on all compensation

In fiscal years 2019 and 2020, the Organization completed Line 4880. However, the Organization stated that it did not have any employees during the audit period and that all compensation was for employees of its agents for whom the Organization did not directly compensate. Therefore, Line 4880 should not have been completed. The Organization acknowledged the error in their letter dated November 8, 2024.

- f) Line 4500, Total eligible amount of all gifts for which the charity issued tax receipts

In fiscal year 2020, the Organization included an amount of \$82,470 on Line 4500 which was not received by the Organization. This amount relates to the value of rent that was forgiven by the landlord from February 2020 to December 2020. As funds for this amount were never received, it should not have been included on Line 4500 on the Form T3010.

- g) Line 4500, Total eligible amount of all gifts for which the charity issued tax receipts & Line 4510, Total amount received from other registered charities

In fiscal years 2019 and 2020, the Organization included all amounts received from other registered charities on Line 4500. However, these amounts should have been recorded on Line 4510.

h) Line 4640, Revenue from sale of goods and services

In fiscal years 2019 and 2020, the Organization received revenue from the sale of books but did not include the amounts as revenue. Instead, the Organization had the income as a contra-expense account in their books and records. This revenue should have been recorded on Line 4640 for revenue from the sale of goods.

i) Line 4910, Research grants and scholarships as part of charitable activities

In fiscal years 2019 and 2020, there was an overstatement of expenses on Line 4910 as the Organization explained and acknowledged the error in their letter dated November 8, 2024.

It has been confirmed that the reclassifying entries for 2019 and 2020 resulted in an overstatement of scholarship expenses/stipends and an understatement of other expenses incurred by the Foundation.

j) Line 4920, All other expenditures not included in the amounts above (excluding gifts to qualified donees) & Line 5050, Total amounts of gifts made to all qualified donees

In fiscal year 2019, the Organization included gifts to qualified donees on Line 4920 instead of Line 5050.

k) Line 4950, Total expenditures before gifts to qualified donees & Lines 5000-5040

In fiscal year 2019, the Organization failed to ensure that the total of Lines 5000-5040 matched the total on Line 4950.

l) Lines 5000-5040, Total expenditures

Due to inadequate books and records as discussed above, the allocation of expenses between Lines 5000 to 5040 was undeterminable. As a result, we were unable to confirm if the expenses had been correctly reported on Line 5000 to 5040.

m) Line 5900 and 5910, Property not used in charitable activities

In fiscal years 2019 and 2020, the Organization incorrectly computed the amounts to be reported on Line 5900 and 5910. The Organization explained and acknowledged the error in their letter dated November 8, 2024.

n) Form T1236, Qualified donees worksheet

In fiscal year 2019, the Organization

- Included organizations that are not qualified donees, as explained above
- Did not amalgamate all disbursements made to a single qualified donee on one line. Instead, qualified donees were listed multiple times for different disbursement amounts made during 2019.
- Incorrectly inputted the name of a qualified donee with the BN of a different qualified donee
- Incorrectly inputted the name of a qualified donee with the BN of a non-qualified donee

In fiscal year 2020, the Organization

- Included organizations that are not qualified donees, as explained above
- Incorrectly inputted the name of a qualified donee with the BN of a non-qualified donee

In summary

It is our view the Organization has failed to comply with subsection 149 1(14) of the Act by failing to file an accurate Form T3010

Under subsection 188 2(2 1) of the Act an organization may receive a notice of suspension of issuing official receipts if it fails to report information that is required to be included in a return filed under subsection 149 1(14). For this reason, there are grounds to suspend the Organization's authority to issue official receipts under subsection 188 2(2 1) of the Act

Under subsection 168(l)(c) of the Act, the registration of a charity may be revoked if it fails to file a charity information return as and when required under the Act. For this reason, there are grounds for the Minister to revoke the charitable status of the Organization under 168(l)(c) of the Act

Overall conclusion

As noted above, the Organization had been previously audited three times. In each of the prior audits, the Organization was made aware of the requirements to be compliant with the Act and/or its Regulations. The Organization had signed a Compliance Agreement in 2011 indicating that all requirements and obligations would be satisfied relating to maintaining adequate books and records, filing an information return as and when required by the Act and/or its Regulations, and devoting its resources to charitable activities carried on by the Organization itself. The current audit findings indicate repeat non-compliance and that the Organization failed to implement corrective measures.

Due to the nature and extent of the non-compliance issues described above, it is our view that there are grounds for the Minister to revoke the charitable status of the Organization based on the following paragraphs of the Act:

- 168(1)(b) for failure to devote resources to charitable resources
- 168(1)(c) for failure to file an information return as and when required under the Act and/or its Regulations
- 168(1)(d) for failure to issue receipts in accordance with the Act and/or its Regulations
- 168(1)(e) for failure to maintain adequate books and records

We are proposing that the following penalties be applied based on the following subsections of the Act:

- 188 1(4) for the undue benefits conferred
- 188 1(7) for issuing official donation receipts with incorrect information

We are also proposing to suspend the Organization's tax-receipting privileges based on the following paragraphs of the Act:

- 188 2(2 1) for failing to report information that is required to be included in an information return filed under subsection 149 1(14) of the Act
- 188 2(2)(a) for failing to meet the requirements of subsection 230(2) of the Act

As described below, the Organization will have an opportunity to provide representations to the audit findings and proposed compliance measures outlined above. Should the Organization provide representations to this letter, we will review and consider the representations in their entirety. We will then be in a position to determine the final outcome of the current audit and will inform the Organization of our decision.

The Organization's options**a) Respond**

If the Organization chooses to respond, send written representations and any additional information regarding the findings outlined above **within 30 days** from the date of this letter to the address below. After considering the response, we 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, or
- issuing a notice of intention to revoke the registration of the Organization in the manner described in subsection 168(1) of the Act

b) Do not respond


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

The Act provides the Minister the discretion to revoke a charity's registration, with section 168 of the Act describing the manner in which the Minister may do so. In accordance with subsection 168(1) of the Act, when proposing to revoke the charity is given notice by registered mail of the Minister's intention to revoke the charity's registration. The charity's registration is not revoked until a copy of the notice is published in the *Canada Gazette*. Paragraph 168(2)(b) of the Act allows the Minister to publish the notice in the *Canada Gazette* any time after the expiration of **30 days** from the date of the mailing of the notice.

After considering the Organization's response to this letter, the Minister may decide to exercise her authority to revoke its charitable registration. If so, the Minister will issue a notice of intention to revoke the Organization's registration and will indicate that the Minister intends to publish the notice in the *Canada Gazette* immediately after the expiration of **30 days** from the date of the mailing of the notice.

If you have any questions or require further information and/or clarification, do not hesitate to contact me at 647-231-6252. My team leader, Tracey McKelvie, may also be reached at 226-750-5326.

Yours sincerely,

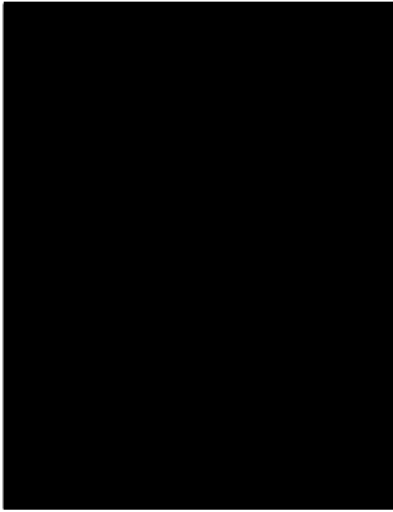


Meredith Gow
Charities Auditor
Income Tax Audit, Division 1, GTA East TSO
200 Town Centre Court, Scarborough, Ontario M1P 4Y3

c c



The CRA collects personal information in order to administer or enforce the Act and related programs and activities. The CRA may use or disclose the information it collects to administer or enforce other federal acts that provide for the imposition and collection of a tax or duty. In addition, collected information may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide information requested by the CRA may result in the assessment of interest and/or penalties or other compliance enforcement actions. Under the *Privacy Act*, individuals have a right of protection, access to, and correction of their personal information, or to file a complaint with the Privacy Commissioner of Canada with respect to the handling of their personal information. Please refer to Personal Information Bank CRA PPU 200 on information about Programs and Information Holdings at canada.ca/cra/information/about/programs or canada.ca/en/revenue/agency/corporate/about canada.revenue.agency/cra/access/information/privacy/canada.revenue.agency/info/source/appendix.html



Canada Revenue Agency
Income Tax Audit, Division 1,
GTA East TSO
200 Town Centre Court,
Scarborough, Ontario M1P 4Y3

ATTN: Meredith Gow

Your ref The David Hofstedter Family
Foundation 

Our ref 119229466RR0001

Contact 

28 September 2025

Dear Ms Gow

RE Audit of The David Hofstedter Family Foundation

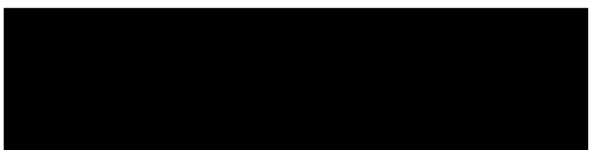
We act as solicitors for The David Hofstedter Family Foundation (the 'Charity') and write in response to the Canada Revenue Agency's ("CRA") audit information letter dated July 23, 2025 ("CRA July 2025 Audit Letter"), concerning the audit for the period January 1, 2019 to December 31, 2020

We are addressing each of your concerns in the CRA July 2025 Audit Letter in this response

I ACTIVITIES, DISBURSEMENT OF FUNDS, AND CONTROL AND DIRECTION

A Activities are charitable

The activities of the Charity are fully consistent with its founding objects and its registration as a charity. In particular we would point you to the first object which allows the Charity to undertake its charitable 'Dirshu program'. All undertaken programs—specifically, the operation of Talmudic religious learning centers—fall squarely within the recognized charitable purposes under Canadian law. These activities advance both religion and education by organizing structured religious study, promoting spiritual development, and providing formal religious / educational curricula that train the mind and foster critical thinking. Moreover, the Charity's programs are designed and delivered in a manner that confers recognizable public benefits and meet the requirements of the Income Tax Act and the common law tests for charitable status. Accordingly, all activities carried out by the Charity are charitable and directly support the objects for which it was established.



The Charity's objects (reproduced from its letters patent) are listed below

(1) TO receive and maintain a fund or funds and apply from time to time all or part thereof and for the [sic] income therefrom for charitable purposes, and

(2) TO do all such things as are incidental to the attainment of the above objects, and in particular

(a) To use, apply, give, devote or distribute from time to time all or part of the fund or funds of the Corporation and/or the income therefrom for charitable purposes by such means as may from time to time seem expedient to its directors, and to establish and maintain charitable activities, agencies or institutions and to aid any such activities, agencies or institutions already established,

(b) To use, apply, give, devote or distribute from time to time all or part of the fund or funds of the Corporation and/or the income therefrom for charitable purposes to or for any charitable organization or organizations which carry on their work solely in Canada or carry on their work outside Canada provided that they are registered charities within the meaning of the Income Tax Act which, in the judgment of the directors of the Corporation will promote the objects of the Corporation,

(c) For the further attainment of the above objects, to acquire, accept, solicit or receive, by purchase, lease, contract, donation, legacy, gift, grant, bequest or otherwise, any kind of real or personal property, and to enter into and carry out agreements, contracts and undertakings incidental thereto,

(d) For the further attainment of the above objects, to hold, manage, sell or convert any of the real or personal property from time to time owned by the Corporation, and to invest and reinvest any principal in investments authorized by law for the investment of trust funds,

(e) For the further attainment of the above objects, to exercise all voting rights and to authorize and direct the execution and delivery of proxies in connection with any shares or obligations in any company or corporation owned by the Corporation,

(f) For the further attainment of the above objects, in connection with any company or corporation in which the Corporation may at any time hold shares or obligations to take up the proportion of any increased capital to which as holders of such shares or obligations it may be entitled, and to purchase any additional shares or obligations in such company or corporation, to join in any plan for the reconstruction or reorganization of such company or corporation or for the amalgamation of such company or corporation for the sale of the assets of such company or corporation or any part thereof, and in pursuance of such plan to accept any shares or obligations in lieu of or in exchange for the shares or obligations held by the Corporation in such company or corporation, and to enter into any pooling or other agreement in connection with the shares or obligations held by the Corporation in such company or corporation, and to enter into any pooling or other agreement in connection with the shares or obligations held by the Corporation in such company or corporation, and in case of sale thereof to give any options considered advisable, and to give consent to the creation of any mortgage, lien or indebtedness by any company or corporation whose shares or obligations are held by the Corporation,

(g) For the further attainment of the above objects, to acquire by purchase, devise, gift and other title, and to hold, any real property necessary for the carrying on of its undertaking, and to sell, mortgage, dispose of and convey the same or any part thereof as may be considered advisable,

(h) For the further attainment of the above objects, to demand, receive, sue for, recover and compel the payment of all sums of money that may become due and payable to the Corporation, and to apply the said sums for the objects and purposes of the Corporation, and generally to sue and be sued,

(i) For the further attainment of the above objects, to acquire, accept, solicit or receive any gift of real or personal property, either as an annual or other contribution or as an addition to the fund or funds of the Corporation, and

(j) For the further attainment of the above objects, to employ and pay such assistants, clerks, agents, representatives and employees, and to procure, equip and maintain such offices and other facilities, and to incur such reasonable expenses as may be necessary

(reproduced from letters patent 2nd Sept 1987)

ACTIVITIES UNDER THE DIRSHU PROGRAM ARE CHARITABLE

In Canadian charity law, we recognize four “heads” of charity derived from the common law in *Commissioners for Special Purposes of the Income Tax v Pemsel* (1) relief of poverty, (2) **advancement of education**, (3) **advancement of religion**, and (4) certain other purposes beneficial to the community (the “public benefit” fourth head)

Advancement of Religion

For advancement of religion, the CRA accepts purposes that “manifest, propagate, [or] teach a religious belief” with a deity-based system and observances

The operation of Talmudic religious learning centers **advances religion** by organizing and delivering structured religious study and observance activities that provide a recognizable spiritual benefit to adherents. The CRA’s audit letter acknowledges that the Foundation “distributed financial incentives to scholars of Talmudic religious learning,” and that “through their agents, would provide scholars with a structured study calendar and scheduled tests,” with incentives issued upon completion of tests” based on specified criteria. Such structured religious study falls within the “advancement of religion” head of charity because it delivers a public religious benefit through instruction, observance, and the deepening of faith among a segment of the public that shares the religious tradition.

These learning centers also meet the public benefit test because the religious benefit is recognizable, capable of being proved, and directed to a sufficient segment of the public. Here, the program’s elements—curricula, schedules, exams, and incentives tied to demonstrated study—provide objectively verifiable participation and outcomes (for example, test completion) for a defined but open class of beneficiaries (students and scholars of Talmudic learning).

Advancement of Education

While we think it obvious that the operation of Talmudic religious learning centers advances religion, it could also advance education by providing a structured program of study that trains the mind through rigorous analysis, debate, and textual interpretation—qualities recognized in charity law as educational. The Supreme Court defines education as “a structured approach to educating” that

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"train[s] the mind" rather than merely promoting opinions.¹ Traditional Talmud study is characterized by systematic curricula (daily study of Talmud co-ordinated with others around the world), guided instruction from qualified teachers (rabbis / and leaders of torah study), and formal methods of logical reasoning that require students to parse arguments, reconcile sources, and formulate defensible conclusions² - precisely the kind of "training the mind" contemplated by the CRA. As a result, these centers deliver public-benefit education through an organized pedagogy of critical inquiry, logic, and textual competence.

Talmudic centers also cultivate transferable analytical and communicative skills through pair learning and dialectical discourse. Scholarship on rabbinic pedagogy notes that the Talmud's "give-and-take" style develops disciplined reasoning and argumentative literacy, fostering abilities in close reading, synthesis, and structured debate.

Researchers note that Talmudic learning "promotes deep engagement, dialogic reasoning, and metacognitive reflection" through collaborative interpretation and challenge-response dialogue. See <https://www.researchgate.net/publication/338277864> 12. A Theory of Havruta Learning

These documented pedagogical features align with the CRA's emphasis that education must go beyond opinion-sharing to structured instruction and the training of cognitive skills. "education involves training the mind" and requires "a coherent, systematic approach"

Moreover, Talmudic learning centres integrate research-like practices—source collection, comparative analysis, and reasoned publication—further evidencing an educational purpose under recognized standards. The CRA underscores that educational activities include "organized research and dissemination of knowledge," provided they maintain objectivity and structure.

Academic observers of rabbinic scholarship note that the Talmudic tradition constitutes a "formalized, method-driven legal-intellectual system" that inculcates research skills and disciplined hermeneutics.³ In sum, by employing structured curricula, guided instruction, dialectical methodologies, and organized research and dissemination, Talmudic religious learning centers advance education in the sense recognized by the CRA: "a structured approach to educating" that "train[s] the mind" and systematically develops knowledge and cognitive skills.

B Disbursements

Disbursements requirements under the Income Tax Act

The Income Tax Act, at subsection 149.1(1), defines "charitable organization" as one "all the resources of which are devoted to charitable activities carried on by the organization itself." This is referred to as the "own activities test." That subsection also defines "qualified donee." Subsections 149.1(2), (3), and (4) allow the Minister to revoke the registration of charitable organizations, public foundations, and

¹ Vancouver Society of Immigrant and Visible Minority Women v MNR [1999] 1 SCR 10

In the case of education, the good advanced is knowledge or training. Thus, so long as information or training is provided in a structured manner and for a genuinely educational purpose -- that is, to advance the knowledge or abilities of the recipients -- and not solely to promote a particular point of view or political orientation, it may properly be viewed as falling within the advancement of education.

² See Link, How To Study The Talmud: A Guide To The Different Approaches | Religions Facts

³ See Halbertal, Moshe, Frontmatter, *People of the Book: Canon, Meaning and Authority*, Cambridge, MA and London, England: Harvard University Press, 1997, pp. i-vi.

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private foundations for failing to expend their resources either for their own charitable activities ("charitable activities carried on by it") or on gifting to qualified donees. Together, these provisions require charities to devote their resources either to their own charitable activities or to making gifts to qualified donees.

Direction and Control

In *Canadian Committee for the Tel Aviv Foundation v Canada* 2002 FCA 72, [2002] 2 C T C 93 [Tel-Aviv] the Court recognized that a charity can conduct its charitable activities through an agent, the Court stated at paragraph 40 "Pursuant to subsection 149 1(1) of the Act, a charity must devote all its resources to charitable activities carried on by the organization itself. While a charity may carry on its charitable activities through an agent, the charity must be prepared to satisfy the Minister that it is at all times both in control of the agent and in a position to report on that agent's activities."

The Federal Court of Appeal did not prescribe specific methods for establishing control and direction, recognizing that the appropriate measures will necessarily vary depending on the nature of the activities and the associated risks. The CRA has issued guidance for direction and control in its publications, which are vague and non-specific.

Moreover, the CRA's recommended practices are guidance, not rigid rules, and they do not replace the law. CRA, in its own guidance, notes that its guidance "does not have the force of law" and provides "examples and suggested practices" to help charities comply, but charities may use different methods if they can demonstrate compliance with the Income Tax Act and common law requirements. The CRA reiterates that recommendations are "illustrative, not prescriptive," and that it "focuses on the substance of the charity's conduct," allowing flexibility so long as the charity can prove that its resources were used for its own charitable activities and furthered its stated purposes.⁴

Beneficiaries of Scholarships

Dirshu is a program of the Charity. There is also a similarly named separate non-share corporation in Canada (a registered charity) and other entities elsewhere in the world established to help implement the program. Its primary goal is to strengthen and encourage Torah study, offering programs that cater to various segments of the Torah learning public, including individuals seeking to deepen their commitment to learning Torah and the Charity require accountability from those studying Torah. Dirshu provides a range of programs, including daily study cycles, shiurim (Torah lectures), and tests to help participants master Talmud, Halakha, and Mussar texts. The organization has a significant impact, with over 150,000 participants in its programs across 26 countries on five continents, making it one of the largest Torah organizations globally. **Dirshu in Canada is a registered charity carrying on charitable activities.** See T3010 Registered Charity Information Return.

The Charity maintains two sets of operations, one relating to Canadian activities and international funding payments ("DHFF") and one for the US Kinyan Torah program administered directly by the Foundation ("Kinyan").

⁴ CG-002 Canadian registered charities carrying on activities outside Canada and CG 004 Using an intermediary to carry on a charity's activities within Canada

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Kinyan Chochma is a highly successful program that was established at Dirshu's International Convention celebrating the 20th Anniversary of Dirshu's founding. It was established at the behest of leading scholars who felt that an emphasis was needed in the daily *mussar*⁵ learning.

Kinyan Chochma is a daily mussar program wherein, a short piece of one of the *mussar* classics, is learned daily. The program was instituted to encourage learning *mussar* every day among all members of Jewish public students of the Dirshu program participating in the Kinyan Torah program. They have the added advantage of being able to take monthly tests on the *mussar* learned and receive stipends for excellent results.

Another stipend awarding program is the study of the Mishnah Berurah. The Mishnah Berurah is a work of Jewish law by Rabbi Yisrael Meir Kagan, summarizing the opinions of the post-Medieval period rabbinic authorities on that work. This is another program within the Dirshu framework, where participants receive stipends as recognition for achieving successful results on program-administered tests following their course of study.

Additional stipend programs include programs/ courses such as the DAF HaYom B'Halacha, where participants receive stipends upon successfully completing studies at various levels of Jewish law.

As the CRA's audit letter describes, in these programs, "the Organization [the Charity], through their agents, would provide scholars with a structured study calendar and scheduled tests. Upon completion of tests, scholars would be issued financial incentives based on meeting various criteria." We have attached the brochures and pamphlets for these programs herein for reference.

Consistent with this, the Charity's stipends function as prizes for achievement. They do not require a prior application but rather are issued upon verification of completion and results. To ensure clarity on compliance expectations for scholarships, bursaries, or prizes, CRA guidance requires organizations to be able to provide information such as "the nature of the scholarship, bursary, or prize," "the eligibility and selection criteria," and "how the funds are distributed." If funds are provided in stages based on continuing eligibility, information on monitoring ongoing eligibility should be included. While the audit letter itself summarizes CRA's general principles (for example, the public benefit test and documentation of activities), it is important to emphasize that the Charity's awards in these programs are prizes tied to completion and testing, and the Charity has advertised eligibility and award criteria via program brochures provided to participants and supplied to the CRA during the audit.

These programs award prizes upon successful completion of memorization benchmarks. They do not operate on an application-and-selection basis like a scholarship. During each year in the audit period, more than 9,000 and 6,000 prizes were awarded for memorizing *Mussar* Classics, and over 20,000 prizes were awarded for memorizing *Mishnah Berurah*. This information was already provided in the Charity's earlier response.

The Charity centrally prepares both the exams and the syllabi for Dirshu programs worldwide, ensuring a consistent standard and unified approach to all activities. These materials are then executed by

⁵ *Mussar* is a Jewish spiritual practice that focuses on virtue-based ethics, aiming to improve oneself through the cultivation of inner virtues. It arose as a response to the need for concrete instructions on how to live a meaningful and ethical life, contrasting with traditional rule-based ethical teachings. *Mussar* emphasizes personal transformation and the importance of inner drives and appetites in shaping one's character and actions. Classic *Mussar* literature includes works by figures like Rabbi Saadia Gaon and Rabbi Bahya Ibn Pakudah, which provide guidance on ethical living and self-improvement.

Dirshu programs across the globe, with participants required to complete the designated memorization or recitation benchmarks, or to achieve a passing grade on the exams, in order to receive their stipends. This centralized preparation and oversight of the syllabus and exams demonstrates that the Charity maintains effective direction and control over the programs, as it sets the parameters for eligibility and achievement, and ensures the integrity and accountability of its charitable activities.

The Charity had, in its previous correspondence, provided the nature of the prize, the eligibility criteria, advertising materials (brochures), the standardized process used (completion-based verification rather than discretionary selection), the amounts awarded, and the distribution method. In its program, ongoing eligibility monitoring (such as continued enrollment or grades) is not applicable because the prize is awarded upon completion of an objectively determined score rather than continuing attendance or academic performance.

Given the nature of the program—a standardized prize available to any participant who meets the memorization criteria—the awards are not subject to individualized applications or a discretionary committee selection process. Requiring a formal application for each completion would be impractical and unnecessary to ensure public benefit in this context, especially at the scale noted above. Given the standard nature of the stipend payout and the control exercised via exams and syllabi setting, the Charity has set out the appropriate measures in place to ensure control and direction. Furthermore, by verifying completion and achievement before awarding stipends through local test administrators, the Charity reinforces its effective direction and control over program outcomes.

Loans

The CRA identifies a “loan” to Westside Capital Corporation for \$1,155,592 and a “loan” to Bnei Torah Congregation for \$59,460, and notes that “there was no formal loan agreement in place” (for both), **which is consistent with a loan without a fixed term, i.e., a demand loan**, rather than a disbursement or gift.

The nature of the outflow in question cannot be construed to be anything other than what it is, based solely on its factual characteristics. There is no evidence or supporting documentation indicating that the funds were intended as a gift or disbursement. Accordingly, it cannot be properly characterized as a loan, nor can it be reclassified as a donation or grant without substantiation. Absent clear documentation of intent or terms, assumptions regarding its classification are unwarranted.

Furthermore, the precise nature of the outflow remains unclear due to the lack of available records. Without supporting documentation, it is impossible to discern whether this entry reflects an actual loan, a loan that was repaid, a recording of a loan received, or an erroneous or outdated accounting entry. The absence of evidence leaves open the possibility that the transaction may have already been resolved or repaid, but this cannot be confirmed based on the records currently available.

The reason for the unavailability of documents is that the transaction in question dates back well over seven years, even during the audit period. This exceeds the record-keeping obligations imposed by both the Income Tax Act and the Ontario Not-for-Profit Corporations Act, as well as the Charity’s own internal retention policies. As such, the lack of retained documents regarding this outflow should not be used as a basis for making assessments or drawing negative inferences, especially when the transaction may have already been repaid or resolved in accordance with historical practices and legal requirements.

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Donations to some qualified donees

By way of context and correction, several of the named entities carry on religious and educational activities aligned with the Charity's stated programming (Torah/Talmud study and advancement of religion), and its intent was to support activities consistent with its charitable aims, however, the Charity acknowledges that some recipients were revoked in the immediate prior years and the Charity was unaware at the time of its routine disbursement that the recipients' statuses had been revoked

The Charity is implementing enhanced qualified-donee verification procedures prior to any listing on Form T1236, including real-time BN/registration status checks, and will correct the worksheets and reclassify or remedy any amounts as required

II THERE WERE NO PRIVATE OR UNDUE BENEFITS

Undue Benefit

We respectfully disagree with the CRA's position that all of the amounts identified constitute "undue benefits" under subsection 188 1(5) of the Income Tax Act. In particular, the gifts made via Dirshu program (totaling \$45,721,907) should be excluded from any private/undue benefit calculation because they were made wholly in furtherance of the Charity's charitable purposes and were directed to charitable programming consistent with its objects. Subsection 188 1(5) defines an "undue benefit" as a benefit "that is not in the course of charitable activities" and is "not reasonable consideration" for property or services provided to the charity, and expressly ties the concept to conferrals on non-arm's length persons or other ineligible recipients in a manner that confers a non-incidental private advantage.

Moreover, the CRA's assertion that the Dirshu-related gifts were "not given to qualified donees" is not determinative of an undue benefit where the expenditures themselves were applied to the Charity's own activities carried out through an intermediary. CRA Guidance CG-002 explains that a charity may carry out its own charitable activities through an intermediary if it maintains direction and control over the use of its resources, including through written agreements, activity-based budgets, and ongoing monitoring; in such cases, the expenditures are treated as the charity's own activities, not gifts to a non-qualified donee. To the extent the Charity exercised proper direction and control over the Dirshu programming, the payments were not "gifts" to a non-qualified donee at all, but expenditures on the Charity's own programs. Accordingly, treating these expenditures as "undue benefits" contradicts subsection 188 1(5) and CRA's published guidance.

The CRA's assessment of undue benefits is unfounded for the remainder as well. The definition of undue benefits under subsection 149 1(1) of the Act specifies that no part of a charity's income can be made available for the personal benefit of any proprietor, member, shareholder, trustee, or settler. The CRA claims that the Charity has conferred undue benefits, stating, "the Organization has not demonstrated that any of the resources were used by the Organization to conduct its own charitable activities in furtherance of its charitable purposes." However, this conclusion does not provide any factual basis for asserting that the funds were used for personal benefit, nor does it clarify how the funds gifted to non-qualified donees resulted in undue benefits to individuals associated with the charity. This reason is also applicable for disbursements through the Dirshu program. See definition of Undue Benefits (from the CRA Letter itself) below.

Undue Benefit An undue benefit means a benefit provided by a registered charity, a registered Canadian amateur athletic association (RCAAA), or a third party at the direction, or with the consent, of a charity or RCAAA that would otherwise have had a right to that amount. An undue benefit 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 RCAAA that is paid, payable, assigned or otherwise made available for the personal benefit of any person who (a) is a proprietor, member, shareholder, trustee or settlor of the charity or RCAAA, (b) has contributed or otherwise paid into the charity or RCAAA more than 50% of the capital of the charity or RCAAA, or (c) does not deal at arm's length with a person in (a) or (b), or with the charity or RCAAA.

Private Benefit

The CRA's assertion that the Charity conferred private benefits lacks substantiation as well. The definition of private benefits indicates that a registered charity must operate to deliver charitable benefits to the public or a sufficient segment thereof. It specifically states that private benefits can be conferred on a charity's staff, directors, trustees, members, and/or volunteers while they are carrying out activities that support the charity, or to third parties who provide the charity with goods or services. However, the CRA's conclusions do not provide any evidence that such benefits were conferred to these individuals or groups. The CRA Letter states, "the Organization provided unacceptable private benefits when it transferred its resources to various non-qualified donees." This statement does not demonstrate that any benefits were conferred to the charity's staff or volunteers, nor does it clarify how the funds transferred to non-qualified donees resulted in private benefits. See definition of Private Benefits (from the CRA Letter itself) below.

Private Benefit At common law, a private benefit means a benefit provided to a person or organization that is not a charitable beneficiary, or a charitable beneficiary where a benefit goes beyond what is considered to be charitable. Private benefits can be conferred on a charity's staff, directors, trustees, members, and/or volunteers while they are carrying out activities that support the charity, or to third parties who provide the charity with goods or services. Where it can be fairly considered that the eligibility of a recipient relates solely to the relationship of the recipient to an organization, any resulting benefit will not be acceptable. Providing a private benefit is unacceptable unless it is incidental to accomplishing a charitable purpose. A private benefit will usually be incidental where it is necessary, reasonable, and proportionate to the resulting public benefit.

III BOOKS AND RECORDS

We respectfully note that the CRA's list of "books and records" concerns includes inaccuracies regarding both corporate obligations under ONCA and the characterization of the charity's activities.

We further note that several of the CRA's allegations regarding the Charity's books and records are made without any factual or legal basis. Specifically, the CRA asserts that the failure to conduct an audit where the ONCA does not require one, the maintenance of documents in a language other than English or French, and the retention of records for a period not exceeding six years - all of which are permitted under applicable law - constitute deficiencies in the Charity's books and records. These

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lawful practices are being unfairly reframed as non-compliance, despite their consistency with both statutory requirements and established corporate governance standards

Each of the CRA's concerns under this section, as outlined in points (a) to (r) of the CRA's letter, have been addressed by the Charity under **corresponding** points (a) to (r) here

- a The Charity's activities are conducted strictly in furtherance of the objects set out in its letters patent and governing documents, ensuring that all initiatives directly advance its stated charitable purposes. Each program and expenditure is carefully aligned with the Charity's mission, focusing on delivering public benefit consistent with recognized charitable objectives under Canadian law. The Charity's operations, including the Dirshu program and other initiatives, are thoughtfully structured to serve the community and fulfill the organizational mandate, thereby maintaining the charitable character of all undertakings.
- b The CRA's letter states "The Organization's current governing documents on file do not align with the transition from the Ontario Corporations Act to the Ontario Not-for-Profit Corporations Act, 2010, which was required to be completed by October 19, 2024."

Please note that the Charity is compliant with the transition requirements. The ONCA transition did not require a new filing to "complete" a transition in order to preserve corporate existence, rather, the statutory regime provides for continuity, with only provisions in articles and bylaws that conflict with ONCA being rendered inoperative. In other words, the transition is automatic in terms of corporate continuity, and there is no failure by the Charity for not re-filing articles solely to confirm continuity. Please note, moreover, that the implication that the failure to keep some transition records, by itself, evidences deficient books-and-records is incorrect, as ONCA transition is a corporate compliance matter and not determinative of whether adequate books and records "enable the Minister to determine whether there are any grounds for the revocation"

- c The Bylaws set out the following in the Bylaws

3 The directors may from time to time authorize any director or directors, officer or officers, employee of the Corporation or other person or persons, whether connected with the Corporation or not, to sign, execute and give on behalf of the Corporation all documents, agreements and promises necessary or desirable for the purposes aforesaid and to draw, make, accept, endorse, execute and issue cheques, promissory notes, bills of exchange, bills of lading, other negotiable or transferable instruments and the same and all renewals thereof or substitutions therefore so signed shall be binding upon the Corporation

The Ontario Not-for-Profit Corporations Act does not, in itself, prescribe a single, specific manner by which individuals must be authorized to act on behalf of a corporation, rather, authority to execute documents and conduct corporate affairs may be established through board decisions, resolutions, or bylaws, and in practice may be evidenced by consistent internal routines and de facto authorization. Consequently, the absence of certain formal documents in the record is not, by itself, dispositive of whether appropriate internal authorization practices existed, such practices can be inferred from governance conduct, signing patterns, and operational oversight contemporaneous with the activities

Re Response to Audit Information Letter - The David Hofstedter Family Foundation
28 September 2025

- d With respect to the concerns raised regarding the loan documents, we wish to clarify that these documents predate the statutory requirement to maintain them under either the Ontario Not-for-Profit Corporations Act (ONCA) or the Income Tax Act (ITA). As such, the absence or age of these records should be considered within the context of the applicable legal regime at the time they were created. The Charity has at all times sought to comply with corporate recordkeeping obligations as they have evolved, and any perceived deficiency in maintaining older documents reflects a change in statutory requirements, not a failure of compliance under the governing rules in effect when the documents originated.

We respectfully submit that the expectation to retroactively apply current documentation standards to records predating those standards is inconsistent with both the ONCA and ITA frameworks.

- e Please refer to (d).
- f We acknowledge the error identified by the CRA regarding the loan balance to Davpart Inc. The continued inclusion of the loan balance in subsequent records was the result of a clerical oversight, and the repayment was not properly recorded at the time.

This situation underscores the possibility that similar repayment events with respect to loans involving Bnei Torah and Westside Capital Corporation may also not have been reflected due to comparable accounting errors. The nature of these discrepancies appears to be clerical rather than substantive, and the Charity is undertaking a comprehensive review to ensure that all loan repayments are accurately recorded and that such errors do not recur in future reporting periods.

- g In response to the CRA's query letter dated August 23, 2024, the Charity promptly prepared and submitted updated trial balances for both years to ensure all requested financial information is available for review.
- h The Charity acknowledged the clerical error in their letter dated November 8, 2024.
- i Please provide us with time to undertake a thorough review of the relevant documentation to identify and reconcile any discrepancies. Once this review is complete, we respectfully request permission to submit an additional response that will provide a detailed explanation and any necessary supporting materials to address the CRA's concerns.
- j The Charity previously acknowledged to the CRA that it made an accounting error, primarily involving misclassification rather than affecting the actual revenue or expenses.
- k The Charity previously acknowledged to the CRA that it made an accounting error, primarily involving misclassification rather than affecting the actual revenue or expenses.
- l With respect to the CRA's concern regarding the recording of revenue from book sales in fiscal years 2019 and 2020, we acknowledge that the Charity inadvertently recorded this revenue as a contra-expense rather than as income. Due to the way the error was recorded, it was not

readily apparent at the time of preparing the trial balances, complicating efforts to identify and correct the issue prior to audit review

m Please see addressed below in **VI Donations Receipting**

n A kollel, sometimes spelled kolel, is a specialized institution dedicated to the advanced, full-time study of the Talmud and other rabbinic texts. Functioning similarly to a yeshiva, a kollel organizes shiurim (lectures) and structured learning sederim (sessions) where participants engage deeply with religious texts and commentary. Unlike typical educational environments, members of a kollel—often adult scholars—receive a regular monthly stipend to support their intensive scholarly pursuits. The term "kollel costs" encompasses the routine expenses necessary to operate such programs, including the costs for instructional staff, materials, and facilities needed to sustain ongoing rabbinic and Talmudic study sessions. In addition, the costs associated with kollel sessions were largely standard and consistent from period to period, reflecting typical expenditures for similar educational activities.

o With respect to the CRA's concern regarding the use of Hebrew in certain records, please note that neither the Act nor the ONCA mandates that records must be maintained exclusively in English or French. It is common and legally permissible for religious and linguistic not-for-profit corporations across Canada to maintain records in languages relevant to their communities—for example, Punjabi in gurudwaras, Sanskrit in temples, and Hebrew in synagogues.

An original copy of all documents were provided in the language in which they were maintained. Upon request in the course of the audit, a translated copy could have been provided.

p The CRA's assertion that the agency agreements and supporting documentation are inadequate to establish proper authorization, control, and monitoring of the Organization's activities has no basis. The CRA's letter references "the absence of appropriately structured arrangements, such as agency agreements, and sufficient documentation to establish the necessary direction and control," and notes that agreements "did not include detailed descriptions of how the activities would be conducted or how the activities would further the Organization's charitable purposes." However, it is important to note that the CRA does not set out a prescriptive, standardized form, checklist, or mandatory set of clauses for agency agreements in any of its publications.

In the absence of such explicit requirements, we respectfully submit that there is significant opaqueness in the standard expected. The CRA articulates its expectations in broad, general terms but does not provide a specific, codified agency agreement model or required provisions. As a result, the Organization's existing agreements and supporting documentation are compliant with the current guidance, and the CRA's assertion is unfounded.

q With respect to the concern raised regarding the absence of an audit, please note that not conducting an audit, as permitted under the Ontario Not-for-Profit Corporations Act (ONCA), does not equate to a lack of internal controls. The ONCA expressly allows organizations such as the Charity to be exempt from an audit under certain conditions, and this decision reflects a considered approach to compliance rather than any deficiency in governance or oversight.

Furthermore, the Charity maintains internal controls over its financial operations. The majority of expenditures are standard in nature and are processed through routine, well-documented transfers, which are subject to established approval procedures.

- r Each year, the Charity paid out over 30,000 stipends to participants, reflecting the scale and regularity of its operations. Implementing an application control system for such a high volume of transactions would be inefficient and impractical. Instead, effective control and direction were maintained by drafting the exams and setting the syllabus, which formed the basis for awarding prizes and stipends. This system ensured that the distribution of stipends was directly tied to measurable academic achievement and participation in the Charity's educational programs.

For further details regarding the charitable nature of these activities and how they align with the organization's stated objectives, please refer to the Charitable Activities section above. As outlined there, the activities consistently support the advancement of religious education and are conducted in accordance with the objects set out in the Charity's letters patent, underscoring their continued compliance with both regulatory requirements and the Charity's founding purposes.

Based on the above, we submit that aspects of the 'missing or insufficient' list are inaccurate or misapplied to ONCA governance and to the nature of the Charity's religious study activities.

IV DONATIONS RECEIPTING

The CRA's audit letter asserts that 'the amounts relate to the value of rent that was forgiven by the landlord which cannot be considered as a gift due to no transfer of property taking place, and therefore, cannot be receipted' and further notes 'Davpart Inc was not the landlord' under the rental agreement."

We respectfully submit that the rent forgiveness can be characterized, in substance, as a return (or release) of rent amounts otherwise payable and, therefore, as a transfer of property in the form of a relinquishment of the landlord's enforceable right to receive money. Put differently, where a landlord formally forgives rent, it transfers a valuable property interest—the chose in action to collect rent—back to the tenant, extinguishing a corresponding liability. This is economically akin to a refund of rent and constitutes a transfer of property for receipting purposes. The underlying legal effect remains that the forgiveness operates as a conveyance of a property right—the landlord's claim to payment—back to the Charity and thus is not a mere absence of transfer. This clarification directly addresses the CRA's phrasing that there was "no transfer of property," by explaining that the forgiveness is the transfer of the landlord's right to payment, functionally comparable to returning rent paid or releasing a debt, which is a property transfer in law. **Importantly, we note that donation receipts were not issued for the rent forgiveness for the period Feb to Dec 2020** (which was a COVID period).

In the instance of [REDACTED] any confusion appears to have arisen due to a check that may not have included the word "Foundation," or from another similar ambiguity in the payment details.

Consequently, this was a clerical misdesignation of the donor name, not a misrepresentation of the donation's existence or value

V RETURNS

A Line 3400 / Schedule 3 / Line 4880 – Employee compensation (should be “No”, no employees)

Per previous correspondence, the Charity's activities were carried out through agents and volunteers rather than employees, operational functions were handled by people acting as volunteers and external contractors. See below

Name	Status with Foundation	Employer
[REDACTED]	Ongoing Volunteer, Accounting Clerk performing monthly bank reconciliations Bookkeeper (Contractor)	[REDACTED]
[REDACTED]	Ongoing Volunteer, Executive Assistant	[REDACTED]
Moshe Stern	Volunteer (2019)	[REDACTED]
Meir Eizental	Ongoing Volunteer	[REDACTED]
[REDACTED]	Ongoing Volunteer	[REDACTED]

B Schedule 2 – Activities outside Canada / Line 200

Summary of International Organizations Supported

Per previous correspondence, below is a summary of all organizations located outside Canada that have received funding to support their operations

Agent	Location	Organization
[REDACTED] Aaron Gobioff	Lakewood	[REDACTED]
[REDACTED] B Ekstein	UK/Europe	[REDACTED]

Agents with Foundation Agreements

The Foundation has entered into agency agreements with the following individuals. These agents may choose to operate through a corporation if it better enables them to fulfil their responsibilities

Agent
Mr D Cohen-Talgam
[REDACTED] Alan Levin
[REDACTED] Eli Yellen
[REDACTED] Mordechai Kroizer
[REDACTED] Moshe Pruzansky
[REDACTED] Harry Junger
[REDACTED] Hirsh Komarow
[REDACTED] Shlomo Cynamon

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Zvi Kamenetzky

c Line 4320 – Davpart Inc loan

When the Foundation repaid the loan to Davpart Inc during 2016, the corresponding loan balance in [REDACTED] books was inadvertently left uncleared. This accounting error persisted unnoticed until it was detected and reviewed in 2024. Following the appropriate correcting entry, the balance [REDACTED] has now been fully cleared, ensuring the books accurately reflect the repayment transaction. The response was provided in previous communications to the CRA.

d Line 4500 – Inclusion of forgiven rent as received gifts (2020)

Please note that the monthly rent for February to December 2020 was not actually paid by the Foundation. Davpart Inc waived the payment of rent for this period, and, as a result, the Foundation recorded the amount as an in-kind donation in its books. **Importantly, no donation receipts were or have been issued to Davpart Inc for the waiver of rent**, ensuring compliance with applicable tax and charity regulations.

e Line 4500 vs Line 4510 – Amounts received from other registered charities

Please note that a detailed response to this matter was already provided in prior correspondence with the CRA along with a summary of "donations given" report.

f Line 4640 – Revenue from sale of goods and services (book sales)

As provided in previous correspondence, the eight deposits totaling \$80,000 [REDACTED] relate to "proceeds from the sale of books." These deposits were recorded [REDACTED]. This revenue should be reported on Line 4640, reflecting income generated from book sales. Appropriate corrections have been made.

g Line 4910 – Research grants and scholarships

As confirmed in previous correspondence, the reclassifying entries for 2019 and 2020 led to an overstatement of scholarship expenses and stipends, while simultaneously understating other [REDACTED] expenses—specifically those related to the operation [REDACTED]—incurred by the Foundation. Additionally, a detailed list of scholarship payments made during these periods was provided to support the accuracy of the reported figures. All expenses incurred were in furtherance of the Charity's charitable objects and directly related to the operation of its religious learning centers representing various necessary aspects of program and facility costs. The misclassification did not affect the charitable nature of the expenses.

h Line 4920 vs Line 5050 – Gifts to qualified donees (2019)

A reconciliation and summary of the relevant reclassification entries, detailing the adjustments made and their impact on reported figures, was provided in a previous correspondence.

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i Line 4950 and Lines 5000–5040 totals

The Charity's expenses were initially aggregated [REDACTED] with a reclassifying entry booked at year end to allocate amounts to the appropriate expense categories. However, the reclass entries for 2019 and 2020 were incorrect, resulting in some amounts originally reported as scholarship payments actually relating to other expenses, such as advertising. In a previous correspondence, copies of the relevant summaries, as well as a list of all adjusting and reclassifying entries booked [REDACTED] during 2019 and 2020, were provided to clarify these adjustments and support the accuracy of the revised figures.

j Lines 5900 and 5910

Please note that a detailed response to this matter was already provided in prior correspondence with the CRA.

k Form T1236 – Qualified donees worksheet issues

Please note that a detailed response to this matter was already provided in prior correspondence with the CRA along with a summary of "donations given" report.

l Schedule 2 detail table for transfers outside Canada

A listing of all Organizations outside of Canada that received funds to help carry on the Charity's own activities was provided in a previous correspondence.

m Books-and-records issues underlying expense allocations

In a previous correspondence, the Charity had noted that complex reclassifications and erroneous consolidations of USD books occurred without proper currency translation. Specifically, it was explained that certain amounts were erroneously consolidated with [REDACTED] books without translation to CAD for both 2019 and 2020. The Charity has since implemented corrective measures to ensure proper currency conversion and accurate classification in future reporting periods.

[Continued in next page]

VI CONCLUSION AND CONTACT INFORMATION

In light of the foregoing, we respectfully submit that the issues identified, several of which the Organization has acknowledged and corrected, do not justify the extraordinary sanction proposed. We ask that the CRA reconsider the proposed penalty and allow remediation through clarifications, supplemental documentation, compliance agreements and strengthened controls.

We wish to emphasize that the crucial role the Charity plays in imparting religious training and education to thousands of students globally. Through its extensive network of programs and initiatives, the Charity has made a significant impact in supporting the spiritual growth and moral development of diverse communities. This broad reach not only underscores the value of the Charity's mission but also demonstrates its ongoing commitment to fostering religious understanding and education on an international scale.

Upon review, it is evident that the majority of the issues identified during the audit are clerical in nature or relate to misclassification, rather than any substantive non-compliance or willful disregard for regulatory obligations. These matters do not reflect systemic failures or intentional breaches.

Given the character and context of these findings as well as the work carried out by the Charity, we respectfully submit that the proposed sanctions are disproportionate to the issues at hand. Rather than imposing extraordinary penalties, we ask that the CRA reconsider the proposed penalty and allow remediation through clarifications, supplemental documentation, compliance agreements and strengthened controls.

We appreciate the opportunity to respond to the CRA July 2025 Letter and respectfully request that the CRA consider the clarifications, supporting documentation, and corrective measures provided. The Charity remains committed to full compliance with the Income Tax Act and its Regulations and to resolving any outstanding issues identified in your audit.

If you have any questions or require further information and/or clarification, do not hesitate to contact me at the contact information listed on page 1.

Yours faithfully,

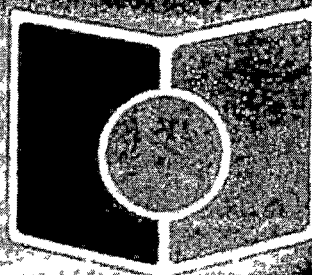
SCHEDULE A

Advertisements of the Charity's Programs

Kinyan Chochma



דירשו



DAILY LIMUD HAMUSSAR INITIATIVE

There is time for the great!
Join Dirshu's Kinyan Chochma program and be koneh the mussar sefarim of Tomer Devorah, Orchos Chaim, Orchos Tzadikim, Rabbeinu Yona on Masechta Avos and Mesilas Yesharim through a daily learning schedule and monthly tests for chazarah and retention.

Welcome to Dirshu's Kinyan Chochma program

Kinyan Chochma is a Chochma and Mussar program open to all

The Kinyan Chochma tests are comprised of 12
multiple choice questions

The test is administered once a month at the Dirshu
testing sites along with the other monthly Dirshu tests

Stipends are only offered to those that are taking a Kinyan Torah or
Daf HaYomi B Halacha test along with the Kinyan Chochma test

Stipend Schedule:	
Married.	Bochur
100% \$15	100% - \$10
80% 99% \$13	80%-99% - \$8

חלוקת מוסר

בושבת תשפ"א עד אלול תשפ"א

שם	חשבונית	שם המוסר	שם המוסר
א	א	א	א
ב	ב	ב	ב
ג	ג	ג	ג
ד	ד	ד	ד
ה	ה	ה	ה
ו	ו	ו	ו
ז	ז	ז	ז
ח	ח	ח	ח
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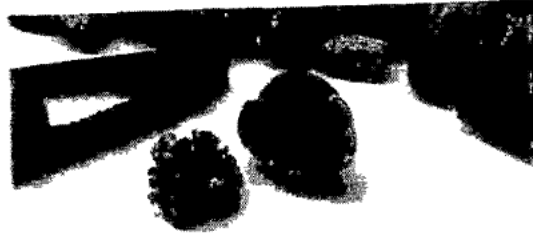


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LIMUD HAMUSSAR
INITIATIVE

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CHOCHMA
TODAY!

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JOIN DAF HAYOMI B'HALACHA AND MASTER THE HALACHOS OF DAILY LIVING!

...ועדיך כל אדם ללמוד הלכות בכל יום כדי שהלימוד יביאנו לידו מעשה. ועל ידי לימוד ההלכות מובטח האדם לידו חייו עולם הבא, אך שינוי ללמוד בכל יום, כדאיתא בגמרא: תנא דבי אליהו כל השונה הלכות בכל יום זוכה...
 שמונה המצוות של התנ"ך הם יב"ל להכשירה בתורה



How to Join

You will find your short application form inside this envelope. To join Dirshu's amazing Daf HaYomi B'Halacha program and to increase your learning retention and application of practical halacha for day to day living simply follow these 3 easy steps:

1. Consult the chart on the opposite side to determine which program track (1, 2 or 3) is best for you.
2. Fill out the short application form.
3. Mail or fax the application to Dirshu today.

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 Address: 212 2nd Street, Suite 404B
 Lakewood, NJ, 08701
 Fax: 732 987 3949
 E-mail: info@kolleldirshu.org

Now it's easier than ever to join Daf HaYomi B'Halacha, the largest worldwide daily Halacha program:

- Join LIVE shiurim worldwide
- Listen live to shiurim via Kol Haloshon
- Receive a daily e-newsletter
- Monthly Bulletin (4 e-mails) with audio and video recordings
- Receive a FREE Lushki
- Optional Bechines

Torah Audio and video shiurim recordings



JOIN TODAY!

ABOUT DAF HAYOMI B'HALACHA

Ashreinu Ma Tov Cheikeinu - how fortunate are we that we merited to complete the first cycle of Daf HaYomi B'Halacha and enter the second machzor!

Dirshu's Daf HaYomi B'Halacha is a halacha and hashkafa program that will change the way you live each day and impact every aspect of your life.

It will immeasurably enhance your simchas halachim as a Jew.

Daf HaYomi B'Halacha is for every Jew.

Daf HaYomi B'Halacha is designed to give every Jew the opportunity to become proficient in halacha and be uplifted by daily hashkafa lessons. It will turn a mundane day into one that truly has meaning.

If you are a person who really wishes to know the halacha in the course of your daily life, on Shabbos, on Yom Tov, and at any other time, then Daf HaYomi B'Halacha is for you.

30 Minutes a Day

Daf HaYomi B'Halacha is a program aimed at covering the entire Mishna Berurah or Kitzur Shulchan Aruch. Although the daily learning should only take approximately half an hour, it may vary depending on the participant's experience and proficiency in the limud selected.

Choose the Best Track for You

Daf HaYomi B'Halacha is designed to help you learn and retain more based on your own capabilities. That is why we offer three different tracks. Each track consists of two components:

- A daily schedule of learning halacha
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Access Daf HaYomi B'Halacha shiurim any time via the Kol Haloshon Network!

USA: 718-906-6400 / Canada: 416-800-2146



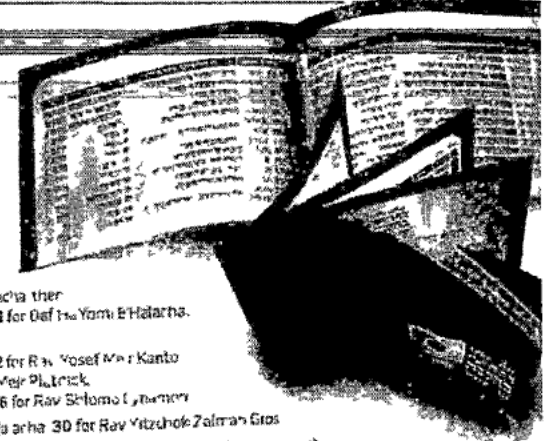
ENGLISH: 1 for English 30 Halacha then 19 for Dirshu shiurim 1 for Daf HaYomi B'Halacha.

Then choose:
 1 for Rav Moshe Chaim Kahana 2 for Rav Yosef Meir Kanto
 3 for Rav Zev Sibir 4 for Rav Yeje Plickick
 5 for Rav David Hofstede and 6 for Rav Shlomo Lerman

YIDDISH: 3 for Yiddish 3 for Halacha 30 for Rav Yitzchok Zalman Gros

To listen live during a shiur press from the main menu button and select the shiur you want.

For information regarding international Daf HaYomi B'Halacha shiurim contact Dirshu, P.O. Box 9000 / Toronto, Ontario, Canada M3J 1T1 / Tel: 416-800-2146





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בדל"ה

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Select the track that is best for you

TRACK I – MISHNA BERURAH STANDARD

TRACK II – MISHNA BERURAH ADVANCED

TRACK III – KITZUR SHULCHAN ARUCH

LEARNING REQUIREMENTS	TRACK I – MISHNA BERURAH STANDARD	TRACK II – MISHNA BERURAH ADVANCED	TRACK III – KITZUR SHULCHAN ARUCH																				
ADDITIONAL REQUIRED LEARNING MATERIAL	Participants will require the Mussaf Dirshu commentary on the Mishna Berurah to help shed light on difficult areas of the Mishna Berurah and provide additional sources and contemporary halachic rulings on related topics.	Participants will require the Mussaf Dirshu commentary on the Mishna Berurah to help shed light on difficult areas of the Mishna Berurah and provide additional sources and contemporary halachic rulings on related topics.	NO ADDITIONAL REQUIRED LEARNING MATERIAL FOR THIS TRACK.																				
SCHEDULE	Sunday – Thursday Approximately 1 hour Mishna Berurah Friday and Shabbos Daily mussaf. Chazaron material learned during the week.	Sunday – Thursday Approximately 1 hour Mishna Berurah Friday and Shabbos Daily mussaf. Chazaron material learned during the week.	Sunday – Thursday Approx. 1 hour KITZUR SHULCHAN ARUCH Friday and Shabbos Daily mussaf. Chazaron material learned during the week.																				
TEST INFORMATION	The tests will cover all the Halacha and mussaf components.	The tests will cover all the Halacha and mussaf components.	The tests will cover all the Halacha and mussaf components.																				
FINANCIAL REWARDS	<table border="0"> <tr> <td>Married participants</td> <td>Bachurim</td> </tr> <tr> <td>96 100% – \$53</td> <td>96 100% – \$37</td> </tr> <tr> <td>92 95% – \$50</td> <td>90 95% – \$37</td> </tr> <tr> <td>80 85% – \$40</td> <td>80 99% – \$0</td> </tr> </table>	Married participants	Bachurim	96 100% – \$53	96 100% – \$37	92 95% – \$50	90 95% – \$37	80 85% – \$40	80 99% – \$0	<table border="0"> <tr> <td>Married participants</td> <td>Bachurim</td> </tr> <tr> <td>96 100% – \$85</td> <td>96 100% – \$30</td> </tr> <tr> <td>90 95% – \$70</td> <td>90 95% – \$35</td> </tr> <tr> <td>80 89% – \$50</td> <td>80 99% – \$35</td> </tr> </table>	Married participants	Bachurim	96 100% – \$85	96 100% – \$30	90 95% – \$70	90 95% – \$35	80 89% – \$50	80 99% – \$35	<table border="0"> <tr> <td>Married participants only</td> </tr> <tr> <td>96 100% – \$20</td> </tr> <tr> <td>90 95% – \$25</td> </tr> <tr> <td>80 89% – \$20</td> </tr> </table>	Married participants only	96 100% – \$20	90 95% – \$25	80 89% – \$20
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Married participants only																							
96 100% – \$20																							
90 95% – \$25																							
80 89% – \$20																							

RESTRICTIONS

See daf ha yomi for more information on the program and its requirements.

For more information on the program and its requirements, please contact us at 888-5-DIRSHU or visit our website at www.kolleldirshu.org.

Earn Eternal and Material Rewards

Form a habit of three years of Dirshu Berurah, giving others the opportunity to receive the reward for the, spending time in the Kollel, and participating in the program that have changed the way they learned. It has had a profound impact on the lives and that of the families.

The common learning of the Kollel is a great accomplishment. The program is a great opportunity for those who are looking for a challenge and a reward. It is a great opportunity for those who are looking for a challenge and a reward.

The Kollel is a great opportunity for those who are looking for a challenge and a reward. It is a great opportunity for those who are looking for a challenge and a reward.

The Kollel is a great opportunity for those who are looking for a challenge and a reward. It is a great opportunity for those who are looking for a challenge and a reward.



Kinyan Torah

MONTHLY TESTS:		
DATES	In Israel - monthly from 1st to 15th of each month Outside Israel - monthly from 1st to 15th of each month	
LOCATION	Tel Aviv, Haifa, Jerusalem, Be'er Sheva, Ashdod, Netanya, Ramat Gan, Herzliya, Modi'in, Beer Sheva, Ashdod, Netanya, Ramat Gan, Herzliya, Modi'in	
TIMES	Start of the month - 10:00 AM End of the month - 10:00 AM	
MATERIAL	A test of 20 questions covering the entire Daf Yomi The test is in Hebrew and English	
	Married	Single
STIPEND	90-94% - \$120 85-94% - \$130 80-84% - \$160	80-84% - \$75 85-94% - \$90 80-84% - \$110



HOW TO JOIN:

1. Call 888 5 DIRSHU
2. Email kinyantorah@dirshu.org
3. Attend a scheduled test and indicate on your test that you are a new participant. We will inform you by mail of your unique Dirshu code. Please retain this code to write.

Important Notes We encourage Kollel Yungarleit who learn the Daf Yom Mesechta during first or second seder to take track two or three. If they choose to take track one or two they earn half of the regular stipend amount. This rule applies even if one is learning different Dafim in the Mesechta than Daf Yom is currently learning.

A letter with the test score and stipend check if applicable will be mailed out to you. Answer sheets are available after completing the test. The actual tests are not returned.

דירש"ו קנין תורה חזרת הש"ס
תל אביב - 888-5-DIRSHU
פיקס - 373-1111



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Dirshu



דרשו ד' ועזו
קחו עוגמת לחיוב
ועזרו לימוד התורה

Mishnayos Program

It is well known that the גדולי תורה, including the שליט"א Harav Chaim Kanievsky שר התורה, and Harav Michel Yehudah Lefkowitz זצ"ל להבדיל בין חיים לחיים, and Harav Aharon Leib Shteinman זצ"ל, strongly support that Daf Yomi participants add approximately five משניות to their סדר every week in order to truly complete the entire Shas

In response to this, Dirshu has created a series of tests on the זרעים and טהרות, according to this framework of approximately five משניות per week

The optional משניות tests will take place at the same time and venue as the regular Dirshu Kinyan Torah tests All Kinyan Torah participants (regardless of track) are eligible to take these tests and receive stipends for them Each test will contain 8-10 questions on the 20 משניות learned during the previous month

The stipends for these tests are as follows

<u>Grade</u>	<u>Stipend – זרעים</u>	<u>Stipend - טהרות</u>
80% - 90%	\$7	\$10
90% - 94%	\$8.50	\$12.50
95% - 100%	\$10	\$15

Please note

- Participation in the משניות tests is open only to those who take the 30-Blatt Kinyan Torah tests
- Pre-registration is not required
- The score and stipend (if applicable) will be sent together with the Kinyan Torah score

For any additional information, or for a current test schedule, please contact Dirshu at 888-5-DIRSHU or info@dirshunj.org



Dirshu
קנין תורה
חברת רש"ס

SCHEDULE B

Governing Documents



Letters Patent

By virtue of the powers vested in me under the Corporations Act, I do by these Letters Patent issue a charter to the applicants named in the application attached hereto and which forms part of these Letters Patent, constituting them a corporation without share capital under the name

Lettres patentes

En vertu des pouvoirs qui me sont conférés par la Loi sur les compagnies et associations, j'accorde par les présentes lettres patentes une charte aux requérants(es) dont les noms figurent dans la demande ci-jointe, qui fait partie intégrante desdites lettres patentes, les constituant en association portant le nom de

THE DAVID HOFSTEDTER FAMILY FOUNDATION

The Letters Patent are subject to the following terms and conditions

- (a) The corporation shall be carried on without the purpose of gain for its members and any profits or other accretions to the corporation shall be used in promoting its objects,
- (b) The corporation shall be subject to the Charities Accounting Act, and the Charitable Gifts Act,
- (c) The directors shall serve as such without remuneration, and they shall not directly or indirectly receive any profit from their position as such, provided that directors may be paid reasonable expenses incurred by them in the performance of their duties,
- (d) The borrowing power of the corporation pursuant to any by law passed and confirmed in accordance with section 59 of the Corporations Act shall be limited to borrowing money for current operating expenses, provided that the borrowing power of the corporation shall not be so limited if it borrows on the security of real or personal property,
- (e) Upon the dissolution of the corporation and after the payment of all debts and liabilities its remaining property shall be distributed or disposed of to charitable organizations which carry on their work solely in Ontario,

Les lettres patentes sont soumises aux modalités suivantes

- (a) L'association poursuivra ses activités sans objectif de profit pour ses membres et tous les bénéfices ou la plus-value revenant à l'association seront utilisés de façon à promouvoir ses objets,
- (b) L'association sera assujettie à la Loi sur la comptabilité des fondations de bienfaisance, et à la Loi sur les dons de bienfaisance.
- (c) Les administrateurs(trices) rempliront leurs fonctions sans rémunération et ne devront pas en tirer profit, directement ou indirectement, mais ils peuvent être défrayés de dépenses raisonnables qu'ils auront encourues dans l'exercice de leurs fonctions,
- (d) La capacité d'emprunt de l'association, conformément à tout règlement adopté et approuvé en vertu de l'article 59 de la Loi sur les compagnies et associations, sera limitée à l'emprunt de sommes destinées aux dépenses courantes d'exploitation, mais cette limite ne s'appliquera pas si l'association emprunte sur la garantie de biens fonciers ou mobiliers,
- (e) À la dissolution de l'association et après liquidation de toutes ses dettes et de son passif, les biens restants seront distribués aux organismes de bienfaisance qui poursuivent leurs activités

d) Nothing in these Letters Patent shall be construed as a grant of a licence within the meaning of subsection 179(2) of the Criminal Code (Canada),

(e) The corporation shall not maintain a clubhouse or similar premises

(d) Rien dans les presentes lettres patentes ne peut être interprète comme l'octroi d'un permis au sens du paragraphe 2 de l'article 179 du Code criminel (Canada),

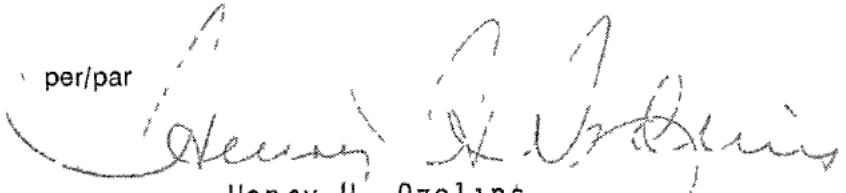
(e) L'association de devra pas avoir de club ou autres locaux semblables

Dated/Daté September 2 septembre 1987

Monte Kwinter

Minister
Ministre

per/par


Henry H. Ozolins
Director/Directeur

708837

Trans Code A 18	Line No 0 20	Stat 0 28	Comp Type B 29	Method Incorp 1 30
Share N 31	Notice Req'd Y 32	Jurisdiction ONTARIO 33 47		

**APPLICATION FOR INCORPORATION OF A CORPORATION WITHOUT SHARE CAPITAL
 REQUETE EN CONSTITUTION D'UNE ASSOCIATION**

Form 2
 Corporations Act
 Formulaire numéro 2
 Loi sur les compagnies et associations

1 The name of the corporation is/Nom de l'association

T	H	E			D	A	V	I	D			H	O	F	S	T	E	D	T	E	R			F	A	M	I	L	Y		
F	O	U	N	D	A	T	I	O	N																						

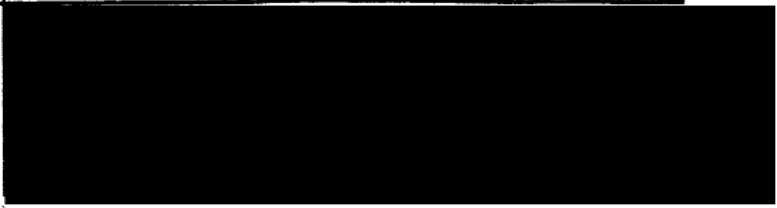


5 The applicants who are to be the first directors of the corporation are
 Requéranis appelés à devenir les premiers administrateurs de l'association

Name in full including all first middle names
 Nom et prénoms au complet

Residence address giving Street & No or RR No & Municipality or Post Office and Postal Code
 Adresse personnelle y compris la rue et le numéro ou la RR et le numéro le nom de la municipalité ou du bureau de poste et le code postal

- GEORGE HOFSTEDTER
- MARK MANDELBAUM
- THOMAS HOFSTEDTER
- DAVID HOFSTEDTER



- 6 The objects for which the corporation is incorporated are
Objets pour lesquels l'association est constituée

SUBJECT to the Charities Accounting Act, R.S.O. 1980 c. 65 and the Charitable Gifts Act, R.S.O. 1980 c. 63 the objects for which the Corporation is to be incorporated are

(1) TO receive and maintain a fund or funds and apply from time to time all or part thereof and for the income therefrom for charitable purposes, and

(2) TO do all such things as are incidental to the attainment of the above objects, and in particular

(a) To use, apply, give, devote or distribute from time to time all or part of the fund or funds of the Corporation and/or the income therefrom for charitable purposes by such means as may from time to time seem expedient to its directors, and to establish and maintain charitable activities, agencies or institutions and to aid any such activities, agencies or institutions already established,

(b) To use, apply, give, devote or distribute from time to time all or part of the fund or funds of the Corporation and/or the income therefrom for charitable purposes to or for any charitable organization or organizations which carry on their work solely in Canada or carry on their work outside Canada provided that they are registered charities within the meaning of the Income Tax Act which, in the judgment of the directors of the Corporation will promote the objects of the Corporation,

(c) For the further attainment of the above objects, to acquire, accept, solicit or receive, by purchase, lease, contract, donation, legacy, gift, grant, bequest or otherwise, any kind of real or personal property, and to enter into and carry out agreements, contracts and undertakings incidental thereto,

(d) For the further attainment of the above objects, to hold, manage, sell or convert any of the real or personal property from time to time owned by the Corporation, and to invest and reinvest any principal in investments authorized by law for the investment of trust funds,

(e) For the further attainment of the above objects, to exercise all voting rights and to authorize and direct the execution and delivery of proxies in connection with any shares or obligations in any company or corporation owned by the Corporation,

(f) For the further attainment of the above objects, in connection with any company or corporation in which the Corporation may at any time hold shares or obligations to take up the proportion of any increased capital to which as holders of such shares or obligations it may be entitled, and to purchase any additional shares or obligations in such company or corporation, to join in any plan for the reconstruction or reorganization of such company or corporation or for the amalgamation of such company or corporation for the sale of the assets of such company or corporation or any part thereof, and in pursuance of such plan to

accept any shares or obligations in lieu of or in exchange for the shares or obligations held by the Corporation in such company or corporation, and to enter into any pooling or other agreement in connection with the shares or obligations held by the Corporation in such company or corporation, and to enter into any pooling or other agreement in connection with the shares or obligations held by the Corporation in such company or corporation, and in case of sale thereof to give any options considered advisable, and to give consent to the creation of any mortgage, lien or indebtedness by any company or corporation whose shares or obligations are held by the Corporation;

(g) For the further attainment of the above objects, to acquire by purchase, devise, gift and other title, and to hold, any real property necessary for the carrying on of its undertaking, and to sell, mortgage, dispose of and convey the same or any part thereof as may be considered advisable;

(h) For the further attainment of the above objects, to demand, receive, sue for, recover and compel the payment of all sums of money that may become due and payable to the Corporation, and to apply the said sums for the objects and purposes of the Corporation, and generally to sue and be sued,

(i) For the further attainment of the above objects, to acquire, accept, solicit or receive any gift of real or personal property, either as an annual or other contribution or as an addition to the fund or funds of the Corporation, and

(j) For the further attainment of the above objects, to employ and pay such assistants, clerks, agents, representatives and employees, and to procure, equip and maintain such offices and other facilities, and to incur such reasonable expenses as may be necessary.

It shall not be lawful for the Corporation hereby incorporated directly or indirectly to transact or undertake any business within the meaning of The Loan and Trust Corporations Act

Except as aforesaid, the Corporation shall not have the capacity of a natural person

The Corporation is incorporated exclusively for the objects herein set out and none other

7 The special provisions are/Dispositions particulières

(A) The corporation shall be carried on without the purpose of gain for its members and any profits or other accretions to the corporation shall be used in promoting its objects,

(B) The corporation shall be subject to the Charities Accounting Act and the Charitable Gifts Act;


(C) The directors shall serve as such without remuneration, and no director shall directly or indirectly receive any profit from his position as such, provided that a director may be paid reasonable expenses incurred by him in the performance of his duties,

(D) The borrowing power of the corporation pursuant to any by-law passed and confirmed in accordance with section 59 of the Corporations Act shall be limited to borrowing money for current operating expenses, provided that the borrowing power of the corporation shall not be so limited if it borrows on the security of real or personal property,

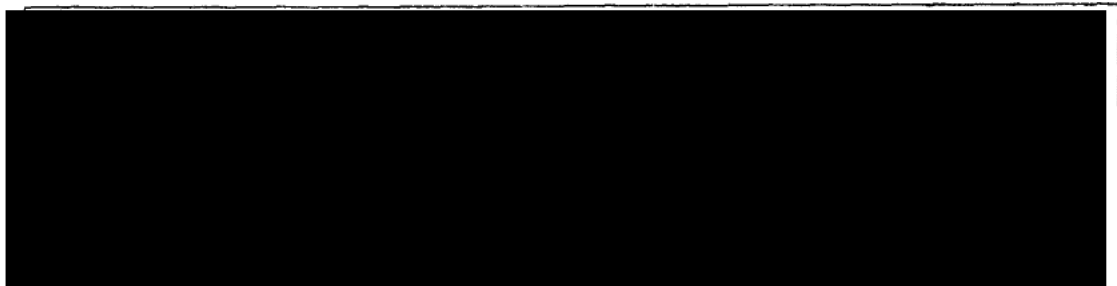
(E) Upon the dissolution of the corporation and after the payment of all debts and liabilities, its remaining property shall be distributed or disposed of to charitable organizations which carry on their work solely in Ontario;

(F) If it is made to appear to the satisfaction of the Minister, upon report of the Public Trustee, that the corporation has failed to comply with any of the provisions of the Charities Accounting Act or the Charitable Gifts Act, the Minister may authorize an inquiry for the purposes of determining whether or not there is sufficient cause for the Lieutenant Governor, in his discretion, to make an order under subsection 317(1) of the Corporations Act to cancel the letters patent of the corporation and declare it to be dissolved

8 The names and residence addresses of the applicants are
Noms et adresses personnelles des requérants

Name in full including all first middle names Nom et prénoms au complet	Residence address giving Street & No or R R No & Municipality or Post Office and Postal Code Adresse personnelle y compris la rue et le numéro ou la R R et le numéro et la municipalité ou le bureau de poste et le code postal	Calling (occupation) Profession
GEORGE HOFSTEDTER		
MARK MANDELBAUM		
THOMAS HOFSTEDTER		
DAVID HOFSTEDTER		

This application is executed in duplicate
Cette requête est faite en double exemplaire



APPENDIX A

**Everlight Charitable Foundation
Comments on Representations**

In our administrative fairness letter (AFL) dated July 23, 2025, we explained that the audit conducted by the Canada Revenue Agency (CRA) for the period from January 1, 2019, to December 31, 2020, identified that the Everlight Charitable Foundation, then called The David Hofstedter Family Foundation (the Organization) is not operating in compliance with the provisions of the *Income Tax Act* in the following areas

1. It is not constituted and operated exclusively for charitable purposes
2. Failed to devote resources to charitable activities carried on by the Organization itself
3. Failed to maintain adequate books and records
4. Failed to issue donation receipts in accordance with the Act and/or its Regulations
5. Failed to file an information return as and when required by the Act and/or its Regulations

We have reviewed the Organization's representations dated September 28, 2025, and we maintain our position that the non-compliance identified during its latest audit represents a serious breach of the requirements of the Act. The Organization has failed to provide additional documentation or a reasonable explanation to address many of the areas of non-compliance identified during the audit. As such, it remains our opinion that the Organization's registration as a charity should be revoked.

The Organization has failed to implement the agreed upon corrective measures of a December 15, 2011, compliance agreement that it signed following its previous audit. The current audit found that the Organization continues to demonstrate that it is unwilling and/or unable to bring itself into compliance with requirements to maintain its charitable status under the Act. As a result, the Organization's registration as a charity should be revoked.

Our AFL also proposed to assess a financial penalty and to suspend the Organization's receipting privileges as possible consequences. These measures were proposed to address four areas of non-compliance related to conferring undue benefits, books and records, official donation receipts, and Form T3010 information returns. After reviewing all of the relevant information, including the Organization's response to our AFL, it is our view that, based on the severity of the non-compliance, revocation is the most appropriate audit outcome at this time.

The basis for our position is described in detail below, including

- A summary of the issues raised by the CRA in our AFL, dated July 23, 2025,
- A summary of the Organization's representations, dated September 28, 2025, and
- The CRA's conclusion with respect to each issue

Identified areas of non-compliance

1 It is not constituted and operated exclusively for charitable purposes

1 Unstated collateral non-charitable purpose

The audit found that although the Organization was registered as charity to only gift to qualified donees, it was pursuing an unstated collateral non-charitable purpose of gifting to non-qualified donees

The audit revealed that the Organization gifted its resources to non-qualified donees operating under the name "Dirshu" Dirshu is an international Torah study organization, founded by the Organization's director David Hofstedter, and is headquartered in Israel ¹ The Organization gifted its resources to Dirshu entities in the United States of America, the United Kingdom, Israel, Argentina, Mexico, Australia, Venezuela, Ukraine, and South Africa, and also provided various financial incentives to individuals who wrote Dirshu Torah study tests

The audit revealed that although the Organization referred to the Dirshu entities as its agents, the Organization was simply providing resources to Dirshu The Organization was unable to provide any documentation to demonstrate that it was carrying out any of its own charitable activities

The audit also revealed that the Organization provided loans to Westside Capital Corporation and Bnei Torah Congregation

The Organization's representations

In its representations, the Organization states that its purpose allows it to undertake the Dirshu program

"(1) TO receive and maintain a fund or funds and apply from time to time all or part thereof and for the [sic] income therefrom for charitable purposes,"

The Organization argues that its activities are consistent with its purposes and registration as a charity and then explained how the Dirshu activities of operating Talmudic religious learning centers fall under both the advancement of education and the advancement of religion heads of charity

The representations did not mention the loans to Westside Capital Corporation or Bnei Torah Congregation in this section

CRA's response

The Organization was not registered with purposes relating to advancing religion or advancing education In fact, at the time of registration, the Organization's directors, David Hofstedter and Mark Mandelbaum, signed an undertaking that it would

¹ <https://www.dirshu.co.il/>

“Restrict its activities to receiving and managing funds for the exclusive purpose of making gifts to “qualified donees”, which “qualified donees” are listed in paragraphs 110(1) (a) and (b) of the Income Tax Act (Canada) ”

However, regardless of the Organization’s stated purpose, the audit revealed that the Organization is pursuing a non-charitable purpose. Specifically, the Organization is gifting its resources to non-qualified donees that are part of an international organization that was founded by one of the Organization’s directors, and which carries out independent activities. Such conduct demonstrates that the Organization is not directing or controlling the use of its resources to advance charitable purposes, rather, it is facilitating the purposes and operations of other entities that are not qualified donees.

Based on the above, the representations do not alleviate our concerns, and our position remains that the Organization is pursuing a non-charitable purpose of gifting to non-qualified donees. As a result, the Organization has failed to meet the requirements of subsection 149.1(1) of the Act that a charity be constituted and operate exclusively for charitable purposes. It is our position that there is material non-compliance, and grounds for revocation of the charitable status of the Organization under paragraph 168(1)(b) of the Act.

2 Failed to devote resources to charitable activities carried on by the Organization itself

1 Lack of direction and control over its resources/gifted to non-qualified donees

Dirshu

The audit revealed that the Organization could not demonstrate that any of its resources were being used on its own activities. The audit revealed that the Organization’s purported activity known as Dirshu, involved providing financial incentives to beneficiaries directly from the Organization or through Dirshu entities. The Organization provided a summary of these amounts, which totaled \$19,773,359 for the 2019 fiscal year and \$23,384,733 for the 2020 fiscal year. Additionally, the Organization reported salaries paid to the third-party agents as compensation for their employees and independent contractors, as the Organization does not have any employees, which totaled \$689,001 CAD and \$516,432 CAD in FY19 and FY20, respectively.

The audit revealed that the Organization provided the CRA with general agency agreements that did not include detailed descriptions of how the activities are to be conducted on the Organization's behalf or how the activities further the Organization's charitable purposes. Moreover, the agreements do not contain sufficient information to establish adequate or continuous direction and control by the Organization over the use of its resources. As such, the Organization appears to be funding the projects of non-qualified donees, as opposed to carrying out its own activities.

The CRA was unable to confirm if the Organization’s financial transactions were for charitable purposes because the Organization did not provide documentation outlining any charitable activities. Rather, it appeared that the Organization was transferring funds to third-party non-qualified donees who then disbursed them to individuals. The Organization did not have

documentation, such as applications or test results, to substantiate that its resources were used in furtherance of its charitable purposes

The audit revealed that the Organization's activities demonstrated it was furthering an unstated non-charitable purpose of gifting to non-qualified donees

Gifts to Non-QDs – Loans

The audit revealed that the Organization transferred resources to non-qualified donees without necessary safeguards. The Organization did not provide documentation to show that it had loan agreements with control over its funds. Based on the absence of such information, it appeared the outstanding loans were gifts to non-qualified donees

- Westside Capital Corporation - \$1,155,592
- Bnei Torah Congregation - \$59,460

Gifts to Non-QDs – Form T1236, Qualified Donee Worksheet

The audit revealed that the Organization gifted its resources to non-qualified donees but referred to them as qualified donees on their submitted Form T1236, Qualified Donee Worksheet. The Organization gifted \$30,860 to non-qualified donees in FYE 2019, and \$30,000 in FYE 2020

Delivered non-incidental private benefit

The audit revealed that the Organization issued an official donation receipt (ODR) to Davpart Inc, which is owned by David Hofstedter, for amounts that were not actually received. The Organization added \$82,470 CAD to the ODR as the value of rent that was forgiven by the Organization's property owner. However, this would not be considered a gift as there was no transfer of property. Moreover, the rental agreement states that [REDACTED] is the property owner, not Davpart Inc. Therefore, the \$82,470 CAD added to the donation receipts was incorrect and resulted in a non-incidental private benefit to Davpart Inc.

It was determined that the Organization transferred a total of \$45,721,907 of its resources to non-qualified donees during the audit period. As the Organization is unable to demonstrate with supporting documentation that any of the above referenced transfers to non-qualified donees were made in furtherance of its own charitable purposes, it is our view that each of the non-qualified donees received non-incidental private benefits when they received the funds, from the Organization.

Undue Benefits

During the audit it was determined that the non-incidental private benefits could also be considered undue benefits since the private benefits conferred were not reasonable consideration for property acquired or services received by the Organization, were not made in the course of charitable acts and were not given to qualified donees. As a result, a sanction of \$48,008,002 was proposed.

The Organization's representations

The representations cite *Tel Aviv Foundation v Canada 2002 FCA 72, [2002] 2 C T C 93*, and state that the Federal Court of Appeal did not provide specific measures for establishing direction and control, and that the CRA's guidance products are vague and non-specific

The Organization states that Dirshu is its program, and it furthers both a religious and educational purpose. The Organization states that other entities elsewhere in the world help implement the program. Its primary goal is to strengthen and encourage Torah study, offering programs that cater to various segments of the Torah learning public, including individuals seeking to deepen their commitment to learning Torah. The Organization states it has two sets of operations:

- Canadian activities and international funding payments ("DHFF")
- US Kinyan Torah program administered directly by the Organization ("Kinyan")

The representations explain the programs and state that stipends provided are prizes for achievement, and do not require an application. The Organization states that it prepares the exams and syllabi for the Dishu programs worldwide to ensure a consistent standard and unified approach, in order to centralize preparation and oversight. It states that the Organization "maintains effective direction and control over the programs, as it sets the parameters for eligibility and achievement, and ensures the integrity and accountability of its charitable activities." The representations state that requiring a formal application for each completion would be impractical, and that completion and achievement of the awards are verified through local test administrators.

Gifts to Non-QDs – Loans

The representations argue that since there are no documents for the loans that "assumptions regarding its classification are unwarranted." The representations further state that due to the lack of books and records "it is impossible to discern whether this entry reflects an actual loan, a loan that was repaid, a recording of a loan received, or an erroneous or outdated accounting entry." The representations explain that the reason for the loan documents being unavailable for the Bnei Torah Congregation loan is due to the loan agreement dating back over seven years. It is argued that the time frame since entering the loan exceeds the record-keeping obligations of Act, the Ontario Not-for-Profit Corporations Act, and the Organization's internal retention policies. As a result, the representations state that the lack of documentation should not be used to make conclusions on the loans.

No further information on the loans was provided.

Gifts to Non-QDs – Form T1236, Qualified Donee Worksheet

The representations state that the entities listed carry on Torah studies and acknowledge some of the recipients were revoked prior to the audit period, but the Organization was unaware of the revocations at the time of the disbursements. Additionally, the representations state that the Organization will implement procedures to verify qualified donees prior to including them on Form T1236 and will perform registration checks.

No further information on the gifts to non-qualified donees were provided.

Delivered non-incident private benefit

The representations state there were no non-incident private benefits. The Organization argues the definition of private benefits under subsection 149 1(1) of the Act, and states that the AFL “does not demonstrate that any benefits were conferred to the charity’s staff or volunteers, nor does it clarify how the funds transferred to non-qualified donees resulted in private benefits”

Undue Benefits

The representations state the Organization did not confer undue benefits under subsection 188 1(5) of the Act. The representations state that “the gifts made via Dirshu program (totaling \$45,721,907) should be excluded from any private/undue benefit calculation because they were made wholly in furtherance of the Charity’s charitable purposes and were directed to charitable programming consistent with its objects”

They further state that the Organization exercised proper direction and control over the Dirshu programming and that the payments were not gifts, but expenditures for the Organization’s programs. It is argued that based on the definition of undue benefits under subsection 149 1(1) of the Act, that the assessment of undue benefits is unfounded. It is stated that “this conclusion does not provide any factual basis for asserting that the funds were used for personal benefit, nor does it clarify how the funds gifted to non-qualified donees resulted in undue benefits to individuals associated with the charity”

CRA’s responseGifts to Non-QDs – Dirshu

The Organization’s response failed to alleviate our concerns relating to the financial incentives paid through Dirshu. The CRA acknowledges that written agreements are not the only way to demonstrate that resources are used for a charity’s own charitable purposes, however, the Organization failed to provide additional documents or explanations to demonstrate that there was adequate or continuous direction and control by the Organization over the use of its funds. The representations did not address the stipends that the Organization paid directly to individuals and provided no further information for the stipends provided through third-party entities.

We acknowledge that the Organization provided information on Dirshu’s programs, however, the Organization failed to demonstrate that Dirshu is its program. Rather, the Organization is transferring its charitable resources to non-qualified donees to carry out their own activities.

Gifts to Non-QDs – Loans

The Organization’s response failed to alleviate our concerns relating to the loans. The Organization failed to provide sufficient documentation to show that the loans were structured for it to maintain ongoing control over the funds, or how the loans furthered the Organization’s charitable purpose as no additional documents or details were provided within the representations. Moreover, subsection 230(4) of the Act states that books, records, and their related accounts and source documents have to be kept for a minimum of six years from the end of the last tax year to which the records relate. As a result, since the loans are still relevant to the audit period, all agreements and documentation should have been retained in the Organization’s books and records.

Gifts to Non-QDs – Form T1236, Qualified Donee Worksheet

Upon further review at the time of analyzing the representations, it was noted by CRA that Beth Medrash Govoha and Rabbinical Seminary of America are both listed on the List of universities outside Canada registered as qualified donees. Therefore, they are permitted qualified donees. The remaining entities are non-qualified donees.

Delivered non-incident private benefit

The Organization's response failed to alleviate our concerns relating to the delivery of non-incident private benefits. During the audit period, the Organization gave funds to non-qualified donees, without maintaining direction and control over how the non-qualified donees would use the funds. The Organization allowed the non-qualified donees to use its resources in whatever manner the non-qualified donees chose to use them. In doing so, it remains our opinion that the Organization provided the non-qualified donees, with an unacceptable private benefit.

Undue Benefits

The Organization's response failed to alleviate our concerns relating to conferring undue benefits. The Organization referenced subsection 188(5) of the Act to dispute the CRA's position of the Organization delivering undue benefits. However, the relevant provisions for the calculation and definition of undue benefits are outlined in subsection 188 1(4) and 188 1(5) of the Act.

While the CRA agrees with the Organization's statement that benefits were not provided to individuals or their related parties, the CRA's position on undue benefits is based on subsection 188 1(5), which provides that an undue benefit conferred on a person includes

- 1 A disbursement by way of a gift (other than a gift to a qualified donee),
- 2 The amount of any part of the income, rights, property, or resources of the charity that is paid, payable, assigned or otherwise made available for the personal benefit of any person who
 - is a proprietor, member, shareholder, trustee, or settler of the charity,
 - has contributed or otherwise paid into the charity more than 50% of the capital of the charity, or
 - does not deal at arm's length with a person described above, or with the charity, and
- 3 Any benefit conferred on a beneficiary by another person (i.e., by a third party) at the direction or with the consent of the charity where the charity would have had a right to the amount if the benefit were not conferred on the beneficiary

The CRA maintains its position that the private benefits in question were conferred to benefit non-qualified donees at the direction of the Organization and using its charitable resources. Further, the CRA maintains that the private benefits conferred do not meet any of the exceptions laid out in paragraphs 188 1(5)(a), 188 1(5)(b), or 188 1(5)(c) of the Act, as the benefits were not consideration or remuneration for property acquired or services rendered, were not in the course of a charitable act in the ordinary course of the charitable activities carried on by the Organization, and were not qualifying disbursements. As such, the Organization's representations do not alleviate the CRA's concerns.

This is repeated non-compliance as the Organization had entered into a previous compliance agreement with the CRA, where it agreed to implement corrective measures. The current audit found that the Organization failed to correct the identified non-compliance. Consequently, it remains our position that the Organization failed to devote resources to charitable activities carried on by the Organization itself—a requirement of its registration under subsections 149.1(1) of the Act. Accordingly, there are grounds for the Minister to revoke the charitable status of the Organization under subsection 149.1(1) of the Act in the manner described under paragraph 168(1)(b) of the Act.

While we maintain our previous position that the Organization's non-compliance may be subject to sanction as a possible outcome, as we are revoking the Organization, we are no longer considering sanctioning the Organization at this time.

3 Failed to maintain adequate books and records

The audit determined that the Organization continued to fail to maintain adequate books and records. This area of non-compliance was also found in all three previous audits of the Organization, notwithstanding the compliance agreement resulting from the last audit documenting agreed upon corrective measures to be implemented. During the current audit period, the non-compliance identified pertained to the following aspects of its operations:

- a The Organization's purported activities further purposes other than those stated in its governing documents, which are not themselves charitable.
- b The Organization's current governing documents on file with CRA do not align with the transition from the *Ontario Corporations Act (ONA)* to the *Ontario Not-for-Profit Corporations Act, 2010 (ONCA)*, which was required to be completed by October 19, 2024.
- c The Organization stated in a letter dated September 30, 2022, that there are no meeting minutes for board of directors' meetings. As such, there are no records of discussions of the Organization's operations, such as its decision-making process, approval of disbursements or details of discussions on the Organization's foreign activities.
- d The Organization did not provide agreements for the loans held with Davpart Inc. and Westside Capital Corporation, and the loan agreement held with Bnei Torah Congregation was not available due to the age of the document.
- e The Organization did not provide any documents to support the use of funds loaned to Westside Capital Corporation and Bnei Torah Congregation.
- f In fiscal years 2019 and 2020, the Organization maintained a loan balance of \$53,750 CAD issued to Davpart Inc. on its general ledger, trial balance, financial statements, and Form T3010. However, upon CRA's inquiry into the loan, the Organization stated in its letter dated November 8, 2024, that the loan had been paid off in 2016. As a result, the loan balance to Davpart Inc. should not have been included in the Organization's books and records for the audit period. The Organization acknowledged the error in its letter dated November 8, 2024.
- g In fiscal years 2019 and 2020, the Organization provided incomplete general ledgers and trial balances. An updated trial balance for 2019 and 2020 was provided based on CRA's query letter dated August 23, 2024.

- h In fiscal years 2019 and 2020, the Organization failed to convert its USD amounts within the general ledger and trial balance before consolidating their records. As a result, Form T3010 and the financial statements were reported with amounts in both CAD and USD, which is not in compliance with subsection 261(2) of the Act which requires that taxpayers determine their Canadian tax results in Canadian currency. The Organization acknowledged the error in its letter dated November 8, 2024.
- i In fiscal year 2019, the amounts for gifts to qualified donees varied between the General Ledger, the listing of qualified donee disbursement provided as support, and Form T1236, *Qualified Donee Worksheet*.
- j In fiscal year 2020, the Organization included a donation that was made by the donor and received by the Organization in 2019. As a result, the Organization recorded the donation in the incorrect fiscal year.
- k In fiscal year 2020, the Organization included an amount as a donation expense. However, the amount was payment for a service and therefore, this amount should not have been recorded as a donation expense. The Organization acknowledged the error in its letter dated November 8, 2024.
- l In fiscal years 2019 and 2020, the Organization incorrectly recorded revenue from the sale of books, as a contra-expense. As a result, revenue was underreported. Moreover, the Organization did not provide sufficient books and records for CRA to adequately review this revenue.
- m In fiscal year 2020, the Organization recorded rent expense, however, payments were never made due to rent forgiveness provided by the property owner. As a result, expenses were overstated.
- n The general ledger lacked detail, which prevented the verification of the purpose of the Organization's expenditures and ensuring expenses were recorded and categorized properly on Form T3010. The general ledger account 40080 entitled "Kollel costs" had bulk entries consisting of multiple wire transfers with only "Kollel" stated as the description and did not include any details as to whom the amounts were paid to and/or for what activities.
- o The Organization provided many of its records in Hebrew including excel spreadsheets, reports, and invoices. While the Act does not explicitly require records to be kept in one of the two official languages of Canada (English or French), charities are strongly advised to do so. Records in other languages cannot be readily interpreted by the CRA and therefore, are not most effective in meeting the requirements of the Act at paragraph 230(2)(a), which states that information must be kept "in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act."
- p The agency agreements and documents to support the funds transferred to agents were inadequate to establish that any activities that purport to be those of the Organization are effectively authorized, controlled and monitored by the Organization.
- q The Organization has poor internal controls with respect to safeguarding of its assets based on the above findings and the following:
 - a Bank account reconciliations for both the CAD and USD bank accounts included stale dated cheques that went back to 2011.
 - b Inconsistencies on who has authorization to sign the Organization's cheques.
 - c Inconsistencies on who has access to the Organization's accounting records.

- d Unaudited financial statements
- e No policies and procedure manuals in place
- r During the audit period, the Organization purportedly distributed financial incentives to scholars of Talmudic religious learning. The Organization, through its agents, would provide scholars with a structured study calendar and scheduled tests. Upon completion of tests, scholars would be issued financial incentives based on meeting various criteria, which would be paid through the Organization's agents. However, the Organization did not have the appropriate supporting documents to demonstrate that it maintained ongoing communication with its agents to provide necessary instructions on how to carry out the Organization's activities or monitor the progress of the activities carried out through the agents. Due to the lack of adequate books and records, CRA was unable to
 - 1 verify the accuracy of the reported disbursements to the agents,
 - 11 determine if the Organization maintained ongoing direction and control over the funds transferred to the agents or the activities conducted by the agents, and
 - 111 determine that the funds transferred to the agents were used for charitable purposes

The Organization's representations

The Organization's representations below are in reference to the non-compliance issues a to r above

- a The representations stated that the Organization's activities are conducted strictly in furtherance of the objects set out in its letters patent and governing documents, ensuring that all initiatives directly advance its stated charitable purposes
- b The representations stated that the Organization is compliant with the transition requirements from ONA to ONCA. It is argued that the transition was automatic and that only articles and bylaws in conflict with ONCA were rendered inoperative. It was also stated that the failure of keeping transition records cannot be evidence of deficient books and records, as the ONCA transition is a corporate compliance matter and cannot be used to determine adequacy of books and records for the purposes of revocation by the Minister
- c Regarding the failure to maintain meeting minutes, the representations argue that the absence of certain formal documents in the record is not dispositive of whether appropriate internal authorization practices existed, such practices can be inferred from governance conduct, signing patterns, and operational oversight contemporaneous with the activities
- d Regarding the failure to maintain loan agreements, the representations argue that the loan documents predate the statutory requirement to maintain them under ONCA and the Act. It is argued that deficiency in maintaining older documents reflects a change in statutory requirements, not a failure of compliance under the governing rules in effect when the documents originated, and that it is not appropriate to expect retroactive application
- e Regarding the failure to maintain documentation to support the use of funds loaned, the representations repeat the argument used in response to d directly above
- f With respect to the incorrect inclusion of the loan balance to Davpart Inc, the representations acknowledge the error. The representations further state that a similar error could have been made for the loans involving Bnei Torah and Westside Capital

Corporation, implying that there could have been repayments to these that were not properly recorded. The representations state that the Organization is undertaking a comprehensive review to ensure that all loan repayments are accurately recorded and that such errors do not recur in future reporting periods.

- g Regarding the incomplete general ledgers and trial balances, the representations state that the Organization prepared and submitted updated trial balances in response to CRA's query letter dated August 23, 2024.
- h The Organization acknowledged its failure to convert the USD amounts in the general ledger and trial balance when consolidating and indicated that corrective measures have been implemented to ensure proper currency conversion and accurate classification in the future.
- i With respect to inconsistent recording of gifts to qualified donees, the representations asked for additional time to review the relevant documentation to identify and reconcile any discrepancies.
- j Regarding recording a donation in the incorrect fiscal year, the representations acknowledge the error – stating that it was an accounting error, primarily involving misclassification rather than affecting the actual revenue or expenses.
- k With respect to recording a donation when the amount was payment for a service, the representations acknowledge the error – stating that it was an accounting error, primarily involving misclassification rather than affecting the actual revenue or expenses.
- l The Organization acknowledged that it was an error to record the revenue from the sale of books as a contra-expense.
- m The representations comment on the rent forgiveness and how it is a transfer of property.
- n With respect to the general ledger lacking details and having bulk entries for ██████████ – Kollel costs, the representations state that the term 'Kollel' encompasses the routine expenses necessary to operate such programs, including the costs for instructional staff, materials, and facilities needed to sustain ongoing rabbinic and Talmudic study sessions. It was stated that the costs associated with Kollel sessions were largely standard and consistent from period to period, reflecting typical expenditures for similar educational activities.
- o Regarding records being provided in Hebrew, the representations argued that it is not a requirement per ONCA or the Act that records must be maintained exclusively in English or French. The representations state that an original copy of all documents was provided in the language in which they were maintained. Upon request in the course of the audit, a translated copy could have been provided.
- p With respect to inadequate agency agreements to establish that any activities that purport to be those of the Organization are effectively authorized, controlled and monitored by the Organization, the representations argue that there is no basis due to the CRA not having explicit requirements for what is required in agency agreements, and that expectations are in broad, general terms.
- q With respect to poor internal controls, the representations state that not having conducted an audit, as permitted under the Ontario Not-for-Profit Corporations Act (ONCA), does not equate to a lack of internal controls. The representations also state that the Organization maintains internal controls over its financial operations. The majority of expenditures are standard in nature and are processed through routine, well-documented transfers, which are subject to established approval procedures.

- r The representations stated that effective control and direction were maintained by drafting the exams and setting the syllabus, which formed the basis for awarding prizes and stipends

CRA's response

Based on our analysis of the representations, it remains our position that the Organization continued to fail to maintain adequate books and records, a requirement of its registration under subsection 230(2) of the Act. The Organization failed to provide meaningful explanations for the discrepancies found or adequate documentation to refute our position. Notably, the Organization also previously agreed to implement corrective measures relating to the adequacy of its books and records

- a The Organization's purposes at registration were only to gift to qualified donees and no amendments have been made since that time. Given the Organization has not introduced a new charitable purpose connected to operating or funding the international Dirshu program, these activities are outside the scope of the purposes for which it was established and registered
- b The Organization would have automatically continued from ONA to ONCA as part of the transition. However, the Organization should have provided their transition documents to CRA to ensure that the governing documents on file were updated to reflect any changes to its articles and bylaws
- c While other practices can be used to determine if appropriate internal authorization practices existed during the audit period, adequate documentation was not provided to demonstrate that the Organization had ongoing discussions related to its operations. The requirement is to allow the Organization to have records to support any discussions of the Organization's operations, such as its decision-making process, approval of disbursements or details of discussions on the Organization's foreign activities. The meeting minutes also help to demonstrate that directors are acting in the best interest of the Organization
- d Since the Organization had the loans recorded on in its general ledgers and on its financial statements, it should have the documents to support the valuation, and the use of the funds it had loaned. Subsection 230(4) of the Act states that books, records, and their related accounts and source documents have to be kept for a minimum of six years from the end of the last tax year to which the records relate. As a result, since the loans are still relevant to the audit period, all agreements and documentation should have been retained in the Organization's books and records
- e Same as d directly above
- f Regarding the incorrect inclusion of the loan balance to Davpart Inc, the representations acknowledge the error
- g With respect to incomplete general ledgers and trial balances, the Organization did provide updated trial balances. However, updated general ledgers were not provided. Moreover, the fact that the Organization provided the documents after confirmation of the error, does not negate the original incomplete records

- h With respect to failing to convert the USD amounts in the general ledger and trial balance when consolidating, the representations acknowledge the error
- i The Organization represented that it would review the relevant documentation to identify and reconcile any discrepancies but failed to provide any documentation with respect to inconsistent recording of gifts to qualified donees
- j With respect to recording a donation in the incorrect fiscal year, the representations acknowledge the error. The representations also downplay the severity of the non-compliance by stating that “it [the Organization] made an accounting error, primarily involving misclassification rather than affecting the actual revenue or expenses.” However, this error did result in an overstatement to donations received for FYE 2020 and an understatement of donations received in FYE 2019
- k The representations acknowledge that recording a donation amount as payment for a service was simply a misclassification. However, this error does not negate the fact that the amount of gifts to qualified donees for FYE 2020 was incorrect
- l The representations acknowledge that there was an error recording the revenue from the sale of books as a contra-expense
- m The representations do not comment on the rent expense or how expenses were overstated
- n Regarding the lack of details on the general ledgers, the representations explain what ‘Kollel’ is and that using the term ‘Kollel costs’ encompasses the routine expenses that are necessary to operate the programs. No additional detail for the bulk entries was provided. As a result, there remains inadequate details for the verification of the purpose of the Organization’s expenditures and ensuring expenses were recorded and categorized properly
- o Our AFL stated that while the Act does not explicitly require records in one of the languages that it is strongly advised for charities to keep records in one of the two official languages, since paragraph 230(2)(a) of the Act states that information must be kept “in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act.” The response did not alleviate our concerns
- p Regarding the agency agreements being inadequate, the Organization did not provide any documentation to alleviate our concerns. As a result, there continues to be an absence of documentation to establish that any activities purported to be undertaken by the Organization are effectively authorized, controlled and monitored by the Organization
- q Regarding internal controls, the CRA acknowledges that the Organization was permitted to exempt itself from obtaining an audit of its financial statements. However, by not obtaining an audit, the Organization increased the risk that its books and records were inaccurate or incomplete. Our concern is not that the Organization did not provide us with audited financial statements, but that it did not keep accurate and complete books and records. Additionally, the Organization did not provide specific comments regarding the stale-dated cheques, the inconsistencies found during the audit, or the absence of policies and procedures manuals
- r The Organization’s representations did not alleviate our concerns regarding its failure to maintain documentation to demonstrate that it maintained ongoing communication with

its agents, including providing necessary instructions on how the Organization's activities were to be carried out and monitoring the progress of the activities carried out through the agents

Based on the above, the representations provided do not alleviate our concerns. Our position remains that the Organization does not meet the requirements of subsection 230(2) of the Act. Further, this constitutes repeat non-compliance, despite the Organization's previous commitment under its signed compliance agreement with the CRA. Given the continued and material non-compliance, it is our position that there are grounds for revocation of the charitable status of the Organization under paragraph 168(1)(e) of the Act.

While we maintain our previous position that the Organization's non-compliance may be subject to sanction, as we are revoking the Organization, we are no longer considering suspending the Organization's receipting privileges.

4 Failed to issue donation receipts in accordance with the Act and/or its Regulations

The audit identified concerns with respect to the issuance of, and procedures applicable to, ODRs. The following deficiencies were noted:

- a) **Improper Receipting – Issuing official donation receipts with incorrect information**
In 2020, the Organization issued two ODRs to Davpart Inc., that each included amounts not actually received by the Organization. The amount in question, totalling \$82,470, related to the value of rent that was forgiven by the property owner. This cannot be considered as a gift because no transfer of property took place and cannot be receipted. Moreover, Davpart Inc. was not the property owner on the rental agreement². For these reasons, the amount of \$82,470 CAD should not have been included in the ODRs issued to Davpart Inc. As a result, the Organization incorrectly issued ODRs to include funds that it did not receive and could be liable to a penalty of 5% of the eligible donation amount stated on the ODR.
- b) **Improper Receipting – Issuing official donation receipt to wrong donor**
In fiscal year 2019, the Organization issued an ODR to [REDACTED]. However, based on the general ledger and the ODR listing provided by the Organization, the donation was actually made by the Abraham Bleeman Foundation. Therefore, the ODR was issued to the wrong donor.
- c) **Improper Receipting – Issuing official donation receipt to a registered charity**
In fiscal year 2019, the Organization issued an ODR to a registered charity. ODRs that bear a charity's registration number and other information required by the Act are for tax deduction or credit purposes only. ODRs should not be issued to other registered charities to acknowledge gifts.

² Davpart Inc. was not the property owner. The rental agreement was between the Organization and [REDACTED].

The Organization's representations

- a) Improper Receipting – Issuing official donation receipts with incorrect information
 The representations argued that rent forgiveness can be considered as a transfer of property in the form of a relinquishment of the landlord's enforceable right to receive money. Adding that the forgiveness is the transfer of the landlord's right to payment, functionally comparable to returning rent paid or releasing a debt, which is a property transfer in law. No representations were made about Davpart Inc. not being the property owner on the rental agreement.
- b) Improper Receipting – Issuing official donation receipt to wrong donor
 The representations stated that any confusion appears to have arisen due to a check that may not have included the word "Foundation," or from another similar ambiguity in the payment details. The representations state it was clerical error of the donor's name, not a misrepresentation of the donation's existence or value.
- c) Improper Receipting – Issuing official donation receipt to a registered charity
 The Organization did not provide any representation in respect to the issuance of an ODR to a registered charity.

The CRA's conclusion

The representations failed to alleviate our concerns with respect to the issuance of ODRs.

- a) Improper Receipting – Issuing official donation receipts with incorrect information
 The CRA recognizes that the forgiveness of rent could be considered a transfer of property, however, only in the case where there is documentation to support that the property owner voluntarily chose to waive its right to the rent due from the Organization. Regardless, the ODR is incorrect as Davpart Inc. was not the property owner. As per the rental agreement, the property owner was [REDACTED]. Therefore, the ODR was still issued otherwise than in accordance with the Act and/or its regulations.
- b) Improper Receipting – Issuing official donation receipt to wrong donor
 The CRA is not questioning the existence or value of the donation received from the Abraham Bleeman Foundation. However, as the donation value was included in the ODR issued to [REDACTED] and not the Abraham Bleeman Foundation, there remains an issue of providing an ODR to the wrong donor.
- c) Improper Receipting – Issuing official donation receipt to a registered charity
 Issue remains.

Based on the above, the representations failed to alleviate our concerns. As such, we maintain our position that the Organization failed to issue official donation receipts in accordance with the Act and/or its Regulations. For this reason, there are grounds for revocation of the Organization's charitable status under paragraph 168(1)(d) of the Act.

5 Failed to file an information return as and when required by the Act and/or its Regulations

The AFL identified numerous errors/omissions on the Organization's Form T3010, *Registered Charity Information Returns* (T3010) for the audit period. The CRA previously identified the same non-compliance in prior audits of the Organization. During the current audit period, the following errors and omissions were specifically noted

a) **Line 3400, Did the charity incur any expenses for compensation of employees during the fiscal period?**

In fiscal years 2019 and 2020, the Organization responded "Yes" to having compensation for employees on Line 3400. However, the Organization, in their letter dated September 30, 2022, indicated that it did not have any employees during the audit period. Therefore, the response should have been "No."

b) **Schedule 2 – Activities outside Canada**

In fiscal years 2019 and 2020, the Organization responded "No" to its financial resources being spent on programs outside of Canada under any kind of an arrangement including a contract, agency agreement, or joint venture to any other individual or organization (excluding gifts to qualified donees). However, the majority of the Organization's expenses pertained to funds sent outside of Canada. Therefore, the response should have been "Yes" on Line 200 of Schedule 2. Moreover, the details of the amounts transferred should have been included in the table in Schedule 2.

c) **Schedule 3 – Compensation**

In fiscal years 2019 and 2020, the Organization completed Schedule 3 recording compensation expenses. However, in a letter dated September 30, 2022, the Organization stated that it did not have any employees during the audit period, and that all compensation was for employees of its agents, whom the Organization did not directly compensate. Therefore, Schedule 3 should not have been completed.

d) **Line 4320, Amounts owing to non-arm's length persons**

In fiscal years 2019 and 2020, the Organization recorded \$53,750 on Line 4320 for a loan provided to Davpart Inc. However, during the audit, the Organization stated that the loan had been paid off in 2016. Therefore, no amount should have been recorded on Line 4320. The Organization explained and acknowledged the error in their letter dated November 8, 2024.

e) **Line 4880, Total expenditures on all compensation**

In fiscal years 2019 and 2020, the Organization completed Line 4880. However, the Organization stated that it did not have any employees during the audit period, and that all compensation was for employees of its agents, whom the Organization did not directly compensate. Therefore, Line 4880 should not have been completed. The Organization acknowledged the error in their letter dated November 8, 2024.

- f) Line 4500, Total eligible amount of all gifts for which the charity issued tax receipts
In fiscal year 2020, the Organization included an amount of \$82,470 on Line 4500, which was not received by the Organization. This amount relates to the value of rent that was forgiven by the property owner from February 2020 to December 2020. As funds for this amount were never received, it should not have been included on Line 4500 on the Form T3010
- g) Line 4500, Total eligible amount of all gifts for which the charity issued tax receipts & Line 4510, Total amount received from other registered charities
In fiscal years 2019 and 2020, the Organization included all amounts received from other registered charities on Line 4500. However, these amounts should have been recorded on Line 4510
- h) Line 4640, Revenue from sale of goods and services
In fiscal years 2019 and 2020, the Organization received revenue from the sale of books but did not include the amounts as revenue. Instead, the Organization had the income as a contra-expense account in their books and records. This revenue should have been recorded on Line 4640 for revenue from the sale of goods
- i) Line 4910, Research grants and scholarships as part of charitable activities
In fiscal years 2019 and 2020, there was an overstatement of expenses on Line 4910. The Organization acknowledged the error in their letter dated November 8, 2024, stating that “the reclassifying entries for 2019 and 2020 resulted in an overstatement of scholarship expenses/stipends and an understatement of other expenses incurred”
- j) Line 4920, All other expenditures not included in the amounts above (excluding gifts to qualified donees) & Line 5050, Total amounts of gifts made to all qualified donees
In fiscal year 2019, the Organization included gifts to qualified donees on Line 4920, instead of Line 5050
- k) Line 4950, Total expenditures before gifts to qualified donees & Lines 5000-5040
In fiscal year 2019, the Organization failed to ensure that the total of Lines 5000-5040 matched the total on Line 4950
- l) Lines 5000-5040, Total expenditures
Due to inadequate books and records as discussed above, the allocation of expenses between Lines 5000 to 5040 was undeterminable. As a result, we were unable to confirm if the expenses had been correctly reported on Line 5000 to 5040
- m) Line 5900 and 5910, Property not used in charitable activities
In fiscal years 2019 and 2020, the Organization incorrectly computed the amounts to be reported on Line 5900 and 5910. The Organization explained and acknowledged the error in their letter dated November 8, 2024

n) Form T1236, Qualified donees worksheet

In fiscal year 2019, the Organization

- Included organizations that are not qualified donees, as explained above
- Did not amalgamate all disbursements made to a single qualified donee on one line. Instead, qualified donees were listed multiple times for different disbursement amounts made during the fiscal period
- Incorrectly inputted the name of a qualified donee with the business number of a different qualified donee
- Incorrectly inputted the name of a qualified donee with the business number of a non-qualified donee

In fiscal year 2020, the Organization

- Included organizations that are not qualified donees, as explained above
- Incorrectly inputted the name of a qualified donee with the business number of a non-qualified donee

The Organization's representations

The representations acknowledged some of the errors made regarding the T3010, and in response to other issues, it stated that detailed responses were already provided to CRA in previous correspondence

CRA's response

It is the responsibility of the Organization to ensure that the information provided in its T3010 returns, schedules, forms, and statements, is factual, accurate and complete. A charity is not meeting its requirements to file an information return in prescribed form if it fails to exercise due care with respect to ensuring the accuracy thereof.

The representations do not alleviate our concerns, and our position remains that, during the audit period, the Organization failed to file an accurate information return in accordance with subsection 149.1(14) of the Act. For this reason, there are grounds for revocation of the Organization's charitable status under paragraph 168(1)(c) of the Act.

While we maintain our previous position that the Organization's non-compliance may be subject to sanction, as we are revoking the Organization, we are no longer considering suspending the Organization's receipting privileges.

Conclusion

For the reasons outlined above, and in our letter dated July 23, 2025, it is the CRA's position that the Organization should have its registration as a charity revoked pursuant to subsection 168(1) of the Act.