



**MUSLIM ASSOCIATION OF CANADA**

**Audited Financial Statements**

**June 30, 2010**

## **MUSLIM ASSOCIATION OF CANADA**

### **Financial Statements**

**June 30, 2010**

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## **Auditors' Report**

### **TO THE BOARD OF DIRECTORS OF Muslim Association of Canada**

I have audited the balance sheet of Muslim Association of Canada as at June 30, 2010 and the statements of income, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the charity's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many non-profit organizations, the charity derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Charity and I was not able to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenses, assets and net assets.

In my opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Charity as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures have been audited by another auditor who expressed an opinion with reservation concerning the completeness of the donation revenues on those statements in their report of September 20, 2009.

Montreal, Québec

Chartered accountant

**Muslim Association of Canada**  
**Statement of Financial Position**  
For the year ended June 30, 2010

	2010	Restated 2009
<b>Assets</b>	\$	\$
<b>Current assets</b>		
Cash and cash equivalent	2,365,646	5,221,081
Accounts receivable (note 4)	119,903	120,336
Deposit	10,000	10,499
Investments in marketable securities (note 5)	2,142,627	576,296
Prepaid and sundry	15,516	7,274
	<u>4,653,692</u>	<u>5,935,486</u>
 Investments in private companies (note 6)	110,954	112,430
Property, plant and Equipment (Note 7)	24,823,655	16,329,624
Intangible assets (Note 8)	100,000	100,000
Other assets (Note 9)	229,666	-
	<u>29,917,967</u>	<u>22,477,540</u>
 <b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	220,201	14,207
Advances payable (Note 11)	899,759	395,659
Current portion payable within the next year (note 12)	783,237	996,415
	<u>1,903,197</u>	<u>1,406,281</u>
 Long-term debt (note 12)	7,165,517	4,862,966
Loan payable (Note 13)	424,240	511,220
Other Liabilities	14,317	-
	<u>9,507,271</u>	<u>6,780,467</u>
 <b>Net assets</b>		
Net assets invested in property, plant equipments	24,823,655	16,329,624
Unrestricted Net Assets	<u>(4,412,959)</u>	<u>(632,551)</u>
	<u>20,410,696</u>	<u>15,697,073</u>
	<u>29,917,967</u>	<u>22,477,540</u>

Signed for the Board,

President

**Muslim Association of Canada**  
**Statement of Operations**  
For the year ended June 30, 2010

	2010	Restated 2009
	\$	\$
<b>Revenues</b>		
Donations	7,920,588	6,144,507
School Fees	2,344,195	2,098,104
Investment and Sundry (note 15)	1,484,730	673,207
Governmental contributions to social activities	60,373	56,531
	<u>11,809,886</u>	<u>8,972,349</u>
<b>Expenses</b>		
<b>Expenses</b>		
Salaries, wages and fringe benefits	3,328,466	2,838,412
Social, religious and program activities	834,983	678,048
Maintenance and repairs	267,674	443,595
Utilities	268,515	358,022
School Supplies	308,374	280,977
Professional fees	242,477	276,630
Contributions to Canadian charities	161,624	230,243
School bus operating cost	63,926	142,981
Rental for halls and facilities	80,476	103,078
Conferences, conventions, training and seminars	88,215	95,024
Office supplies	32,038	71,767
Fundraising Expenses	84,624	66,876
Insurance	78,556	65,223
Office and general	47,135	61,478
Realty taxes	74,388	58,165
Printing and stationery	47,631	51,751
Telecommunications	41,590	39,117
Travelling and entertainment	38,178	20,832
Advertising and promotion	23,681	19,393
Equipment rental	4,123	18,419
[REDACTED] credit card and bank charges	14,557	17,539
Computer maintenance and supplies	14,708	10,438
Security	16,300	10,096
	<u>6,162,239</u>	<u>5,958,104</u>
Financing charges	357,204	238,970
Amortization on property, plant and equipment	575,344	455,837
	<u>7,094,787</u>	<u>6,652,911</u>
<b>Excess of revenue over expenses</b>	<u>4,715,099</u>	<u>2,319,438</u>
Share in net income of company subject to significant influence (Loss)	(1,476)	(37,570)
<b>Excess of revenue over expenses</b>	<u>4,713,623</u>	<u>2,281,868</u>

**Muslim Association of Canada**  
**Statement of Changes in Net Assets**  
For the year ended June 30, 2010

	Invested in Capital Assets \$	Unrestricted \$	2010 Total \$	Restated 2009 Total \$
<b>Balance, beginning of year</b>	16,329,624	(556,656)	<b>15,772,968</b>	13,415,204
Changes in accounting policies		(65,895)	<b>(65,895)</b>	(65,895)
Correction error		(10,000)	<b>(10,000)</b>	(10,000)
<b>Balance, beginning of year as restated</b>	16,329,624	(632,551)	<b>15,697,073</b>	13,339,309
Excess of revenue over expenses	(575,344)	5,288,967	<b>4,713,623</b>	2,357,764
investment in capital assets	<u>9,069,375</u>	<u>(9,069,375)</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<b><u>24,823,655</u></b>	<b><u>(4,412,959)</u></b>	<b><u>20,410,696</u></b>	<b><u>15,697,073</u></b>

**Muslim Association of Canada**  
**Statement of Cash Flows**  
For the year ended June 30, 2010

	2,010	Restated 2,009
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	4,713,623	2,281,868
Non-cash items		
Change in fair value of marketable securities	27,654	28,326
Foreign exchange (gain) loss	129,769	28,223
Share of loss in Trilex, a company subject to significant influence	1,476	37,570
Amortization of capital assets	575,344	455,837
Changes in working capital items (Note 4)	81,336	(245,173)
Cash flows from operating activities	<u>5,529,202</u>	<u>2,586,651</u>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment	(9,069,375)	(1,026,295)
Marketable securities	<u>(1,723,755)</u>	<u>360,363</u>
Cash flows from investing activities	<u>(10,793,130)</u>	<u>(665,932)</u>
<b>FINANCING ACTIVITIES</b>		
Loans receivable	(98,000)	-
Advances payable	504,100	(663,459)
Long-term debt	3,510,000	3,304,795
Loan payable	19,080	(719,200)
Repayment of long-term debt	<u>(1,526,688)</u>	<u>1,922,136</u>
Cash flows from financing activities	<u>2,408,492</u>	<u>3,842,855</u>
<b>Net increase in cash and cash equivalents</b>	<b><u>(2,855,435)</u></b>	<b><u>5,221,081</u></b>
Cash and cash equivalents, beginning of year	5,221,081	1,378,226
Cash and cash equivalents, end of year	<u>2,365,646</u>	<u>5,221,081</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	2,349,116	5,221,081
Term deposits	<u>16,530</u>	<u>-</u>
	<u>2,365,646</u>	<u>5,221,081</u>

The accompanying notes (note 16) are an integral part of the financial statements.

**Muslim Association of Canada  
Notes to Financial Statements  
For the year ended June 30, 2010**

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**1. PURPOSE AND LEGAL FORM OF THE ASSOCIATION**

The Muslim Association of Canada (MAC) was incorporated on August 08, 1997 as a not-for-profit organization without share capital under Part II of the Canada Corporations Act and is a charitable organization within the meaning of the Income Tax Act.

The Association thrives through its different chapters in most major Canadian cities to establish an Islamic presence that is balanced, constructive and integrated though distinct within the social fabric and culture of Canada. MAC is a community project driven organization at the service of local Muslim Canadian communities. MAC is active in the realm of education, it operates many a full time Canadian accredited Islamic schools and youth centres. The Association also operates cultural centers and mosques to provide cultural services and meet the religious social and intellectual needs of all Canadians regardless of their ethnic or religious background.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared by management in accordance with Canadian GAAP. Significant accounting policies are described below.

**(a) Use of estimates and measurement of uncertainty:**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Consequently, actual results could differ from those estimates. Significant areas of the financial statements requiring the use of management estimates include determining the useful life and the amortization of capital assets, the accrued liabilities and the fair value of financial instruments. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

**(b) Revenue recognition**

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

*Donations, bequests, pledges and other revenue*

Donations, bequests, pledges and other revenue from special events are recorded on a cash basis. No accruals are made for monies pledged but not yet received.

Muslim Association of Canada  
Notes to Financial Statements  
For the year ended June 30, 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Deferred revenue – School fees*

Amounts billed or received in accordance with customer contracts but do not yet satisfy revenue recognition criteria are recorded as deferred revenue.

*Rent income*

The Charity records base rents on a straight-line basis over the term of each lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in tenant receivables on the balance sheet.

*Investment income*

Investment transactions are recorded on the transaction date and resulting unrestricted dividends and interest are recognized as revenue when they are earned. Interest income is recognized based on the number of days the investment was held during the year. Dividends are recognized as of the ex-dividend date. Gains or losses on the disposal of investments are determined using the average cost method. Realized gains and losses are reported in the statement of operations while unrealized gains and losses on available –for –sales financial assets are included directly in net assets until the asset is removed from the statement of financial position or reclassified. Transaction costs related to the acquisition or disposal of investments are reported in the statement of operations.

**(c) Contributed services**

Volunteers assist the association in carrying out its service delivery activities. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

**(d) Foreign currency translation:**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate, non-monetary assets and liabilities are translated at the historical exchange rate, and revenue and expense items are translated in Canadian dollars at rates of exchange in effect at the related transaction dates. Exchange gains and losses arising from these transactions are included in the Statement of Operations during the period.

**(e) Impairment of long-lived assets**

Property, plant and equipment and intangible assets subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

Muslim Association of Canada  
Notes to Financial Statements  
For the year ended June 30, 2010

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Property, Plant and equipment

Property, Plant and equipment are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Property, plant and equipment are amortized over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Building	Declining balance	4%
Furniture and fixtures	Straight-line	33%
Computer and equipments	Straight-line	33%
Leasehold improvements	Straight-line	20%

### (h) Account Payable and accrued liabilities

For certain expenses (Utilities, School supplies, office supplies, fundraising expenses, office and general, Printing and stationery) the accounting department in the head office of the Charity receives the invoices of suppliers after payment by its different chapters. Consequently, these financial statements have been prepared partially on the modified cash basis. According to Canadian generally accepted accounting principles, the accrual basis should be used instead. If the accrual basis had been used, accounts payable and net assets in the statement of financial position, and net results set out in the statement of operations could differ from the amounts reported in financial statement. The impact is not significant.

## 3. CHANGES IN ACCOUNTING POLICIES

### (a) New accounting policies adopted in 2010

On July 1, 2009, the Charity adopted the following new standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

#### ***Cash and cash equivalents:***

Cash and cash equivalents consist of highly liquid investments purchased three months or less from maturity. Accordingly, prior year figures have been reclassified to conform to this accounting policy.

#### ***Goodwill and Intangible Assets:***

The CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which will replace Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The standard provides guidance on the recognition of intangible assets in

**Muslim Association of Canada**  
**Notes to Financial Statements**  
For the year ended June 30, 2010

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**(a) New accounting policies adopted in 2010 (continued)**

accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Charity adopted this standard effective July 1, 2009.

The adoption of this section was applied retrospectively with restatement of financial statements of prior period. The impact on the balance sheet of prior periods was the reclassification of customer list from Investment in private company. No depreciation related of this intangible asset has been recorded. There was no impact on the Charity's statement of operations.

The Customer list is not amortized because the difficulty to estimate the useful live thereof. It should be tested for impairment annually or more frequently if events or changes in circumstances indicate that it is impaired. The impairment test consists of a comparison of the fair value of the trademark with its carrying amount. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

***Financial Instruments:***

Effective July 1, 2009, the Charity has adopted the CICA issued Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, effective for fiscal years beginning on or after October 1, 2006. It describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This Section has adopted retrospectively without restatement. The impact of the adoption of this new Section on the Charity financial statements is expected to be material. See note 17.

This Section requires financial instruments are initially recognized at fair value and classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Subsequently, financial instruments are measured in accordance with the measurement provision of the category to which they have been initially classified. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are presented as a reduction of the underlying financial instruments and expensed using the effective interest rate method. Financial assets and financial and financial liabilities held for trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value with changes recorded in comprehensive income. Financial assets held to maturity, loans and receivables, and other financial liabilities are measured at amortized cost.

**Muslim Association of Canada**  
**Notes to Financial Statements**  
For the year ended June 30, 2010

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**(a) New accounting policies adopted in 2010 (continued)**

The Charity has designated its financial instruments into one of the following categories. They are initially measured at fair value and subsequently according to the following measurement methods.

<b>Financial asset/liabilities</b>	<b>Category</b>	<b>Measurement</b>
Cash and term deposit	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Deposit	Held for trading	Fair value
Investments in marketable securities	Held for trading	Fair value
Investment in [REDACTED]	Available for sale	Cost
Loan receivable	Loans and receivables	Amortized cost
Accounts payable & accrued liabilities	Other financial liabilities	Amortized cost
Advances payable	Other financial liabilities	Amortized cost
Long term debit	Other financial liabilities	Amortized cost

Effective July 1, 2009, the Charity has adopted the CICA issued Handbook Section 3862 and an amendment to CICA Section 3862, *Financial Instruments - Disclosures*, which requires additional disclosures about fair value and liquidity risk. The amendments introduce a "fair value hierarchy" for disclosures which intends to provide information to financial statement users about the relative reliability of fair value measurements. The new standard relates to disclosure only and did not impact the financial results of the Charity. See note 14.

Effective July 1, 2009, the Charity adopted the CICA Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*. The adoption of these sections did not have an impact on the Charity's financial results. See note 14.

CICA Handbook Section 3862, *Financial Instruments - Disclosures*, describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863, *Financial Instruments - Presentation*, establishes standards for the disclosure and presentation of the financial instruments and non-financial derivatives. These new standards relate to disclosure only and did not impact the financial results of the Charity. See note 14.

Muslim Association of Canada  
Notes to Financial Statements  
For the year ended June 30, 2010

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(a) New accounting policies adopted in 2010 (continued)

CICA Handbook Section 1535, *Capital Disclosures*, establishes guidelines for disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new standard did not impact the financial results of the Charity.

In June 2009, the AcSB issued an amendment to Section 1506 Accounting Changes which the Charity adopted as of January 1, 2010. The amendment excludes from the scope of Section 1506 changes in accounting policies upon the complete replacement of an entity's primary basis of accounting, as will occur when an entity adopts IFRS. Adoption of this standard did not have an impact on the Charity's financial statements.

***Investments in private companies subject to significant influence:***

Effective July 1, 2009, the Charity adopted the CICA Handbook Section 4450.43. The Investments in private company [REDACTED] subject to significant influence are accounted for using the equity method. Under this method, the investment is initially recorded at cost and adjustments are made to include the Charity's share of the investment's net earnings (or loss), which is recognized in the statement of operations. Management periodically analyses each investment, and whenever an investment has declined below its carrying value and the decline is considered to be other than temporary, the carrying value of the investment is written down to its fair value and a loss in value is recognized in the statement of operations.

When the Charity's share of losses exceeds its investments in a company subject to significant influence, the carrying amount of that investment is reduced to zero, and the recognition of further share of loss is ceased except to the extent that the Charity has an obligation or is engaged in any way to provide additional financial support to the company subject to significant influence.

(b) Future accounting changes

***International Financial Reporting Standards and a new set of standards for not-for-profit organizations:***

The Canadian Accounting Standards Board (AcSB) and the Public Sector Accounting Board have solicited views of not-for-profit organizations' stakeholders with respect to the strategy for this sector. The Canadian Accounting Standards Board (AcSB) will develop, by the end of 2010, a new set of standards for not-for-profit organizations and incorporate them into Canadian GAAP in the CICA Handbook – Accounting (Handbook). Not-for-profit organizations may choose to adopt International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), if that approach suits the needs of the users of their financial statements. The Charity will adopt the new set of standards for not-for-profit organizations when it will be published.

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Notes to Financial Statements  
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(b) Future accounting changes (continued)

*Comprehensive revaluation of assets and liabilities:*

In August 2009, the AcSB issued amendments to Section 1625 Comprehensive Revaluation of Assets and Liabilities for consistency with new Section 1582 Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011 and are not expected to have an impact on the Charity's financial statements.

**4. ACCOUNTS RECEIVABLE**

	2010	2009
	\$	\$
Rent receivable	-	50 000
Sales tax receivable	68 303	45 202
Accrued investment revenue Trilex	34 819	13 384
Other receivable	16 781	11 750
	<u>119 903</u>	<u>120 336</u>

**5. INVESTMENTS IN MARKETABLE SECURITIES**

	2010	2009
	\$	\$
Canadian money market mutual funds	288 338	525 313
Foreign money market mutual funds	1 802 859	-
Term deposit [REDACTED]	50 018	49 570
Investment [REDACTED]	1 412	1 413
	<u>2 142 627</u>	<u>576 296</u>

Investments in marketable securities consist of investments with a maturity of less than one year.

**6. INVESTMENTS IN PRIVATE COMPAGNIES**

	2010	2009
	\$	\$
Investment in [REDACTED]	60 954	62 430
Investment in [REDACTED]	50 000	50 000
	<u>110 954</u>	<u>112 430</u>

Muslim Association of Canada  
Notes to Financial Statements  
For the year ended June 30, 2010

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**7. INVESTMENTS IN PRIVATE COMPAGNIES (Continued)**

(a) On March 1, 2008, the Charity purchased 16 Class "A" Common Shares in the private company [REDACTED] for a consideration of \$160 000 holding an equity interest of 16%. The equity interest in Trilex represents an investment subject to significant influence, which is accounted for using the equity method. The share of loss is calculated based on the unaudited financial statement of [REDACTED] as at December 31, 2009 and we have not information at June 30, 2010. Fair market value of the investment is not available at the time of the reporting.

(b) On May 17, 2005, the Charity irrevocably subscribed for 100 000 of Class "A" Common Shares of [REDACTED] for a consideration of \$100 000. The Charity is not purchasing the Shares with a view to the resale or distribution thereof. Fair value of the investment is not available at the time of the reporting.

**8. PROPERTY, PLANT AND EQUIPMENT**

		2010	2009
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	10 101 066		10 101 066
Building	16 076 885	1 936 740	14 140 145
Furniture and fixtures	280 984	122 997	157 986
Computer equipments	18 146	5 119	13 027
Leasehold improvements	457 145	45 715	411 430
	26 934 226	2 110 571	24 823 655
			16 329 624

**8. INTANGIBLE ASSETS**

	2010	2009
	Cost	Restated Cost
	\$	\$
Customer list	100 000	100 000

The customer list consists of alarm system accounts. The list was acquired, managing and service agreement entered into, on March 1, 2008, by and among the Charity and [REDACTED]. As per the agreement, the charity acquired the list for a consideration of \$100 000 as an investment for a period of five years, after which [REDACTED] is to buy back the client list for the same purchase price. During the five year contract [REDACTED] is responsible of managing and servicing the accounts. Revenues generated are shared among both parties (2010 - \$21 436 and 2009 -\$13 384).

Muslim Association of Canada  
Notes to Financial Statements  
For the year ended June 30, 2010

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**9. OTHER ASSETS**

	2010	2009
	\$	\$
Loan receivable Association Le Savoir	98 000	-
Rent receivable Association Le Savoir	131 666	-
	<hr/>	<hr/>
	229 666	-
	<hr/>	<hr/>

**10. ACCOUNTS PAYABLES AND ACCRUED AND LIABILITIES**

	2010	2009
	\$	\$
Account payable	12 844	13 022
Accrued Liabilities (a)	140 445	1 185
Deferred revenue (b)	66 912	-
	<hr/>	<hr/>
	220 201	14 207
	<hr/>	<hr/>

(a) Consist at accrued salaries and vacation (\$81 894), professional fees (\$23 000) and accrued interests (\$35 551).  
(b) School fees of OGS for the academic year 2010-2011 received in advance.

**11. ADVANCES PAYABLE**

Amounts payable to community members are non interest bearing, unsecured and with no specific terms of repayment.

**Muslim Association of Canada**  
**Notes to Financial Statements**  
For the year ended June 30, 2010

**12. LONG-TERM DEBT (Continued)**

	2010	2009
	\$	\$
(1)		
Mortgage, repayable in monthly installments of \$33 447, with an option to annually prepay up to 20% of the original principal, including interest at 5.916% in favor of [REDACTED] maturing September 12, 2013, secured by land and building located [REDACTED] [REDACTED] office with a net value of \$7 182 863.	3 981 466	4 604 881
Mortgage, repayable in monthly installments of \$29 080, with an option to annually prepay up to 20% of the original principal, including interest at 5.71% in favor of [REDACTED] maturing February 1st, 2015, secured by land and building located [REDACTED] also known as the [REDACTED] [REDACTED] with a net value of \$5 215 448. Under the credit agreement, the Company is required to respect certain financial ratios.	3 449 728	-
[REDACTED] registered against [REDACTED] [REDACTED] is non-interest bearing when not in default and is payable on or before August 12, 2010 with an annual principal only payment of \$227 000. If in default, 12% interest will be levied on the outstanding principal until payment in full.	227 000	454 000
[REDACTED] registered against [REDACTED] [REDACTED] is non-interest bearing and due on August 31, 2011. The terms of the payments are \$123 000 on July 31, 2007 and 61 500\$ every six months on until maturity. The mortgage is fully open with discount provisions if paid early with not default.	184 500	307 500
[REDACTED] registered against [REDACTED] [REDACTED] is a non-interest mortgage which was paid subsequently.	-	368 000
[REDACTED] registered against [REDACTED] [REDACTED] is non interest bearing to be paid on April 29, 2010.	-	125 000
	7 842 694	5 859 381
<b>Current portion of mortgage payable</b>	<b>677 177</b>	<b>996 415</b>
	<b>7 165 517</b>	<b>4 862 966</b>

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Long-term debt capital repayments to be made over the next five years are the following:  
2011, \$615 677; 2012, \$346 725; 2013, \$367 242; 2014, \$389 398; 2015, \$412 666.

(2) The association paid out \$303 900 in interest in 2010 (\$206 900 in 2009).

**13. LOAN PAYABLE**

	2010	2009
	\$	\$
Loan, for an amount of US\$500 000 for assistance in financing the purchase of a building for the Olive Grove School in Mississauga City, Ontario. Payable twice a year in equal installments of US\$50 000 each per annum the first payment is due on December 01, 2010 and the last payment is due on June 01, 2015	530 300	511 220
	<hr/>	<hr/>
	530 300	511 220
<b>Current portion of loan payable</b>	106 060	-
	<hr/>	<hr/>
	424 240	511 220

**14. FINANCIAL INSTRUMENTS**

**Foreign exchange risk**

A significant portion of the Charity's revenues is made from donations in foreign countries, and is dominated in United States Dollars ("USD"). The Charity is exposed to foreign exchange risk due to cash, investments in marketable securities and loan payable denominated in U.S. dollars. The Company does not enter into arrangements to hedge its foreign exchange risk. The USD working capital exposure as at period end is as follows:

	2010	2009
	\$	\$
Cash and equivalent of cash	15 818	1 666 083
Investments in marketable securities	1 802 859	-
Loan receivable	530 300	511 220
<b>Net exposure</b>	<hr/>	<hr/>
	2 348 977	2 177 303

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**Fair value**

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

*Cash, account receivable, deposit, loan receivable, Advances payable, accounts payable and accrued liabilities:*

These financial assets and liabilities held for trading are measured at their carrying value amount since comparable to their fair value due to the approaching maturity of these financial instruments

*Investments in marketable securities*

These financial assets held for trading, management is following the recommendations of the broker for the purchase and sale of these securities. Listed securities are measured at fair value, determined on the basis of the bid price.

*Investment in [REDACTED]*

This financial asset available for sale is an investment in equity instruments that do not have a quoted market price in an active market, which should be measured at cost because fair value is unavailable and cannot be determined. When there has been a loss in value of an investment that is other than a temporary decline, the investment should be written down to recognize the loss. The write-down should be included in the Statement of Operations.

*Long-term debt and loan payable:*

The fair value of the loan does not significantly differ from its carrying amount.

**Interest Rate Risk**

The Charity is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the fair value of or future cash flows from its cash equivalents. The short term nature of these instruments, a maturity within three months of their purchase date and the highly liquid nature of these investments significantly mitigate the Charity's interest rate risk. The Charity is exposed to interest rate risk with respect to its investments in marketable securities, current debt and long-term debt.

**Credit Risk**

Credit risk reflects the risk that the Charity may be unable to recover its accounts receivable. The Charity is exposed to credit risk because it has long-term receivable. Based on the status of accounts receivables, no allowance for doubtful accounts has been recorded as at June 30, 2010.

**Liquidity Risk**

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or that it can only do so at an abnormally high cost.

The Charity plans to manage its cash flow and investment in new products to match the cash requirements to cash generated from operations. Management believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements. However, no assurances can be given that the Charity will be able to achieve all or part

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of the objectives discussed above, or that sufficient financing from outside sources will be available. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity. Based on the Charity's aggregate liquid assets as compared to its liabilities and commitments, management assesses liquidity risk to be low, subject to the ability to generate positive cash flows from operations. Charity's liabilities are as indicated in the following table:

	2010	2009
	\$	\$
Account payable (note 10)	12 844	13 022
Accrued Liabilities (note 10)	140 445	1 185
Deferred revenue (note 10)	66 912	-
Advances payable (note 11)	899 759	395659
Current debt (note 12 & 13))	783 237	996415
	<hr/> <u>1 903 197</u>	<hr/> <u>1 406 281</u>

**15. INVESTMENT AND SUNDAY**

	2010	2009
	\$	\$
Daycare – Daycamps and others revenues	802 053	427 253
Rental Revenue	425 089	140 720
Sale of goods & Services	282 060	98 042
Unrealized foreign exchange Gain (Loss)	(129 769)	(13 632)
Investment and Sundry	21 575	(23 920)
Miscellaneous revenues	83 722	44 744
	<hr/> <u>1 484 730</u>	<hr/> <u>673 207</u>

**16. INFORMATION INCLUDED IN CASH FLOWS**

The changes in working capital items are detailed as follows:

	2010	2009
	\$	\$
Accounts receivable	(131 232)	(61 870)
Deposit receivable	499	-
Prepaid and sundry	(8 242)	(8 055)
Accounts payable and accrued liabilities	205 994	(175 248)
Other liabilities	14 317	
	<hr/> <u>81 336</u>	<hr/> <u>(245 954)</u>

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**16. INFORMATION INCLUDED IN CASH FLOWS (Continue)**

Cash flows relating to financial charges on operating activities are detailed as follows:

	2010 \$	2009 \$
Financial charges paid	303 900	206 900

## 17. CHANGES IN ACCOUNTING POLICIES

The opening Net Assets balance was increased by the following:

- a) In 2009, marketable securities are recorded at the lower of cost or market value. Effective July 1, 2009, the Charity has adopted the CICA issued Handbook Section 3855, Financial Instruments – Recognition and Measurement. These financial instruments are classified in the category held-for-trading, initially recognized at fair value and subsequently are measured at fair value with changes recognized in the statement of operations. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2009 have been restated.
- b) In 2009, the investment in [REDACTED] is recorded at realizable value. In 2010, Charity changed its accounting policy for the treatment of this Investment subject to significant influence and is accounted for using the equity method. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2009 have been restated.
- c) Correction of error, an amount payable to community member was incorrectly included in donation. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2009 have been restated.

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**16. INFORMATION INCLUDED IN CASH FLOWS (Continued)**

Cash flows relating to financial charges on operating activities are detailed as follows:

	2010	2009
	\$	\$
Financial charges paid	303 900	206 900

## 17. CHANGES IN ACCOUNTING POLICIES

The opening Net Assets balance was increased by the following:

	2010
	\$
	60 941
	(32 615)
	37 570
	<u>10 000</u>
Advances payable (c)	75 896

- a) In 2009, marketable securities are recorded at the lower of cost or market value. Effective July 1, 2009, the Charity has adopted the CICA issued Handbook Section 3855, Financial Instruments – Recognition and Measurement. These financial instruments are classified in the category held-for-trading, initially recognized at fair value and subsequently are measured at fair value with changes recognized in the statement of operations. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2009 have been restated.
- b) In 2009, the investment in [REDACTED] is recorded at realizable value. In 2010, Charity changed its accounting policy for the treatment of this investment subject to significant influence and is accounted for using the equity method. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2009 have been restated.
- c) Correction of error, an amount payable to community member was incorrectly included in donation. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2009 have been restated.

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**18. COMMITMENTS**

The Charity entered into equipment operating leases and is committed to pay annual amounts for the years ended June 30th as Follows:

2011	\$55 202
2012	23 330
2013	5 060
2014	5 060
2015	4 488

**19. COMPARATIVE FIGURE**

The comparative figures for 2009 have been reclassified and restated to conform to the financial statement presentation adopted for 2010. The accounts for the year ended June 30, 2009, shown for comparative purposes, were reported on by other auditors.