

APPENDIX A

International Relief Fund for the Afflicted and Needy (Canada)

Correspondence relating to CRA's audit of IRFAN-Canada's 2002 fiscal year

Contents:

- Tab 1 CRA letter to IRFAN-Canada dated July 23, 2004
- Tab 2 IRFAN-Canada letter to the CRA dated November 19, 2004, includes the Resolutions Consolidating JFHS and IRFAN-Canada
- Tab 3 CRA letter to IRFAN-Canada dated December 21, 2004

Mr. Rasem Abdel-Majid General Manager International Relief Fund for the Afflicted and Needy (Canada) P.O. Box 1628, Station "B" Mississauga, Ontario L4Y 4G3

Your file Votre référence

3004363 Our file Notre référence

July 23, 2004

Dear Mr. Abdel-Majid:

RE: Charity Audit

Thank you for your information package dated March 15, 2004. We have now reviewed the materials and wish to advise you of our preliminary findings.

In a number of areas, we find the International Relief Fund for the Afflicted and Needy (Canada) ("IRFAN") to be operating in accordance with the requirements for its registration as a charity under the *Income Tax Act*. On some subjects, however, we would like to offer our comments; in other areas, we have more serious concerns. We would ask you and your board to review this letter and then to meet with us to discuss the outstanding issues.

At the start, we would impress on you the importance of resolving the outstanding issues. IRFAN will need to show us that it is able and willing to operate within the provisions of the law. Failure to do so could result in IRFAN losing its registration as a charity, under the provisions of either the *Income Tax Act* or the *Charities Registration (Security Information) Act*.

1. Internal governance of the charity

a) Appointment of directors

It would appear that only Mr. Khadim among the current group of persons acting as directors is properly appointed, and that the original incorporating directors¹ are technically still in charge of the organization. Please see Appendix A for our reasoning in this matter.

¹ Messrs. Nadeem A. Siddigi, Mohamed Farhaed Khadim, and Wael M. Haddara.



We would strongly advise that IRFAN obtain legal advice on rectifying the matter for the protection of the organization and its current "directors."

b) Role of the "directors" based in Jerusalem

At page 8 of your letter of March 15, 2004, you explain that "the Jerusalem office has a ten (10) member Board of Directors of which any two can sign the Financial Statements. ... The Board of Directors of the Jerusalem office meets regularly every 6 months to discuss the financial and administrative activities and the annual budget at the end of every year."

This reference to a Board of Directors implies the existence of a separately incorporated entity in Jerusalem. It remains unclear to us what role it plays in the affairs of IRFAN. The *Income Tax Act* defines a registered charity as an entity that "is resident in Canada and was either created or established in Canada." Further, a Canadian charity must be wholly responsible for its own decision-making and cannot delegate this role to a foreign entity. Please explain the role of the Jerusalem Board

We also request an answer to question 10 of our January 10, 2004, letter.²

Given that you say on page 3 of your letter that IRFAN is in the process of opening another branch, in Beirut, it is particularly important that this governance issue be clarified and resolved.

2. Direction and control over resources

Under Canadian law, a registered charity can operate in one (or both) of two ways:

• by making gifts to organizations that the *Income Tax Act* identifies as "qualified donees".

In this case, the *Income Tax Act* requires a charity to satisfy itself that any organization to which it makes a gift of funds or other resources is a qualified donee. No further enquiry, contractual arrangements, and reporting are necessary under the law, although a charity is, of course, free to undertake additional steps for its own reasons.

For your convenience, we attach a copy of this acknowledgement letter as Appendix B.

² Question 10 asked: "The acknowledgement letter from the Orphan Care Society, dated December 10, 2002, relating to IRFAN's gift of two *aqiqah* to the Society, is addressed 'Dear Brother (translation). Please identify this individual."

Qualified donees are defined in the *Income Tax Act*. For most purposes, the expression can be interpreted as referring to all other Canadian registered charities.

• by directly carrying on its own charitable programs. It is a question of fact whether a charity is engaging in the impermissible (simply giving its resources to a foreign entity) or the permissible (making its resources available to a foreign entity so that the latter can perform work as directed by the Canadian charity). We take a number of factors into account when determining if a Canadian charity exercises sufficient direction and control over its resources for their use to be classed as forming the Canadian charity's "own charitable program." These include, for example, whether the Canadian charity initiated the project, whether it has bound the foreign entity by contract to perform certain services on its behalf, and whether it requires sufficient reporting from overseas that it can be satisfied that the work has been performed to its satisfaction. For further information, please refer to our publication, Registered Charities: Operating Outside Canada, a copy of which is enclosed for your convenience.

IRFAN operates numerous projects in several countries, interacts with a large number of organizations, and has a variety of arrangements with these entities. We find some of these activities satisfactory, but others raise issues that need addressing, as described below.

a) Partnership arrangements with Canadian registered charities

We are confused by the respective roles of IRFAN and its partners—

- In soliciting funds from donors for beneficiaries in Iraq and Afghanistan, IRFAN does not mention on its web-site or in its literature that the funds will leave IRFAN's control. Nevertheless, from the and Life reports provided as Appendix 1 to your March 15, 2004, letter, it would seem that IRFAN's funds were applied to existing programs. In other words, it seems that IRFAN simply gifted the funds to these two charities.
- The agreements IRFAN has signed with , if they are intended to employ these organizations to carry out IRFAN's programs, do not achieve this purpose. For example, clause 11 appoints IRFAN as "agent" of , but as such it would be acting under the direction for the purpose of accomplishing their programs.
- The projects involving IRFAN's shipment of goods collected by to the West Bank appear to be of two different types. The three containers shipped in 2002 appear to involve goods that were donated outright by to IRFAN, although reported no gifts to other registered charities in its public information return, nor did IRFAN acknowledge receiving such a gift on line 103

of its 2002 return.

The cooperation agreement between and IRFAN of March 3, 2003, appears to render the shipment of five containers in 2003 a joint project of the two organizations. But, if this is the case, it is unclear why it was necessary for to transfer title³ to the goods to IRFAN.

The question being raised here is how the various charities should record the amounts and goods involved in their books, financial statements, and annual returns. Are we dealing with gifts to and from other Canadian charities? Are IRFAN's donors being misled into thinking that IRFAN has its own programs in countries like Iraq? In the transactions involving , which organization has legal ownership of the goods at various times? We suggest IRFAN seek legal advice so that it can clarify for us the nature of its dealings and agreements with other Canadian charities.

b) Use of foreign organizations to distribute cash and goods

IRFAN relies on a large number of organizations located in the West Bank and Gaza Strip to distribute cash, food, and school bags to individual beneficiaries. The number of organizations involved complicates IRFAN's task of ensuring that the cash or goods are distributed in accordance with its instructions.

At pages 7 and 8 of your letter of March 15, 2004, you report controls on the distribution of the orphans' funds that appear to be adequate. At page 5, you provide details on the controls used to ensure proper distribution of food packages that again appear to be satisfactory. However, we note that some organizations, in acknowledging receipt of funds for food packages, state they used a variety of criteria in distributing the packages, not all of which accord with IRFAN's criteria for identifying the "Poor and Needy". For example, the Al Khansa Women Foundation speaks of distributing packages "to poor families and to those affected by the siege imposed by Israel and to university students," while the Tulkarm Zakat Committee relates how "distribution focused on the families of martyrs, the wounded, the orphans, the affected families, workers and poor families."

We wish to discuss with you whether IRFAN's controls are sufficient in practice to ensure its resources are used in accordance with its directions.

c) Agreements with foreign organizations

IRFAN has entered into a number of agreements with foreign organizations that require the foreign organizations to perform services on IRFAN's

³ The agreement refers to IRFAN receiving the goods as a "donation" from Donations involve transferring ownership of property from one party to another.

⁴ See Appendix C for copies of the original documents in Arabic and our translation of them.

behalf. We find these generally to be satisfactory, although the wording of some agreements could be improved. For example:

- IRFAN's letter of April 3, 2003, to the Health Works Committee, Ramallah, concerning the distribution of hospital beds and linens, "suggests" that the items be sent to the most needy and deserving clinics and hospitals, when it should more properly "direct" or "instruct" the Committee to do this.
- The agreement of July 6, 2003, with the Algerian organization, the El-Irchad and El-Islaah Society, would be improved by avoiding the statement, in clause 1, that IRFAN wishes to "support⁵ organizations engaged in providing relief assistance ..." This is inconsistent with the statement, later in the same clause, that IRFAN and the organization wish to work jointly ("co-operate") to provide material assistance for the earthquake victims and the needy.
- IRFAN's relationship with the El-Manar Primary School in Sarajevo is more problematic. The English-language version of the contract between the school and IRFAN does not make sense, and it is alarming that IRFAN would sign such a document, especially as it does not appear to have verified at the time of signing that the Bosnian and English versions of the contract are consistent. (See the corrections to the translation that you provide on pages 6-7 of your letter of March 15.) The contract does not cover issues like protecting IRFAN's resources if a supported student stops attending the school during the year because, for example, of death or a parental move. Nor does the contract adequately specify how the beneficiaries are to be selected. In that the monies involved were received by IRFAN from Canadian donors who intended that their gift be used to support orphans in Bosnia, it is vital that the contract (and IRFAN's control procedures) ensure that the donors' intentions are met. Our initial finding is that IRFAN is simply gifting funds to the school, which is not a qualified donee.

In general, we suggest that IRFAN seek legal advice before entering into agreements with foreign organizations. Apart from ensuring that the agreement serves to make IRFAN the author of the activity (as opposed to simply funding a foreign organization), you may also wish to consult with your lawyer on ways to limit any legal liability that IRFAN could face as a result of such an agreement.

d) Arrangements with foreign organizations with terrorist connections

At least some of the foreign organizations with which IRFAN works are alleged to be controlled by HAMAS. Please see Appendix D, which attempts to identify the total amount that IRFAN provided in 2002 to various organizations in the West Bank and Gaza Strip.

⁵ The word "support" suggests that IRFAN intends simply to provide financial support to the organization rather than to actively work with it on a project.

We would remind you of the following Canadian legislation. HAMAS (including the political and social wings of the organization) was listed as a terrorist entity under the United Nations Suppression of Terrorism Regulations⁶ in December 2001. It was also listed under Canada's Criminal Code as a terrorist organization in November 2002; and according to section 83.03 of the Criminal Code, it is an offence to fundraise on behalf of, or to provide property to, an organization that has been listed under the Code. Under the Charities Registration (Security Information) Act, a registered charity can be deprived of its registration if it makes its resources available, directly or indirectly, to a listed terrorist organization.

We are asking that you respond to our preliminary finding that at least some of IRFAN's partner agencies may be controlled by HAMAS.

We also note that IRFAN has been associated with the Sanabil Association for Relief and Development. This organization was closed by the Lebanese government in July 2002, was named as a specially designated global terrorist association by U.S. authorities in August 2002, and was listed as a terrorist supporter by Canada in September 2003. According to IRFAN's telephone records, IRFAN was conducting business with Sanabil's general manager (Mr. Eid El-Merae) in November 2002 and March 2003. Further, according to page 3 of your letter, IRFAN was using the organization to support orphans between January and June 2003.

While we understand that IRFAN is still developing new arrangements to cover programs in Lebanon, we are concerned whether these will be adequate to prevent any association of IRFAN with a terrorist group. (We are also concerned that the public may be misled in that IRFAN is apparently still accepting donations for its programs in Lebanon when it does not have any such programs.)

e) Donations to Canadian organizations that are not a qualified donee

IRFAN has made a number of small donations to Canadian organizations that are not registered charities. See, for example, the gifts to "Oldtimer Hockey" (\$585 in 2001 and 2003), the Toronto Police Association (\$249 and \$1,000 in 2002), and A.C. Soccer and Sports (\$880 in 2003). None of these organizations is a qualified donee, and thus the payments were a breach of the *Income Tax Act*.

Please advise us what steps IRFAN will take to prevent such an occurrence in the future.

⁶ This listing was under Canada's *United Nations Suppression of Terrorism Regulations*, which implement the United Nations Convention for Suppression of Terrorist Financing and United Nations Resolution 1373. This type of listing has the effect of freezing the assets of the organization or individual named.

3. Charitable donation receipts

When inserting the dollar amount in an official donation receipt for a gift-in-kind (that is, non-cash gifts, such as a used dentist's chair), a charity is expected to obtain expert advice on the value of the item, and not simply rely on the donor's estimate of the value. During the audit, we found no policy in place concerning the types of gifts-in-kind IRFAN is willing to accept or how it would obtain appraisals for such gifts.

Please advise us what steps IRFAN intends to take to ensure official donation receipts for gifts-in-kind are issued in the proper amount.

During the audit, we also found that "donations" listed in IRFAN's books covered a range of transactions, including gifts from other charities and cash gifts for which no donation receipt was issued. As a result, we were unable to verify the amount reported as total tax-receipted gifts in the charity's annual information return.

Please advise us what steps IRFAN intends to take to ensure the records it keeps will enable it to complete the annual return accurately.

4. Poyrel Jerusalem Fund for Human Services and IRFAN

It would appear that IRFAN joined with Povrel Jerusalem Fund for Human Services ("JFHS") on February 28, 2001, by way of a resolution passed by the board of each organization on that date. (A copy of both resolutions is contained in IRFAN's files; see also the references to the transaction as a "merger" or "consolidation", and to JFHS forming a "division" of IRFAN, in the e-mails among IRFAN's directors on April 3 and 4, 2001.) Other evidence indicates a continuity of addresses, staff, direction (the presence of a former JFHS director – Mr. Mohamed Alkoka - at IRFAN's board meetings as an "advisor"), and activities.

JFHS is not a registered charity. IRFAN was registered as a charity in 1999. At no time did IRFAN contact us to discuss procedures for amalgamating with a non-registered organization and the consequences of it assuming and carrying out "all of the current pursuits and activities" of the non-registered entity. (We assume from this that IRFAN is fully aware of JFHS's pursuits and activities prior to the date of amalgamation.) We wish to advise you that, in reaching our final assessment of IRFAN's status as a registered charity, we propose to take information about JFHS into consideration.

⁷ Clause 1 of the resolution of IRFAN's board of directors, February 24, 2001.

In conclusion, please contact me to arrange a meeting to discuss these preliminary findings. I have a new telephone number: . The mailing address remains:

Charities Directorate
Compliance and Intelligence Division
Canada Revenue Agency
Ottawa, Ontario K1A 0L5

Yours sincerely,

Charities Directorate

Appendix A

IRFAN's Board of Directors

Applicable governance rules

During the visit to IRFAN's office in October 2003, we were told that the organization had made no change to its letters patent or by-laws. Thus the letters patent issued under the *Canada Corporations Act*, on October 15, 1997, and the by-laws dated March 10, 1998, regulate the organization's governance. At the same interview, we were also told that the organization has no members.

The following reproduces relevant provisions from IRFAN's by-laws. We have used **bold** text to highlight certain key phrases.

- 7. The property and business of the corporation shall be managed by a board of 3 directors of whom a majority shall constitute a quorum.
- 8. The applicants for incorporation [Nadeem A. Siddiqi, Mohamed Farhaed Khadim, Wael M. Haddara] shall become the first directors of the corporation whose term of office on the board **shall continue** until their successors are **elected**. At the first meeting of members, the board of directors then elected shall replace the provisional directors named in the Letters Patent.
- 9. Directors shall be elected for a term of (1) year by the members at an annual meeting of **members**.
- 10. The office of director shall be automatically vacated:
 - a) if a director has resigned his office by delivering a written resignation to the secretary of the corporation;
 - (b) insanity,
 - c) bankruptcy,
 - d) resolution at a special meeting of members,
 - e) deathl...

provided that if any vacancy shall occur for any reason in this paragraph contained, the board of directors by majority vote, may, by appointment, fill the vacancy with a member of the corporation. ...

Who are the directors?

T3010 [annual charity information return], 1999
Nadeem Siddiqi
Mohamed Farhad Khadim
Wael Haddara

T3010, 2000

Nadeem Siddiqi Mohamed Farhad Khadim Wael Haddara Reyad Hobba Mohammad Ammar

IRFAN's records contain a "Director's Resolution" of October 7, 2000, which is signed by Messrs. Siddiqi, Khadim, and Haddara. The resolution elects Reyad Hobba to the board of directors, to act as secretary; it also elects Mohammed Ammar to the board and appoints Mr. Khadim as Chairman.

T3010, 2001

Nadeem Siddiqi Mohamed Farhad Khadim Wael Haddara Reyad Hobba Mohammad Ammar

IRFAN's records contain a copy of e-mails from Mr. Siddiqi (April 3, 2001) and Mr. Haddara (April 4, 2001) to Mr. Khadim, agreeing to the latter's proposal to hire Mr. Rasem A. Majeed as IRFAN's general manager.

IRFAN's records contain the minutes of a board meeting held on October 27, 2001. Messrs. Haddara and Siddiqi are absent. Present are Messrs. Khadim, Hobba, Ammar, and Abdel-Majik, plus the following "guests": Mohamed Alkoka, Ahmed Teebi, and Mohamed Abokasem.

T3010, 2002

Nadeem Siddiqi Mohamed Farhad Khadim Wael Haddara Sami Kaoud Mohammed Dhooma

IRFAN's records contain a copy of an e-mail of July 11, 2002, from Mr. Khadim to Messrs. Haddara and Siddiqi. It notes that "Reyad" [presumably Mr. Hobba] is "away" and proposes that Mohamed Dhooma and Sami Qaood be added to the board. No response to this e-mail is present in the records.

IRFAN's records contain the minutes of board meeting held on September 28, 2002. The five persons named as directors on the T3010 were in attendance, plus Messrs. Abdel-Majid and Mohamed Alkoka (as advisor).

During the visit to IRFAN's office in October 2003, we were told that Mr. Haddara had resigned earlier in the year, and just recently so too had Mr. Siddiqi.

Problems

The "director's resolution" of 2000 adding Messrs. Hobba and Ammar to the board appears to be beyond the powers of the corporation. Article 7 of the by-laws allows for only three directors; while article 10 states that appointments can only be made by board members to replace a director who has resigned, etc.

The board meeting of October 27, 2001, thus appears to have had only one valid director present (Mr. Khadim). As such, there would not be a sufficient quorum to hold the meeting (article 7).

The e-mail of July 11, 2002, concerning the absence of Mr. Hobba, does not appear to be the equivalent of "a written resignation to the secretary of the corporation," which would give rise to the ability of the existing directors to appoint a new one. However, Mr. Hobba is probably not a valid member of the board anyway (see above). Hence the appointment of Messrs. Dooma and Qaood to the board appears to be beyond the powers of the corporation.

With the 2003 resignations (if in fact Messrs. Haddara and Siddiqi have submitted their resignation in writing), only Mr. Khadim of the original directors remains, leaving the organization apparently incapable of action because there are too few directors to form a quorum.

Appendix B

Acknowledgement Letter from the Orphan Care Society, December 10, 2002



In the Name of God, the Compassionate, the Merciful

Donating Aqueq and [illegible word]

[Translator's nate: the Arabic word "aqaeq" is the plural form of the word "aqiqah", which means an animal, mainly sheep, goat or cow, sacrificed following the birth of a newly born baby]

APPRECIATION

Dear brethren

The staff of the Orphan Care Society would like to express their appreciation and gratitude to you for supporting the organization by donating two *aqiqah* through IRFAN Canada for the sake of God and for the benefit of our orphans. May God accept your good deed and reward it in the Day of Judgement.

May God Bless you

Orphan Care Society, Bethlehem December 10, 2002 [Signed]



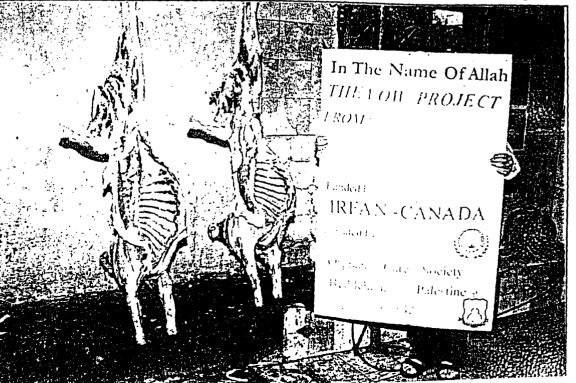
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In The Name Of Allah
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Appendix C

Acknowledgement Letters from the Al Khansa Women Foundation and the Tulkarm Zakat Committee

Al Khansaa Foundation in Al-Bireh distributes food packages to needy families

Al-Bireh: Al-Quds Special Correspondent – In cooperation with IRFAN, Canada, Al Khansaa Women Foundation distributed 250 food packages, valued at 45,000 shekels, to poor families and the families of those affected by the siege imposed by Israel and to university students.

In one of its statements, the Foundation says that this was not its first campaign to distribute food. Indeed, it had distributed 200 food packages last April in cooperation with the United Nations Relief and Works Agency for Palestine Refugees in the Near East. The number of the Foundation's permanent sponsored orphans has increased to more than 20 and around 50 for non-permanent orphans, in addition to affected families.

بسم الله الرحمن الرحيم

السلطة الوطنية الفلسطينية

مديرية صندوق الزكاة

فاکس: ۲۹۷۸۳۱۲

ت: ۲۲۲۳۷۲۲

لجنة زكاة طو لكرم EMAUL: zakat_tulkarm@botmail.com

وزارة الأوقاف والشؤون الدينية

رئیس لبنة زكاة طولكرم حسنج هسن خواجا

In the Name of God, the Compassionate, the Merciful

National Palestinian Authority

Ministry of Endowments and Religious Affairs

Zakat Tulkarm Committee

Email: zakat tulkarm@hotmail.com Fax: 2678316

Tel.: 2673172

Reference: 16/S/?/203

Date: May 21, 2002

Dear brethrens in IRFAN Canada

Through: IRFAN's office in Jerusalem

Subject: Food Assistance

May God's peace be upon you

Zakat Tulkarm Committee would like to thank you for providing food assistance to the poor and needy families in Tulkarm. May God reward you for your good deeds.

Following your orders, the Committee bought food items, such as flour, sugar, rice, tea, lentils, beans and oil in the amount of 40,000 shekels. It distributed them in the following areas: Tulkarm and its villages and camps. Distribution focused on the families of martyrs, the wounded, the orphans, the affected families, workers and poor families.

This initiative was well received by the citizens, in particular, those who benefited from this noble act, which is proof that our people abroad feel the suffering of our people inside the country.

May God bless you.

Attachments: 1) pictures

2) Distribution statement

3) Invoice

President of Zakat Tulkarm Committee

Husseni Hassan Khawaja

Appendix D

Organizations in the West Bank and Gaza Strip Using or Distributing IRFAN Resources, 2002

Organizations in the West Bank and Gaza Strip Using or Distributing IRFAN Resources, 2002

- Amounts are estimates. They are primarily based on the information contained in IRFAN's project reports.
- In general, the total amount per project is derived from the actual amount IRFAN transferred by wire to Palestinian entities for the project, when this is known. Otherwise, the total recorded in the project reports is used.
- In the case of the project for orphans in the West Bank, the total reported in the project report (\$243,000), minus the amount paid separately to Ard El Insan (\$25,190), is taken as the total. This total is then distributed among the local organizations according to the number of times they appeared as the administering agency in the list of 278 orphans provided by the Jerusalem office.
- All amounts are in Canadian dollars. IRFAN's reports sometimes use U.S. dollars; however, these have been converted in the table below to Canadian dollars, using the exchange rate obtaining at the time of the wire transfer for the project.
- The final column is based on an internet search for information about the organization in question, plus references found in academic articles or court cases. Sample documents from this search are included as Appendix E.

Organization	Amount/	Goods or cash	Total amount	Notes	Alleged connection to HAMAS?
	Program				
Al-Amal Rehabilitation Centre	\$112,934	Goods	\$112,934		Information located on this
for Hearing Impaired, Khan			-		organization contains no allegations
Younis, Gaza Strip			•		of any connection to HAMAS
Qabalan Clinic, Nablus (belongs	\$29,745 – X-ray	Goods	\$29,745	Also received medical kits in USAID-funded	Information located on this
to Medical Scientific Society	unit			"Emergency Medical Aid Project", delivered	organization contains no allegations
[Scientific Medical Association,				by CARE International	of any connection to HAMAS, but
Ramallah])	_				see next entry
Medical Scientific Society	\$12,548 -	Goods	\$12,548	For the allegation of a connection to HAMAS,	Information located on this
	pharmaceuticals II	[ĺ	see Appendix E (Saul and Shera, The	organization contains one allegation
				Palestinian Hamas, p. 157).	of a connection to HAMAS
Sheik Sa'ad Medical Center (est.	\$37,516 – medical	Goods	\$37,516		Information located on this
& operated by Al Islah Society)	lab				organization contains no allegations
		1			of any connection to HAMAS, but
					see Al-Islah Society, below

Orphan Care Society [Orphan Care Charity] [Orphan Care	\$50,540 – elevator	Goods	\$124,832	Received World Bank funding in 1999 and 2000	Numerous allegations of connection to HAMAS
Committee], Bethlehem [Beit Lehem]	\$46,197 - orphans	Cash		2000	to HAWAS
Lenem	\$2,607 - food packages I	Goods		-	
	\$9,128 – food packages III	Goods			
	\$4,406 – Zabeeha program	Goods			
	\$5,150 – school bag program	Goods			
	\$6,804 – Ramadan food packages	Goods			
Orphan House Charity, Hebron	\$1,566 – orphans	Cash	\$24,541		Information located on this organization contains no allegations
	\$6,953 – food packages I	Goods			of any connection to HAMAS, but see Islamic Charitable Society, Hebron, below.
	\$16,022 – Zabeeha program	Goods		Project report: "in cooperation of the Hebron Charitable Associations in Hebron (Orphan Home Charity)"	
Orphans and Needy Care Charity, Jericho	\$33,669 - orphans	Cash	\$53,377	One report states the organization is "close to Hamas". Y. Yehoshua and B. Chernitsky,	Information located on this organization contains one allegation
	\$2,282 – food packages I	Goods		"Incitement in the Palestinian Authority After the Aqaba Summit," Middle East Media Research Institute, Special report – No. 20	of a connection to HAMAS

	\$3,204 – Zabeeha	Goods		(August 22, 2003)	
	program			www.memri.org/bin/articles.cgi	
	\$5,150 – school bag program	Goods			
	\$9,072 – Ramadan food packages	Goods			
Al Ahli Hospital, Hebron, (belongs to the Patients Friends Society)	\$9,625 – pharmaceuticals I	Goods	\$25,310+	Patients Friends Society received Saudi funding in 1998 and World Bank funding in 1999 and 2000	Information located on this organization contains <u>no</u> allegations of any connection to HAMAS
Bociety)	\$15,685 – pharmaceuticals II	Goods		1999 and 2000	of any connection to HAIVIAS
	? % of the \$1.4 million Mercy Int'l medical supplies	Goods			
Al Maqassed Hospital, Jerusalem		Goods	\$35,631		Information located on this organization contains no allegations of any connection to HAMAS
	\$20,391 – pharmaceuticals II	Goods			
Rafeedia [Rafidia] Hospital, Nablus	\$11,550- pharmaceuticals I	Goods	\$24,098	"government hospital" (project report)	Information located on this organization contains <u>no</u> allegations of any connection to HAMAS
	\$12,548 – pharmaceuticals II	Goods			
Al Razi Hospital, Jenin (belongs to the Jenin Zakat Committee)	\$12,548 – pharmaceuticals II	Goods	\$12,548	Hospital received funding from USAID in 2002 - www.usaid.gov/wbglpress.	Information located on this organization contains no allegations of any connection to HAMAS, but

	T				see next entry
Jenin Zakat Committee [Charity Committee]	\$8,613 – orphans	Cash	\$27,460		Numerous allegations of connection to HAMAS
	\$4,563 – food packages I	Goods			
	\$6,409 – Zabeeha program	Goods			
	\$7,875 – school bag program	Goods			
Health Work Committees medical centres in Awarta, Halhoul, Beit Sahour, Borin,	\$7,700 - pharmaceuticals I	Goods	\$61,180+	Received World Bank funding in 1998	Information located on this organization contains <u>no</u> allegations of any connection to HAMAS
Toulkarim	\$13,646 – pharmaceuticals II	Goods			
	?% of the \$1.4 million Mercy Int'l medical supplies	Goods			
Halhoul	\$9,128- food packages III	Goods			
	\$3,434 – school bag program	Goods			
	\$9,072 – Ramadan food packages	Goods			
Bethlehem	\$4,536 - Ramadan	Goods			·

	food packages		T -		
Ramallah	\$4,356 – Ramadan food packages	Goods			
Beit Sahour	\$9,128- food packages III	Goods			
Medical centres belonging to the Ramallah Zakat Committee, Ramallah and Al-Jalazon refugee camp	\$12,548 - Pharmaceuticals II	Goods	\$12,548		See next entry
Ramallah Zakat Committee	\$14,094 – orphans \$9,128 – food packages III	Cash Goods	\$41,826		Some allegations of connection to HAMAS
	\$4,807 – Zabeeha program	Goods			
	\$4,725 – school bag program	Goods			
	\$9,072 – Ramadan food packages	Goods			
Al-Lod Charitable Society	\$47,250 - housing repair, Nablus	Cash	\$157,276	Wire transfer for housing repairs made Jan. 2, 2003.	Information located on this organization contains no allegations of any connection to HAMAS
	\$19,595 – orphans	Cash		Translation of newspaper notice refers to this organization as "Al-Lod Charitable Society	}
	\$8,746 – food packages I	Goods		Zakat Committee (Sanabil) Askar in Palestine".	

	\$57,115 – food packages III \$12,600 – school bag program \$11,970 – Ramadan food	Goods Goods			
	packages				
Ard El Insam [Ard Al- Insan][Palestinian Benevolent	\$25,190 – orphans	Cash	\$257,408	With both the food packages and the school bag projects, the wire transfers went from	Information located on this organization contains <u>no</u> allegations
Association], Gaza	\$50,258 – food	Cash		Canada to Ard El Insan directly. AEI then	of any connection to HAMAS
	packages II		!	called for tenders, purchased and distributed the goods, i.e., it did the job normally done by	
	\$33,331 – school	Cash	}	IRFAN's Jerusalem office. Rationale is that it	
	bag project		}	was impossible to travel from J. to the Gaza	
				Strip during this period.	
	\$32,044 – Zabeeha	Cash		Descrived aid from LLV govet	1
	project	ļ		Received aid from U.K. govt.	
	\$109,781 -	Cash			
	Ramadan food				
	packages				
Hebron	\$6,804— Ramadan	Goods		While the project report refers to "ardlinsan"	
	food packages	20040		in Hebron, possibly Ard El Atfal is intended.	?.
				IRFAN's files contain a receipt from the latter	,
				organization. The two organizations may be	
				related. The web-site of Terre des hommes	
	L		L <u></u>	claims they both were established by, and	

				continue to work as partners with, Terre des hommes (http://tdh.ch/cms/Palestine.531.1)	
Islah (Reform) Society [Al – Salah/Al-Islah Association], Gaza	\$23,490 – orphans	Cash	\$23,490		Numerous allegations of connection to HAMAS
Toulkarim [Tulkarm] Zakat Committee [Charity Society]	\$9,396 – orphans	Cash	\$18,820		Numerous allegations of connection to HAMAS
	\$2,282 – food packages I	Goods			
	\$3,204 – Zabeeha program	Goods			
	\$3,938 – school bag program	Goods			
Qalqilia Zakat Committee [Charity Committee]	\$7,830 – orphans	Cash	\$22,746		Some allegations of connection to HAMAS
	\$2,662- food packages I	Goods			
\$2,804 – Zabeeha program \$3,150 – school bag program	1 ' '	Goods		No distributing charity named in project report; assumed that it is the Zakat Comm.	
	1 -	Goods		·	
	\$6,300 – Ramadan food packages	Goods		No distributing charity named in project report; assumed that it is the Zakat Comm.	
Nablus Zakat Committee	\$14,094 – orphans	Cash	\$22,038		Some allegations of connection to HAMAS

	\$4,006 – Zabeeha program	Goods		No distributing charity named in project report; assumed that it is the Zakat Comm.	
	\$3,938– school bag program	Goods			
Al Ihsan Society for Rehabilitating the Physically Handicapped, Hebron	? % of the \$1.4 million Mercy Int'l medical supplies	Goods	?	Received World Bank funding in 2000	Information located on this organization contains no allegations of any connection to HAMAS
Tarqumiah charitable society	? % of the \$1.4 million Mercy Int'l medical supplies	Goods	?		No information located about this organization
Nouba charitable society	? % of the \$1.4 million Mercy Int'l medical supplies	Goods	?		No information located about this organization
Beit Aula charitable society	? % of the \$1.4 million Mercy Int'l medical supplies	Goods	?		No information located about this organization
Al-Islah Society, Bethlehem	\$2,607– food packages I	Goods	\$2,607	"Islah Charitable Organization" received funds from UK govt. in 2001. "Al-Islah Social Charitable Society" received funds from the World Bank in 1998	Some allegations of connection to HAMAS
Al Kansa Society [Al Khansa Women Foundation/Association], Ramallah and Elbrereh	\$4,563 – food packages I	Goods	\$4,563		No information located about this organization
Islamic Charitable Society, Hebron [Hebron Charitable Society] [Islamic Charity –	\$9,128– food packages III	Goods	\$38,927		Numerous allegations of connection to HAMAS
Hebron]	\$7,875 – school bag program	Goods			

·		,			
	\$21,924 - orphans	Cash			
Jerusalem Ladies' Association	\$3,915 - orphans	Cash	\$21,564		Information located on this organization contains <u>no</u> allegations
	\$9,128– food packages III	Goods			of any connection to HAMAS
	\$1,717 – school	Goods			
	bag program				
	\$6,804 – Ramadan	Goods			·
	food packages				·
Al Quds Central Zakat	\$3,204 – Zabeeha	Goods	\$6,354		Information located on this
Committee, Jerusalem	program				organization contains <u>no</u> allegations of any connection to HAMAS
	\$3,150 – school				
	bag program	Goods			
Charitable Societies Union,	\$2,575 – school	Goods	\$2,575	Received Saudi funding in 2000	Information located on this
Jerusalem	bag program				organization contains no allegations
					of any connection to HAMAS
Physically Handicapped Union,	\$2,575 – school	Goods	\$2,575		No information located about this
Ramallah	bag program				organization
Ram Zakat Committee	\$2,349 – orphans	Cash	\$2,349		No information located about this organization
Total			\$1,146,385		

BAKSH (1) KUT IY BARRISTERS & SOLICITORS

KHALID BAKSH

FAISAL KUTTY

MASOOD Q. CHOWDHRY

NASEER (IRFAN) SYED

FARYAL RASHID

PAUL SCOTLAND

PRACTICING IN ASSOCIATION

Charities Directorate / Direction des organismes de bienfaisance

NOV 2 2 2004

RECEIVED / REÇU

Please reply to Scarborough office: Naseer (Irfan) Syed, B. Sc. (Hons.), LL.B Direct Line: (416) 289-9666 ext. 27 e-mail: sved@bakshkuttv.com November 19, 2004

Confidential and Without Prejudice

Charities Directorate Canada Revenue Agency 320 Queen Street Ottawa, Ontario K1A 0L5

Attention: Ms Judy Torrance

Dear Ms Torrance

International Relief Fund for the Afflicted and Needy Re:

(Canada) ("IRFAN")

Charity Audit

I write on behalf of IRFAN as their solicitor. Further to your letter of July 23, 2004 (the "Audit Letter") and our subsequent telephone discussions, including the conference call of August 26, 2004 as recorded in your minutes (the "Minutes") and correspondence by fax, IRFAN herein replies in detail to the concerns raised in the Audit Letter.

First, IRFAN would like to thank you for your patience and assistance in understanding the circumstances which precipitated the audit, elaboration of the issues which were found to be of concern, and suggesting courses of action to remedy perceived deficiencies. As a result, IRFAN has undertaken corrective measures to improve its practices and to be in compliance with all applicable legal requirements.

For convenience, the specific replies retain the same headings and numbering as in the Audit Letter.

SCARBOROUGH 80 CORPORATE DR. SUITE 302 SCARBOROUGH, ONT. M1H 3G5 TEL: 416.289.9666 FAX: 416.289-0339

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1. Internal Governance of the Charity

a) Appointment of Directors

In order to clarify the corporate history, IRFAN held a teleconference on September 9, 2004, to bring together all persons associated with the organization as members, directors or officers. Everyone, including legal counsel, participated save and except for Mr. Reyad Hobba who is overseas and was not readily available. Mr. Hobba, however, was later contacted by IRFAN and briefed on the matters discussed and the decisions made and obtained his concurrence on them.

Matters related to membership, elections, appointments, resignations and ratification of past acts were discussed and appropriate resolutions were passed. The following are the relevant outcomes:

Current Voting Members

Rasem Abdel Majid Dr. Wael M. Haddara Mohamed F. Khadim Mohammed Ammar Reyad Hobba* Sami A. Kaoud Mohammed Dhooma Dr. Mahmoud Loubani

Current Board of Directors

Name of Director Effective Appointment Date
Mohamed F. Khadim March 5, 1999

Sami A. Kaoud May 13, 2003

Mohammed Dhooma September 12, 2003

Appointment of Officers

Effective September 9, 2004, IRFAN's new Board of Directors has appointed or confirmed the appointment of the following Officers:

Name Position

Mohammed F. Khadim President and CEO Wice President Vice President

Sami A. Kaoud Secretary and Treasurer

The foregoing Directors and Officers all hold volunteer positions. Mr. Rasem Abdel-Majid continues to be employed as General Manager.

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The members, directors and officers are now better informed of their respective roles and duties and have undertaken to follow proper corporate procedure and create the necessary documentation to reflect the same.

b) Role of the "directors" based in Jerusalem

The terminology used to describe the committee of volunteers in IRFAN's Jerusalem Office as "directors" in the March 15, 2004 letter from IRFAN to the Charities Directorate was inaccurate and based on management's previous insufficient appreciation of the corporate and legal meanings of the term. The 10-member committee is best described as an "advisory committee". Some of the people for the committee were selected by Mr. Abdel-Majid and the others were selected upon the recommendation of IRFAN's employee in Jerusalem Mr. Khaled Abu Kaff, based on his evaluation of their background, expertise and location of residence. Only three or four of the 10 actively participated at any given time. As advised to you in our conference call of August 26, 2004, this committee's purpose is to provide IRFAN with recommendations for projects. It has no authority to bind IRFAN and it may be dissolved at any time. IRFAN makes all final decisions in Canada after considering the recommendations of IRFAN's Jerusalem office along with other considerations.

On December 30, 2003, IRFAN obtained a new license under the Palestinian Authority for its Al-Ram office (near Jerusalem). As a result of a new focus on West Bank projects, the Advisory Committee was restructured. Attached as **Schedule** "A" is updated information on this Advisory Committee, now consisting of four members.

With respect to an additional clarification of the answer to your question 10 of your letter of January 10, 2004 we reply as follows: IRFAN received a cash donation in Canada in an envelope marked in Arabic "from Bachir" for Aqiqah purposes. So when IRFAN attended to the Aqiqah, IRFAN advised the recipients that that particular Aqiqah was donated by a "Mr. Bachir" in Canada and for that reason the recipients sent an appreciation letter addressed to "Mr. Bachir" care of IRFAN. However, IRFAN has no contact information for this "Mr. Bachir".

IRFAN confirms that it is not opening a branch in Beirut or elsewhere in Lebanon at this time.

2. Direction and Control over Resources

IRFAN is now better cognizant of the legal implications of the types of activities and forms of co-operation in which it may engage and the documentation that must correspond with them.

a) Partnership arrangements with Canadian Registered Charities

IRFAN has instituted improved communication and accounting procedures to better reflect the actual activities that it carries on itself and how it co-operates with other Canadian registered charities, including the transfer of assets.

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With respect to Iraq, Mr. Abdel-Majid had intended to travel to Iraq himself on behalf of IRFAN in 2003 with the relief supplies, however, with the onset of the U.S.-led war, it was deemed to be too dangerous for him to go and the Board of Directors decided the best way to get the supplies there was through another charity.

With respect to Afghanistan and certain other countries, IRFAN will be taking steps to inform donors through publications and its website that IRFAN may use other Canadian registered charities to transmit funds or goods to the needy in those countries in which it is unable to carry out relief work on its own.

With respect to the containers from Mercy International Canada, title was transferred to IRFAN, because IRFAN took complete responsibility for shipping and distribution of the goods.

IRFAN has taken CRA's suggestions and will develop clearer guidelines, contracts, and communications to address the concerns raised.

b) Use of foreign organizations to distribute cash and goods

IRFAN's employee in Jerusalem, Mr. Abu Kaff attends to most of the local distribution in person and supervises or monitors how co-operating foreign organizations use IRFAN's donations. As discussed in the Conference Call and referenced in the Minutes, Mr. Kaff's travel expenses were subsumed in his salary payments, but IRFAN has now instituted procedures requiring Mr. Abu Kaff to provide a separate accounting of his travels and other expenses pursuant to his duties.

Please see Schedule "B" indicating current foreign organizations with which IRFAN is working in 2004. Some additional background information on two of IRFAN's foreign partner organizations is provided in Schedule "C".

These projects can be classified into 5 broad categories as shown in **Schedule "D"**. While most are directly implemented or supervised by Mr. Abu Kaff under the direction of IRFAN, we are also developing other appropriate controls specific and relevant to the particular categories.

c) Agreements with foreign organizations

IRFAN appreciates the comments of CRA and has undertaken to incorporate CRA's suggestions in its contracts. Due diligence and legal counsel will be taken prior to entering into further agreements with foreign organizations and existing agreements will be reviewed and possibly amended.

While due diligence was previously done to some extent, now in dealing with any foreign organizations, the procedures as outlined in **Schedule** "E" have been formalized and implemented by IRFAN.

d) Arrangements with foreign organizations with [alleged] terrorist connections

IRFAN reiterates that it never knowingly had any relationships with any organizations designated by the Canadian government as having terrorist connection. IRFAN refused or discontinued work with any organizations against whom reasonable doubts as to their bone fides as acceptable charities were brought to IRFAN's attention.

As charities in Israel-Palestine are registered either under Israeli law or the semi-autonomous Palestinian Authority, or both, IRFAN worked only with organizations that were licensed and operating under the local governing authority. IRFAN advises that it was common for unsubstantiated allegations to be made from various sources. Therefore, unless a charity's license was revoked by the governing authorities, or it was otherwise shut down, IRFAN continued to work with those organizations which it determined best facilitated the means for IRFAN to carry out its stated charitable objects.

With respect to the specific organizations of concern listed in your chart in Appendix D of the Audit Letter, please see **Schedule "F"** attached hereto that summarizes IRFAN's dealings with these organizations.

In order to provide IRFAN's response to the Audit Letter in a relatively timely and efficient manner, it was determined that there was insufficient time and resources to devote to a detailed or substantive response to the materials in Appendix E of the Audit Letter. Nevertheless, IRFAN reiterates that it never knowingly dealt with Hamas, nor with organizations known or credibly alleged to be controlled or directed by Hamas. IRFAN also was not aware of credible allegations of connections by any of the organizations with which it worked to Hamas, nor did it have prior knowledge of the materials containing such allegations until provided by CRA.

We do feel that it is important to state that the consideration of allegations and the process of listing organizations as terrorist organizations appear to have been made in closed proceedings, often on secret evidence, probably almost exclusively on Israeli or pro-Israeli sources. There appears to be a basic denial of due process and natural justice including the fundamental right to know the accuser, the evidence, and the opportunity to defend oneself including by cross-examination. We also note that many high-profile cases in the United States alleging connections to terrorist organizations against individuals and charities have recently collapsed while resulting in the devastation of innocent people and charitable operations. We urge CRA and the Canadian government in general to exercise considerable caution in reacting to similar allegations.

As stated in 2(c) above and described in **Schedule "E"**, IRFAN has now formalized procedures to monitor government and media sources to systematically obtain updates of the status of organizations.

e) Donations to Canadian organizations that are not a qualified donee.

IRFAN confirms that it is now aware of the requirements and has ceased any further such donations to non-qualified donees.

3. Charitable Donation Receipts

As reflected in the Minutes, IRFAN confirms that it will institute appraisals for gifts-in-kind and will also take CRA's suggestion of formulating an official policy of the types of gifts it will accept.

IRFAN is in receipt of your fax of November 11, 2004 clarifying the concerns regarding tax receipted donations.

IRFAN has taken CRA's suggestion in separately recording (i) non-receipted gifts; (ii) receipted gifts from the public; and (iii) gifts from other charities.

4. Relation between IRFAN and Povrel Jerusalem Fund for Human Services (PJFHS)

There are four nexus points relating IRFAN and PJFHS: a) a mutual desire for IRFAN to carry on activities which PJFHS was unable or unwilling to continue; b) the hiring by IRFAN of three employees that were previously employed by PJFHS; c) IRFAN assuming for goodwill purposes the use of the operating name "Jerusalem Fund for Human Services"; and d) the initial use of the same offices in Canada and Jerusalem for administrative convenience and retention of goodwill.

Some of the initial history of PJFHS is summarized as follows: a) Incorporated as a non-for-profit organization in Ontario on September 23, 1991; b) Incorporators/First Directors: Eltantawy Abdelazim Attia, Rasem Majodih Abdel- Majid, and Ibrahim Mohammad Alkurdi; c) Application for registration as a charitable organization made shortly thereafter; ultimately never successful. d) Jerusalem office registered on July 3, 1995 with the Government of Israel as "Jerusalem Fund for Human Services" (JFHS).

Mr. Abdel-Majid resigned from PJFHS's board in November 1999 and was not privy to their further board decisions; however, he speculates that because PJFHS was not able to obtain charitable status that it could not further grow its operations and considered winding down. When Mr. Abdel-Majid accepted an offer of employment from IRFAN and advised PJFHS in December 2000 that he wished to leave PJFHS for IRFAN, then PJFHS decided that it would be best for them to cease their operations and assist IRFAN in taking over some of the work that PJFHS carried on. IRFAN was beginning to expand its own operations and wished to extend its capabilities and activities in Israel-Palestine.

On February 24, 2001 the PJFHS Board formally passed a resolution briefly summarized as follows: a) to loan its assets for nominal consideration to IRFAN (revocable on reasonable notice); b) to pay its debts and wind up its activities, and transfer residual monies to IRFAN (to carry on its charitable purposes); c) to assign the lease for its premises to IRFAN; and d) to cease all operations as of March 31, 2001 and e) to terminate all employees.

IRFAN wishes to make it absolutely clear that there was no relationship between PJFHS and IRFAN prior to Mr. Abdel-Majid accepting employment with IRFAN. Further, there was no relationship between IRFAN and Mr. Abdel-Majid before the board of directors of IRFAN approached Mr. Abdel-Majid to assist IRFAN in developing their own programs. IRFAN then asked Mr. Abdel-Majid about the desirability of hiring other employees that previously worked with PJFHS and made offers to the two other employees based on his recommendation. These employees were given the opportunity to begin work with IRFAN without a disruption in their employment.

IRFAN's Board of Directors passed a contemporaneous resolution on February 24, 2001 confirming a) that IRFAN would enter into an agreement with PJFHS to "assume and carry out all the current pursuits and activities of Povrel..."; b) to carry on fund-raising under the name of Jerusalem Fund for Human Services (while acknowledging the name was "owned" by Povrel) and assuming Povrel's lease obligations; and c) that Mr. Rasem Abdel-Majid would be hired as Manager and CEO.

On June 1, 2001, the Directors of PJFHS passed an additional resolution assigning the rights to register and use the names PJFHS and "Jerusalem Fund" to IRFAN. IRFAN wished to acquire the goodwill associated with these names, as it would afford IRFAN quicker recognition and acceptance by donors who may have previously given to PJFHS. Unfortunately, this resolution also used words such as "consolidated" and others that could imply a legal merger of PJFHS into IRFAN. IRFAN did not have independent legal counsel at this time. Nevertheless, a legal merger was never intended nor effected. The intention was that IRFAN would carry on where PJFHS would no longer do so. This entailed a "transfer" of the Canadian and Jerusalem operations and staff. Mr. Charles Roach, legal counsel for PJFHS, advised in a letter dated December 28, 2001 that certain formal steps had to be taken to wind up PJFHS. It appears that Mr. Roach was not further instructed to take such steps.

IRFAN, without Canadian legal counsel, did not fully appreciate the legal status of the JFHS office. However, the Israeli authorities were notified of the change of name of JFHS to IRFAN in 2001. We understand that at least two letters were sent for which no response was received. Local legal counsel in Jerusalem advised IRFAN that that such a non-response could be interpreted as allowing IRFAN to continue without objection. Nevertheless, in June 2003, IRFAN applied for a separate license under the Palestinian Authority for IRFAN to be registered as a foreign charity. A reply was received from the P.A. in August 2003 and the license issued December 30, 2003.

Mr. Rasem Abdel-Majid was an original incorporator and director of PJFHS in 1991. He ultimately resigned from the Board of Directors of PJFHS on November 20, 1999 but continued as general manager until March 2001 and retained banking authority until about September 2001. It was while he was at PJFHS, that Mr. Abdel-Majid was solicited by the original Directors of IRFAN to concurrently assist them in IRFAN's activities in Israel-Palestine because of his experience, contacts and knowledge of the region in which IRFAN also wished to operate.

Mr. Mustafa Orab was the office manager in Canada for PJFHS since 1991 and he also joined IRFAN in April 1, 2001 as an office manager.

Mr. Khaled Abu Kaff was the employee in Jerusalem for PJFHS from 1994 to 2001 and he also joined IRFAN in April 2001.

Taken in context, it was entirely reasonable for the parties to presume that the assumption of certain of the assets, goodwill and employees of PJFHS, along with certain existing relationships overseas, would enable IRFAN to quickly and efficiently acquire the capabilities to carry on charitable activities in an area of immense interest and concern to the Muslim and Arab communities in Canada which would be the natural donor base for such activities. The Directors of IRFAN only knew in general terms what "all of the current pursuits and activities" of PJFHS were as relating to charitable activities consistent with IRFAN's own mandate and at no time put their mind to consideration of activities outside of this scope.

The references to Jerusalem Fund for Human Services and IRFAN on the Association of Palestinian Arab Canadians' website were unauthorized and did not provide enough facts to provide the context for the use of the operating name.

The excerpts from the May 23, 2000 Memorandum to the Prime Minister (the "Memorandum") referring to the Jerusalem Fund for Human Services as a "Hamas Front" are troubling. These allegations, as repeated in the House of Commons by Stockwell Day, M.P., on Oct. 31 and Nov. 1, 2003, were only made known to IRFAN in the summer of 2004 after your Audit Letter. Without further substantiation, IRFAN can only speculate that the allegations arose from the associations with organizations alleged to have links with Hamas as detailed in Appendix D of your Audit Letter. Please refer to our response in 2(d) above.

Concluding Remarks

We trust that we have directly addressed all the preliminary findings raised in the Audit Letter.

At the very least, IRFAN hopes that it has demonstrated to you its intention and capability to correct the deficiencies identified and to be in a position to perceive and remedy similar or additional concerns in the future. IRFAN and its Directors are prepared to provide you with any additional information or take such further steps as you may require from IRFAN to resolve any outstanding issues.

If your have further questions or if I may be of any further assistance, please do not hesitate to contact me at your earliest opportunity.

Yours very truly,

SCHEDULE "A"

ADVISORY COMMITTEE IRFAN-Canada Jerusalem Office

IRFAN-Canada Jerusalem Office has replaced the existing ten (10) member Advisory Committee with a new four (4) member Advisory Committee to better represent the Governorates in the West Bank, Palestine. The new members are as follows:

- 1. Mr. Khaled Abu Kaff, Office Manager of IRFAN Jerusalem Office, since 2001. He has a B.A. degree in Sociology & Social Work and has built up wide experience in Project Management and interpersonal relationships.
- 2. Dr. Raed Nassri Hamadah, General Practitioner, works as a volunteer for IRFAN-Canada Jerusalem Office and is representative of the Southern Governorate, The West Bank. He has extensive knowledge in medical equipment and of course drugs and pharmaceutical products.
- 3. Mr. Waleed Marzouk Salhi, is a social worker and works as a volunteer for IRFAN-Canada Jerusalem Office and is representative of the Northern Governorate, The West Bank. He has a M.A. in Sociology and Social Work
- 4. Mrs. Aumaymah Abu Shoshih, is another social worker, works as a volunteer on the Advisory Committee of IRFAN-Canada Jerusalem Office. She has a B.A. in Social Work and is a member of the Palestinian Union for the Handicaps. She has wide experience in dealing with the handicapped and mentally challenged children and adults.

SCHEDULE "B" IRFAN- CANADA – CONTRACTUAL CLASSIFICATION OF PROGRAMS AND PROJECTS FOR THE YEAR 2004 (ISSUE 6)

Name of	Project/Program	Project/Program	Contractual	Status	
Organization	Title	Description	Classification		
1. The	Local Library	Provide a library with	Equipment	Approved '04	
Educational	Sur-Baher and	books, computers &	Provisioning		
Center	neighbouring	furniture to meet the			
(Almuntada	villages,	growing student needs			
Althaqafi)	Jerusalem	population in Sur Baher			
		(Pop. 17,000) & nearby			
		villages (Pop. 35,000)			
2. Haifa	Renovation of	Renovate and add dental	Equipment	Completed	
Educational	Dental Clinic -	equipment to an existing	Provisioning	'04	
Society("The	Wadi Al-Nisnas,	clinic so as to offer free			
Sons of the	Haifa	dental hygiene &			
Poor")		treatment to public			
		schools children, poor			
		families & residents of			
		Haifa.			
3. The Society	Purchasing 30	Establish a secretarial	Equipment	Approved '04	
of In'ash El-	Computers &	training center whose aim	Provisioning		
Usra. (The	Accessories-Al-	to empower Palestinian			
Family	Bireh, Palestine	women and enhance their			
Welfare		skills through computer			
Society)		training courses.			
4.An-Najah	Renovation of	Renovate existing	Equipment	Approved '04	
National Univ.	An-Najah	University carpentry	Provisioning		
& Al-Lod	University	workshop by furnishing]	
Charitable Soc.	Carpentry	with equipment and tools			
	Workshop,	to enable it to meet the			
	Nablus	University's needs.			
5.The Health	Mobile Clinic in	Two years ago, HWC	Equipment	Approved '04	
Work	Western villages	with MERLIN-England,	Provisioning	Project	
Committees	of Ramallah	started an emergency		Started	
(HWC)	(Rantis, Um Ras	health programs in three			
	Karakar &	villages, Request			
	Libban, Pop.	program extension by 2			
	5,300).	years (2004-2005) for			
		emergency & health			
		services	<u> </u>		
6.Jerusalem	Computer &	Establish an internet	Salary	Approved '04	
Ladies	Internet Courses	network & courses to	Assistance +		
Association	for young	spread computer	Medication	<u> </u>	

	women, Jerusalem & surrounding areas.	awareness & open income-generating opportunities.		
7.West Bethlehem Area Development Program	Kindergarten, in Hussan, Wadi Fuqueen.	Establish a kindergarten to serve children in Wadi Fuqueen.	Equipment Provisioning	Completed '04
8. The Health Work Committees (HWC)	Elevators for Qalqilia Clinic & Beit Sahour Medical Center.	a)Provide one Personnel Elevator at Qalqilia Medical Center & b) One Patient Elevator and one Personnel Elevator at Beit Sahour Medical Center.	Equipment Provisioning	Approved '04 Project Started
9. Makassed Islamic Charitable Hospital	Upgrading of the Cytogenetic Lab.	Provide the Hospital's Genetic Dept. with a New Automated Karyotyping System- new microscope, computer, and accessories.	Equipment Provisioning	Approved '04 Project Started
10. Tarqumia Charitable Society	Equipping a Dental Clinic in Tarqumia-Hebron	Provide the necessary Dental Equipment to serve Turqumia and surrounding Villages with dental care.	Equipment Provisioning	Approved '04
11. Project Deleted	Project Deleted	Project Deleted	Project Deleted	Project deleted
12.Thalassemia Patients' Friends Society (TPFS)	TPFS Health Education & Awarness Program	Conduct an intensive educational & training programs on Thalassemin medico-social issues for about 1,024,285 students & selected biology teachers.	Salaries & other costs	Approved '04 Project Started
13.IRFAN- Jerusalem	Small Projects Grants	Halhul School for girls in Halhul Al-Aqsa School in Sur- Baher Al-Khansa women	Equipment Provisioning	Completed '04 Completed '04 Completed

14. IRFAN- Jerusalem .Self-Help	Purchasing Sewing Machines.	Assoc. Marah Rabah School Um Tuba Kindergarten Abna Alkahihin Kindergarten Self-Help Project for the physically impaired, Basil Abdullah.	Equipment Provisioning	'04 Completed '04 Approved '04 Approved '04 Approved '04
Project	Machines.	Dasii Abdullan.		
15.Al-Lod Charitable Society	Housing Project	Rebuilding 44 houses as per Phases 3&4 in Nablus and camps Balata, Askar and Beit Elma.	Equipment Provisioning	Completed '04
16.IRFAN- Canada & AEI	Orphans Program	Sponsorship of over 1,200 orphans (including 32 from Lebanon) with care and life necessities.	Funds Transfer to Orphans	On-going '04
17. Al-Razi Hospital	Neonatal Unit at Al-Razi Hospital Project in Jenin.	Adding a new Neonatal Unit to meet demand, reduce & improve maternal mortality and maternal services.	Equipment Provisioning	Completed '04
18. AEI in Gaza	Community Health & Nutrition Centre	Establish a Health & Nutrition Rehab Centre to improve the health and nutritional status of Palestinian children & mothers in the refugee camps in Gaza Strip.	Equipment Provisioning	Completed '04
19. AEI in Gaza	Psychological Support Project over two years.	Provide Psychological treatment for depression, anxiety, phobia, etc. for 1,500 women and 500 children in Gaza.	Salaries & Other Costs	Approved '04 Project Started '04
20.IRFAN- Canada	Construction of Kiosks, Freezing Food and packaging Projects	Construct three Kiosks for three families becoming self-supporting & with secure income.	IRFAN run Projects	Completed '04
21.IRFAN- Canada,UN & Al-Ama'ri Committee	Speech Therapy Rehabilitation Center at Al- Ama'ri Refugee Camp	Establish a Speech Therapy Center for rehabilitation of 199 speech-challenged adults & children in Al-Ama'ari Camp in cooperation with	Salaries for Assistance	Completed '04

		the UN.		
22.IRFAN- Canada	Zabeeha Program	Contribution to needy families during Eid-Al-Adha in Palestine, Iraq, Lebanon, Afghanistan and Guyana	IRFAN run Program	Completed '04
23. ICNA Relief	Emergency Relief for IRAN	Supply Emergency Relief to the victims of Iran Earthquake in BAM	Equipment Provisioning	Completed '04
24.AEI- Gaza	Establishment of water distillation station in Nusierat & other Camps in Gaza Strip	Provide fresh water supply to schools and the local community (pop. 48,000). Present water supply is polluted and contains harmful materials causing kidney stones and malignant tumors.	Equipment Provisioning	Completed '04
25. AEI - Gaza	Job creation program for University & Secondary School graduates.	Support for add'l educational efforts for 165 students who missed part of their curriculum extended from June'03 to June'04 in Deir El-Balah & El-Zawaida refugee camps.	IRFAN run Program	Completed '04
26. AEI - Gaza	Emergency and Humanitarian Program	Rebuilding House of M.Mushref in Al- Maghazy Camp	Equipment Provisioning	Completed '04
27. AEI - Gaza	Drilling of new small Well	Drilling of a new small well in the Middle Zone between Al-Bareij & Al-Maghazy Camps.	Equipment Provisioning	Completed '04
28. AEI in Gaza	Community Health & Nutrition Center. Extend this Program by two years for 04/05	Program extended due to the increase in demand; the objective is to improve the health & nutritional status of children & mothers in the refugee camps in Gaza Strip.	Salaries & other Costs	Completed '04
29. AEI in Gaza	Emergency & Humanitarian Program	Purchase of a Mobile Clinic to serve poor and remote areas in Gaza	Equipment Provisioning	Approved '04

		Strip.		
30. AEI in Gaza	Support malfed children & anemic mothers in Gaza, Jabalya, Khan-Younis and Rafah.	Program to improve the health and nutritional status of malnourished children and anemic mothers with nutritious food packages	Emergency Foodstuff	Completed '04
31. AEI in Gaza	Emergency Food packages to homeless Palestinians in Rafah	Provide emergency aid to homeless Palestinians affected by the recent incursion & house destruction in Rafah area	Emergency Foodstuff	Completed '04
32. AEI in Gaza	Urgent Medical Treatment the needy & poor patients in Gaza.	Provide free medical, nutritional and micronutrient supplements for treatment of common childhood illnesses and diseases.	Salaries for Medics	Approved '04 Program Started
33. AEI in Gaza	Provide safe drinking water for schools in the Middle Camps.	Provide Desalinations plants to process safe drinking water for 29 Kindergartens and 3 Elementary schools in the Middle Camps.	Equipment Provisioning	Approved '04
34. El-Mouasy Cooperative (AEI	Establishment of 3 water distillation	a)1st well supports 70 families(600) & 2 nd well supports 55 families(450)	Equipment Provisioning	Approved '04
supervision) in Gaza	stations in Swedish Village, Bedouin zone and Mouasy	b) 3 rd well supports 550 families and 3500 persons	Equipment Provisioning	Approved '04
35. AEI - Gaza	Physically Handicapped Rehabilitation Center in Dair Al-Balah City	Provide Centre to (i) create jobs for the physically handicapped and (ii) provide social services for target group to integrate in society after developing their working skills.	Salaries & other Costs	Approved '04 Project Started
36. Palestinian Psychological Guidance Assoc.(PSGA)	Young Counselor in Bait Hanoun, North Gaza	Provide service to (i) diagnose & expose psychological problems among children (ii) give	Salaries & other costs	Approved '04

(AEI supervision.)		children the chance to develop themselves (iii) enhance & create leadership & method of coping among children.		
37. AEI - Gaza	Maternity & Delivery Unit Project in Middle Camps, Nusierat	Establish Maternity/Delivery Unit serving the Middle Camps, with a population of 60,000 to 70,000.Provide an all female medical staff, easily accessible & expanded services.	Equipment Provisioning	Approved '04
38. Al-Huda Development Association (AEI supervision.)	Free, Healthy & Nutrient snacks in Khan Younis Schools.	Provide (i) training of local women to prepare healthy and nutritious food for their children,(ii)free cakes to 5 schools and(iii) improving the standard of living and creating work opportunities.	Emergency Foodstuff	Completed '04
39. Association of Visually Impaired GradsLeague (AEI supervision)	Transform written books on cassettes and train on computers the visually impaired	Provide(i) special computers, scanners, cassettes and printers and (ii) transform written books into cassettes for the visually impaired	Equipment Provisioning	Approved '04
40. Makassed Islamic Charitable Hospital, Jerusalem	Training Course in Child Development	Provide a training course to all individuals who have direct or indirect relationship with children development such as social workers, nurses, medical doctors, teachers t	Salaries & other Costs	Approved '04
41. Red Crescent Hospital	Infant Delivery Beds	Provide infant delivery beds, especially for cases of immature births, to meet the demands of the West Bank population.	Equipment Provisioning	Completed '04
42. Badr for Relief & Development	Drilling for water in Garlol, Mauritania	Provide the drilling and necessary equipment for water prospecting, building towers for water	Equipment Provisioning	Approved '04

,		storage and distribution to local farmers.		
43. Life for Relief & Development	Caravan medical clinic in Iraq	Establish a new health care centre (consisting of a 4-Units Caravan) to meet the urgent needs of towns & villages.	Equipment Provisioning	Approved '04
44. IRFAN - Jerusalem	Health Campaign Services Project	Provide Optical, Hearing Aid and Dental treatment and equipment to 3,500 women & children in Old City of Nablus & surrounding areas, Nablus Camps.	Equipment Provisioning	Approved '04
45. IRFAN- Canada & AEI,Gaza	Ramadan Food Packages Program	Supply families in West Bank(WB), Gaza Strip (GS) & Lebanon with food packages during the holy month of Ramadan	Emergency Foodstuff	Completed '04
46. IRFAN- Canada, Jerusalem & AEI, Gaza	School Bags and Stationery for the Needy in WB & GS	Supplying over 6,000 school bags & stationery for needy students in Nablus, Jerusalem neighborhoods & Gaza Strip.	IRFAN run Program	Completed '04

47. Project	Project Deleted	Project Deleted		Project
Deleted				Deleted
48.IRFAN-	Handicapped	Support, in coordination with UNRWA and local committees,	IRFAN run	Completed '04
Canada, Jerusalem	& Healthy Children	summer camps for 150 children	Program	
	Summer Camp	(90 handicapped & 60 healthy)		
	Program	through participation in cultural		
		& entertainment activities.		
49.HWC &	Partial Subsidy	Partial subsidy to cover the cost	Equipment	Completed
IRFAN-	for van for use	of a van to be used in outreach	Provisioning	' 04
Canada,	in Outreach	areas by Doctors & nurses.		
Jerusalem	areas by			
	Doctors			

SCHEDULE "C"

Background Information on Selected IRFAN-Canada Partner Organizations

1. Health Work Committees (HWC)

The Health Work Committees (HWC) is a non-governmental, non-profit organization that was founded in 1985 on the initiative of a group of volunteers who worked in the health sector, in order to meet the health needs of the Palestinian population that lives throughout the West Bank and Gaza Strip. HWC provides health care to people regardless of their race, gender, religion or political affiliation.

During the latter part of the eighties, HWC established two mobile clinics, one in Jabalia refugee Camp (Gaza Strip) and the second in Idhna village (Hebron Governorate). Also, during the nineties, and as a result of the increasing needs, particularly in the villages and refugee camps, HWC opened more than 45 permanent health clinics to provide primary health care and emergency services.

HWC cultivated cooperative working relationships (after the Oslo accord) with the Palestinian Ministry of Health and Palestinian charitable organizations, as well as many collaborative relationships with numerous international organizations. Later and due to the geo-political situation, HWC formed two separate administrations in the West Bank and the Gaza Strip. This enabled each administration to work independently, and thus maximize output, with a high level of cooperation between the two.

At the beginning of 2004, and as a Palestinian charitable organization, HWC has a pioneering role in presenting specialized health services. The strategic plan was created and the phasing of its goals and strategies for the next five years were documented. The organization's second conference was held and the board of directors and president were elected.

2. Ard El-Insan

Ard El-Insan (AEI) is a local Palestinian non-governmental Organization based in the Gaza strip. AEI was established in 1984 as an affiliate of the Swiss Agency "Terre des Hommes." In 1997, AEI became an independent local organization and registered with the Palestinian National Authority/Ministry of Interior under #6703 and governed by a local Board of Directors. AEI works mainly within child health and nutrition, providing services to the neediest and marginalized children under five, their mothers and families. Four Community Health, Nutrition and Rehabilitation Centers located in Gaza City, Middle Camps, Khan Younis and Rafah provide these services. The four Centers provide curative, preventative and educational health services to patients in the above areas. In addition, each Center is conducting community based programs targeting vulnerable areas in different locations, such as refugee Camps, villages and deprived remote and rural areas adjacent to Israeli settlements.

SCHEDULE "D"

CLASSIFICATION OF IRFAN-CANADA PROJECTS/PROGRAMS FOR THE YEAR 2004

IRFAN-Canada Projects/Programs can be broadly classified under five (5) main categories and are as follows:

1. Provisioning of Equipment

This includes the purchase of Dental, Medical, Computers, etc. from a local supplier through a tendering process. The specification of the equipment is published in the local newspapers (in Arabic, English & Hebrew) inviting all interested to bid on Equipment. Briefly, responses are evaluated by IRFAN-Office in Jerusalem through an Advisory Committee and recommendations are sent to the IRFAN-Canada Head Office in Mississauga. Final decision is made in Canada.

Contracts are awarded locally to Palestinian and/or Israeli Companies. All monies are wired transferred directly to the bank account of the Company which was awarded the contract, but subject to the terms & conditions of the Contract.

2. Funds Transferred to Orphans

Upon our instructions and about six months ago, IRFAN-Jerusalem Office was directed to negotiate with the local Banks in Palestine to handle the distribution of the monthly aid to the Orphans. The process agreed upon will be as follows:

IRFAN-Canada will wire transfer the monthly aid to the IRFAN-Jerusalem Office account for Orphans. The latter will verify the list of all the orphans and ensure that it is accurate and up-to-date. Then the monies will be transferred to the various banks nearest to the center of population.

The Orphan with his ID papers (and if minor with his guardian) proceeds to the designated area bank for receipt of his monthly allowance. The orphan (with his guardian were applicable) will sign the record book at the bank and receives his/her allowance.

3. IRFAN-Jerusalem Run Projects

These are normally small projects/programs and address the educational sectors and serves children in schools and kindergarten. For example, sun/winter protectors were required for the schools to protect the children from the summer heat and the rain in the winter months. A collection of these projects/programs are tendered into one contract, since cheaper prices could be had for larger quantities. All these projects/programs are supervised by IRFAN in Al-Ram.

4. Emergency Foodstuff

The process of procuring Foodstuff (includes rice, sugar, oil, dried milk, etc) follows closely the same tendering process as stated in (1) above. The distribution of the Foodstuff is normally supervised by Mr. AbuKaff.

5. Salaries and Other Costs

These costs are part of a project where certain expertise is required to develop a given program. This could aptly be explained with an example. The "Computer and Internet Courses" program was approved for 2004 implementation and its intent was to help women in the Jerusalem area in opening income generating opportunities and spread awareness and culture among them. Also, to enable school children (six years +) to obtain computer-oriented education after school as some of the Palestinian schools do not offer such a facility.

In addition to the Hardware/Software requirements, there are the salaries of two computer instructors which will perform the actual training and will train others to become instructors (train the trainer concept).

SCHEDULE "E"

IRFAN-CANADA DUE DILIGENCE PROCEDURES FOR PROJECTS/PROGRAMS

In order to avoid future dealings and misapplication of Resources to unlawful organizations, IRFAN-Canada has adopted the following procedures:

- 1. <u>Verification of submission by Jerusalem Office</u>
 Upon receipt of a project or program proposals, the Jerusalem Office had in the past and will continue to take the following steps:
 - (a) Review the project/program, identify the name of the Non-Government Organization(s)(NGO) or Charitable Organization sponsoring the programs/projects, other Agencies (such as USAID, UNICEF, CIDA European Countries) that may had funded any previous programs and who is the benefiting sector(s) of the community.
 - (b) Conduct a background check to determine (i) whether the NGO(s) are licensed by the local authorities such as the Ministry of Interior, NGO(s) Department for the Palestinian Authority and the Israeli Government and (ii) that the personnel involved in running the NGO or implementing the project(s)/programs are not related to any of the alleged terrorist organizations.

(c) If unable to obtain information in (b), due to non-availability or difficulty in

- procuring such information, it is advisable to search the internet by starting with the following websites:

 www.ustreas.gov/offices/enforcement/ofac/sanctions/terrorism.html

 www.stste.gov/s/ct/rls/fs/2002/16181.htm

 www.un.org/News/Press/docs/2003

 www.un.org/News/Press/docs/2004
- (d) Request from the Palestinian National Authority (PNA) and the Israeli Government to confirm the status of any New Organization or Committees that may have applied for resource allocation and prior to any commitment made from IRFAN-Canada. If "clean" send proposal to IRFAN-Canada, otherwise discard "unclean" proposal after briefing same on the situation.
- (e) Monitor and review on a regular basis the local Arabic and Hebrew Newspapers for any news dealing with closures of NGOs or Committees.
- (f) Ensure that any closure(s) in (d) are either on a temporary or permanent basis, effective dates of closures and if any specified allegations are stated.

2. Verification of submission by IRFAN-Canada

IRFAN-Canada had maintained and will continue due diligence procedures in ensuring that all aid goes to provide relief and to alleviate the suffering of the sick and poor.

Upon receipt of a "clean" proposal or request for aid from IRFAN-Jerusalem, IRFAN-Canada had and will continue to take the following steps:

(a) Verify through the use of websites mentioned in (c) above in addition to those of the Solicitor General of Canada and others (stated below) for updated lists of unlawful organizations.

www.sgc.gc.ca/publications/news www.psepe-sppcc.gc.ca/publications/news http://www.osfi-bsif.gc.ca/eng/default.asp?ref=home www.canada.gc.ca/ssc/press-us_e.html

- (b) Monitor and review on a frequent basis the local and cross-border newspapers for any news dealing with the banning and closures of NGOs in Canada and branch offices overseas.
- (c) Transmit to IRFAN-Jerusalem any findings in regard to the listing of unlawful organizations and directives to cease dealings with such organizations. Otherwise, "clean" Programs/Projects will be approved for financing and execution.

IRFAN-Canada had in the past and will continue to take the necessary steps and follow above procedures and to ensure that the allocation of financial support and relief aid will be directed to "clean" Organizations and Committees. IRFAN-Canada can only verify information that is in the public domain and can be easily accessible through the internet and newspapers.

<u>Confidential and Without Prejudice</u> SCHEDULE "F" STATUS OF YEAR 2002 PROJECTS INVOLVING QUESTIONABLE ORGANIZATIONS IN THE WEST BANK AND GAZA STRIP USING IRFAN-Canada RESOURCES

Organization	Project/Program	Project/Program	General Notes	Actions Taken by IRFAN-Canada
Name/Project or	Start Date	End Date		
Program Name	(Request Date)			
Medical Scientific Soc.	September 2001	August 2002	Provisioning of Mobile X-Ray	IRFAN-Canada was unaware in
(MSS)/Pharmaceuticals	_		Equipment to Qabalan Clinic.	2001/2002 about the one allegation
,			One allegation.	leveled against MSS. IRFAN-Canada
			Qabalan Clinic belongs to MSS.	has suspended immediately all
			Refer to Note 1 for background	working relationships in mid '04 with
			information on MSS	MSS upon receipt of information.
Orphan Care	August 2001	April 2004	Projects/Programs included	All the activities with this Society
Soc.(Orphan Care			provisioning of Hospital Elevators,	were stopped after the Israeli
Charity, Orphan Care	,		Orphans sponsorship, Food	Authorities had closed the office in
Committee) Bethlehem			Packages (Ramadan & Zabeeha) &	April 2004.
			School bags program.	
			Numerous allegations.	
Orphans & Needy Care	September 2001	May 2004	Projects/Programs included	IRFAN-Canada stopped all activities
Charity, Jericho	1		Orphans Sponsorship and	with this Society although it was not
i]	,	provisioning Food Packages.	closed or blacklisted by the Israeli
			One allegation.	Authorities. This Society is still
				working in Jericho.
Jenin Zakat Committee	August 2001	April 2003	Projects/Programs included	IRFAN-Canada ceased all activities
(Charity Committee)			Orphans Sponsorship, provisioning	with this Committee in April 2003
			Food Packages, Zabeeha & School	after the office was visited by the
			Bag Program.	Israeli Authorities.
			Numerous allegations	
Ramallah Zakat	August 2001	November 2003	Projects/Programs included	IRFAN-Canada ceased all activities
Committee			Orphans Sponsorship, provisioning	with this Committee in November
			Food Packages, Zabeeha & School	2003 after the office was visited by
			Bag Program.	the Israeli Authorities.
<u> </u>		<u> </u>	Some allegations	

<u>Confidential and Without Prejudice</u> SCHEDULE "F" STATUS OF YEAR 2002 PROJECTS INVOLVING QUESTIONABLE ORGANIZATIONS IN THE WEST BANK AND GAZA STRIP USING IRFAN-Canada RESOURCES

Islah(Reform) Society [Al-Salah/Al-Islah Association], Gaza	September 2001	March 2002	Program included Orphan Sponsorship. Numerous allegations	IRFAN-Canada had no activities with this society during the last 2 years
Toulkarim Zakat Committee (Charity Society)	June 2001	April 2004	Projects/Programs included Orphans Sponsorship, provisioning Food Packages, Zabeeha & School Bag Program. Numerous allegations	IRFAN-Canada ceased all activities with this Committee in April 2004 after the office was closed by the Israeli Authorities.
Qalqilia Zakat Committee (Charity Committee)	July 2001	April 2004	Projects/Programs included Orphans Sponsorship, provisioning Food Packages (Ramadan), Zabeeha & School Bag Program. Some allegations	IRFAN-Canada stopped all activities with this Committee in April 2004 after the office was checked by the Israeli Authorities.
Nablus Zakat Committee	July 2001	April 2004	Projects/Programs included Orphans Sponsorship, Zabeeha & School Bag Program Some allegations	IRFAN-Canada stopped all activities with this Committee in April 2004 after the office was visited by the Israeli Authorities.
Al-Islah Society, Bethlehem	September 2001	August 2002	Project/Program included provisioning Food Packages. Some allegations	IRFAN-Canada stopped all activities with this society in August 2002 after the office was visited by the Israeli Authorities.
Islamic Charitable Society, Hebron (Hebron Charitable Society (Islamic Charity – Hebron)	July 2001	January 2003	Projects/Programs included Orphans Sponsorship, provisioning of Food Packages & School Bag Program. Numerous allegations	IRFAN-Canada ceased all activities with this society in January 2003 after the office was closed by the Israeli Authorities.

SCHEDULE "F"

STATUS OF YEAR 2002 PROJECTS INVOLVING QUESTIONABLE ORGANIZATIONS IN THE WEST BANK AND GAZA STRIP USING IRFAN-Canada RESOURCES

NOTE

1. Medical Scientific Society

The Medical Scientific Society (MSS) in Palestine is one of the non-governmental associations that are working in the charitable fields. It supervises 11 clinics that offer free medical services to the poor in remote and isolated areas of Palestine. The Qabalan was one of the many hospitals and medical clinics/centers, which benefited from and was part of a Project that supplied emergency medical supplies and pharmaceutical products (medicine) to the poor and sick in the West Bank. The medicine and medical supplies were distributed also to the following:

- Al-Ahli Hospital, Hebron
- Al-Maqassed Hospital, Jerusalem
- Rafeedia Hospital, Nablus
- Al-Razi Hospital, Jenin
- Health Work Committee Medical Centers in Sahour, Halhoul, Borin and Toulkarim

All of the above Hospitals/Clinics were dispensing basic medical services and medicine, either free or semi free, to the poor and neglected in their specific and remote areas of the West Bank. All medical supplies and medicine were bought through public tender and awarded to reputable Pharmaceutical Companies (Israelis or others) and distributed accordingly. The Qabalan Clinic which is one of the 11 clinics that belongs to MSS, was provided with a portable x-ray unit and film processor to serve patients in the remote communities.

2. Some of the Zakat Committees and other entities were visited by the Israeli Authories and may had been declared "Unlawful Organizations" yet they continued to operate in some instances for up to two years or more before actual closures took place.

Povrel Jerusalem Fund for Human Services

RESOLUTION

WHEREAS THE BOARD of Directors of Povrel Jerusalem Fund for Human Services [POVREL] is desirous of consolidating the efforts of the Corporation with another Corporation for the fund raising in fulfillment of its aims and objective;

AND BECAUSE THE International Relief Fund for the Afflicted and Needy (Canada) [IRFAN] is a charitable corporation with similar aims and objectives as Povrel;

AND WHERES it is prudent and advisable for POVREL to join forces with IRFAN as its operation is broader in scope and incorporates the kind of works POVREL has been doing;

The Board of Directories convened this day, now resolves:

- 1. That the fiscal assets of Povrel Jerusalem Fund for Human Services [POVREL] including all vehicles, furniture, office equipment, stationary, and consumable supplies are loaned to the International Relief Fund for the Afflicted and Needy (Canada) [IRFAN] for an indefinite period for consideration of the sum of \$1.00 (one dollar). Povrel Jerusalem Fund for Human Services may regain control and custody of all items upon reasonable notice;
- 2. That **POVREL** take steps to wind up its activities and pay off its outstanding financial obligations and transfer the residue of any monies in its bank accounts of **IRFAN**;
- 3. That **POVREL** assign its lease of the premises, unit number 204, 2465 Cawthra Road, Mississauga, Ontario L5A 3P2 to **IRFAN** upon obtaining consent of the Landlord, "The Coming Generation".
- 4. That POVREL cease all active operations as a corporation from and after the 31st day of March, 2001;
- 5. That **POVREL** terminate all services and discharge all employees now under contract with **POVREL**.

Dated at Toronto this day of 24th of February, 2001

Mohamed Alkoka

Ahmad Teebi

Tantawi Attia

Ibrahim Arid

Mohamed Abokasem

International Relief Fund for the Afflicted and Needy (IRFAN)

RESOLUTION

WHEREAS IT IS UNDERSTOOD that Povrel Jerusalem Fund for Human Services [POVREL] wishes to cease all of its activities and turn over its assets and use of the name Jerusalem Fund to IRFAN, The Board of Directors of IRFAN meeting this day have resolved that:

- 1. IRFAN enter into an agreement with Povrel Jerusalem Fund for Human Services [POVREL] to assume and carry out all the current pursuits and activities of Povrel and such purposes will lease all physical assets of Povrel for the sum of \$1.00.
- 2. IRFAN will carry on fund-raising events under the name of Jerusalem Fund for Human Services but acknowledges that the name of the said fund is owned by POVREL. In consideration of Loans and gifts from POVREL, the Board of IRFAN assume the Lease of Premises at Unit 204, 2465 Cawthra Road, Mississauga, Ontario L5A 3P2 and will pay rents and obligations to such tenancy.
- 3. The Board will enter into an employment contract with Mr. Rasem Abdel-Majid appointing him to the position of manager and chief executive officer of IRFAN with terms of employment to be set out in a separate letter.
- 4. This resolution shall be implemented forthwith and shall be of indefinite duration subject to reasonable notice.

Dated at Toronto this day of 24th of February 2001

Mohamed Farhad Khadim

Nadeem Siddiqui

Reyad Hobba

Mohammad Ammar

Wael Haddara

Mr. Naseer (Irfan) Syed Baksh Kutty Barristers & Solicitors 80 Corporate Drive, Suite 302 Scarbororough, Ontario M1H 3G5

December 21, 2004

Dear Mr. Syed:

RE: International Relief Fund for the Afflicted and Needy ("IRFAN")

Charity Audit

Thank you for your letter of November 19, 2004.

We are now closing the audit of IRFAN that focussed on its 2002 fiscal period. The audit results indicate that IRFAN complies with the appropriate provisions of the *Income Tax Act*, apart from some areas where IRFAN has undertaken to take corrective action. These undertakings are listed in an appendix to this letter. As a result, there will be no change in IRFAN's status as a registered charity. However, CRA may conduct a follow-up audit at a later date to evaluate IRFAN's continued compliance with the *Act*.

A second appendix responds to proposals contained in your November letter. It contains some suggestions for IRFAN's consideration.

The completion of an audit does not give permission to destroy the books and records that were audited. IRFAN should retain the records examined in accordance with the policy described in the Information Circular 78-10R3 "Books and Records Retention/Destruction" available at www.ccra-adrc.gc.ca/charities.

Yours sincerely,

Charities Directorate

Attachment

Appendix 1

Undertakings Provided by IRFAN

(Extracts from letter of November 19, 2004; numbering refers to the issues raised during the audit)

1a

The members, directors and officers ... have undertaken to follow proper corporate procedures and create the necessary documentation to reflect the same.

2b

IRFAN has instituted improved communication and accounting procedures to better reflect the actual activities that it carries on itself and how it co-operates with other Canadian registered charities, including the transfer of assets.

IRFAN will be taking steps to inform donors through publications and its website that IRFAN may use other Canadian registered charities to transmit funds or goods to the needy in those countries in which it is unable to carry out relief work of its own.

IRFAN has taken CRA's suggestions and will develop clearer guidelines, contracts, and communications to address the concerns raised.

2c

[IRFAN will be able to validate that its employee is actively monitoring charitable distributions by having its employee] provide a separate accounting of his travel and other expenses pursuant to his duties.

2d

IRFAN ... has undertaken to incorporate CRA's suggestions in its contracts. Due diligence and legal counsel will be taken prior to entering into further agreements with foreign organizations and existing agreements will be reviewed and possibly amended. ... [Due diligence procedures] have been formalized and implemented by IRFAN.

2e

IRFAN confirms that it is now aware of the requirements [respecting funding to non-qualified donees] and has ceased any further such donations ...

3

... IRFAN confirms that it will institute appraisals for gifts-in-kind and will also take CRA's suggestion of formulating an official policy of the types of gifts it will accept.

IRFAN has taken CRA's suggestion in separately recording (i) non-receipted gifts; (ii) receipted gifts from the public; and (iii) gifts from other charities.

Appendix 2

Comments on letter of November 19, 2004

First, I would like to offer some comments and suggestions on Schedule E of the letter, "IRFAN-Canada's due diligence procedures for projects/programs."

- Numerous lists of terrorist entities now exist, published by the United Nations, various agencies in the United States, and other governments around the world. The most complete Canadian list is that produced by the Office of the Superintendent of Financial Institutions ("OSFI"). From OSFI's home page (at the web address you cite), one can find the list by going through either "Most requested documents" or "Quick links" to "Suppression of terrorism." Once the OSFI list has been reviewed, a charity exercising its due diligence procedures would not need to refer to the other Canadian web sites you identify.
- Whatever authority is responsible, listing procedures will never keep up with the capacity of terrorist groups to restructure their support networks, nor will they be able to keep track of small local entities associated with terrorist groups. For example, the OSFI list includes HAMAS, but not the Al-Salah Society in Gaza even though the latter was declared an "unlawful society" by Israel in 2002 and had its funds frozen by the Palestinian Authority the following year because of its connections to HAMAS. In short, lists cannot replace good local intelligence. In the West Bank and Gaza Strip, IRFAN potentially has that good local intelligence in the form of its employee and advisory committee located in Jerusalem. Now, it needs to finalize its due diligence policy and instruct these individuals on the procedures they must follow.
- IRFAN's due diligence policy should also cover how it will select partner agencies for projects outside the West Bank and Gaza Strip.
- The letter states that IRFAN "never knowingly dealt with Hamas, nor with organizations known or credibly alleged to be controlled or directed by Hamas. IRFAN also was not aware of credible allegations of connections by any of the organizations with which it worked to Hamas, nor did it have prior knowledge of the [open-source] materials containing such allegations until provided by CRA" (emphasis added). The test of IRFAN's due diligence procedures will be that it does not find itself without such prior knowledge in the future.

Second, I would stress the critical importance of charities retaining direction and control over who ultimately benefits from their programs. The corporate objects of a charity like IRFAN empower its officers to use the corporation's funds to relieve poverty. If these officers allow the funds to be used for other non-charitable purposes, they are not simply offside the *Income Tax Act*, but also personally liable under trust law to make good the unauthorized expenditures. At a minimum, this implies that in

contracts with foreign partner agencies, IRFAN needs to include a clause that spells out who can benefit from the goods or funds it is providing, or more technically, the selection criteria by which the beneficiaries are to be chosen.

IRFAN's current move to use local banks to distribute the monthly aid to orphans, described in Schedule D of the letter, will no doubt serve it well in ensuring that local agencies cannot obtain an improper benefit from IRFAN's programs. Left unaddressed is the question of how IRFAN will ensure that the children to be helped are selected because they are poor and not for other reasons outside the scope of IRFAN's corporate objects. IRFAN's task in this respect is made more difficult because it sponsors orphans in several countries (for example, Schedule B to the letter refers to 40 orphans in Lebanon being sponsored). Clearly, a Canadian charity operating in other countries must rely to some extent on local expertise in helping it to identify the children who are truly in need. What is required is a policy to ensure clear instructions are given to the local agent and a reasonable process of verification is in place to check that these instructions are being carried out.