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**MUSLIM ASSOCIATION OF CANADA**

**Audited Financial Statements  
June 30, 2011**

# **MUSLIM ASSOCIATION OF CANADA**

## **Financial Statements June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the board of directors of  
Muslim Association of Canada

I have audited the accompanying financial statements of The Muslim Association of Canada, which comprise the statement of financial position as at June 30<sup>th</sup>, 2011, the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### ***Basis for qualified opinion***

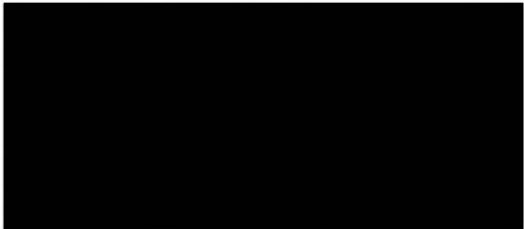
In common with many non-profit organizations, the charity derives revenues from donations, the completeness of which is not susceptible of satisfactory audit. Accordingly, my audit of these revenues was limited to the amounts recorded in the records of the entity and I was not able to determine whether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

### ***Qualified opinion***

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position



In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Muslim Association of Canada as at June 30, 2011, its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.



Muslim Association of Canada  
Statement of Financial Position  
As at June 30, 2011

	2011 \$	2010 \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,194,456	2,365,646
Accounts receivable (note 4)	315,182	119,903
Deposit	13,000	10,000
Investments in marketable securities (note 5)	3,052,772	2,142,627
Prepaid and sundry	21,332	15,516
	<u>4,596,742</u>	<u>4,653,692</u>
Investments in private companies (note 6)	108,855	110,954
Capital assets (note 7)	28,912,281	24,823,654
Intangible assets (note 8)	100,000	100,000
Other assets (note 9)	402,666	229,666
	<u>34,120,544</u>	<u>29,917,966</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	1,027,695	220,200
Current portion payable of long-term debt (note 12)	506,974	677,177
Current portion payable of loan payable (note 13)	122,168	106,060
	<u>1,656,837</u>	<u>1,003,437</u>
Advances payable (note 11)	567,979	899,759
Long-term debt (note 12)	8,614,514	7,165,517
Loan payable (note 13)	286,139	424,240
Other liabilities	14,317	14,317
	<u>11,139,786</u>	<u>9,507,270</u>
<b>Net assets</b>		
Net assets invested in capital assets	19,382,486	16,450,660
Unrestricted net assets	<u>3,598,272</u>	<u>3,960,036</u>
	22,980,758	20,410,696
	<u>34,120,544</u>	<u>29,917,966</u>

On behalf of the Board,



President

**Muslim Association of Canada**  
**Statement of Operations**  
For the year ended June 30, 2011

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>		
Donations	5,307,407	7,145,323
School fees	2,938,327	2,344,194
Program activities	1,041,925	920,343
Rental	742,963	425,089
Daycare and daycamp fees	609,307	598,850
Sale of goods & services	526,361	282,060
Government contributions	92,722	60,373
Sundry	69,391	141,848
Investment income	44,329	21,575
	<u>11,372,732</u>	<u>11,939,655</u>
<b>Expenses</b>		
Expenses (Schedule A)	7,528,852	6,292,008
Financing charges	510,116	357,204
Amortization of capital assets	761,603	575,344
	<u>8,800,571</u>	<u>7,224,556</u>
<b>Excess of revenue over expenses before the following</b>	<u>2,572,161</u>	<u>4,715,099</u>
Share of loss in a company subject to significant influence	(2,099)	(1,476)
<b>Excess of revenues over expenses</b>	<u>2,570,062</u>	<u>4,713,623</u>

**Muslim Association of Canada**  
**Statement of Changes in Net Assets**  
For the year ended June 30, 2011

	Invested in capital assets \$	Unrestricted \$	2011 Total \$	2010 Total \$
<b>Balance, beginning of year</b>	16,450,660	3,960,036	<b>20,410,696</b>	15,697,073
Excess of revenues over expenses	(761,603)	3,331,665	<b>2,570,062</b>	4,713,623
Investment in capital assets	4,850,232	(4,850,232)	-	-
Long-term debt financing	(2,000,000)	2,000,000	-	-
Long-term debt repayment	721,206	(721,206)	-	-
Loan payable repayment	121,991	(121,991)	-	-
<b>Balance, end of year</b>	<u>19,382,486</u>	<u>3,598,272</u>	<u><b>22,980,758</b></u>	<u>20,410,696</u>

**Muslim Association of Canada**  
**Statement of Cash Flows**  
For the year ended June 30, 2011

	<u>2,011</u>	<u>2,010</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	2,570,062	4,713,623
Non-cash items	-	-
Change in fair value of marketable securities	-	27,654
Foreign exchange loss	118,011	129,769
Share of loss in a company subject to significant influence	2,099	1,476
Amortization of capital assets	761,603	575,344
Changes in non cash working capital items (note 15)	445,400	81,337
Cash flows from operating activities	<u>3,897,175</u>	<u>5,529,203</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,850,232)	(9,069,375)
Purchase of marketable securities	(1,074,047)	(1,723,755)
Cash flows from investing activities	<u>(5,924,279)</u>	<u>(10,793,130)</u>
<b>FINANCING ACTIVITIES</b>		
Loans receivable	(15,000)	(98,000)
Advances payable repayment	(779,500)	-
Advances payable financing	447,720	504,100
Long-term debt financing	2,000,000	3,510,000
Loan payable repayment	(76,100)	19,080
Long-term debt repayment	(721,206)	(1,526,688)
Cash flows from financing activities	<u>855,914</u>	<u>2,408,492</u>
<b>Net increase in cash and cash equivalents</b>	<u>(1,171,190)</u>	<u>(2,855,435)</u>
Cash and cash equivalents, beginning of year	2,365,646	5,221,081
Cash and cash equivalents, end of year	<u>1,194,456</u>	<u>2,365,646</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	1,194,456	2,349,116
Term deposits	-	16,530
	<u>1,194,456</u>	<u>2,365,646</u>

The accompanying notes (note 15) are an integral part of the financial statements.



# Muslim Association of Canada

## Additional information

For the year ended June 30, 2011

	2011 \$	2010 \$
<b>Schedule A</b>		
<b>Expenses</b>		
Salaries, wages and fringe benefits	3,905,165	3,328,466
Social, religious and program activities	1,095,834	834,983
Utilities	412,787	268,515
Maintenance and repairs	403,508	267,674
School supplies	350,426	308,374
Professional fees	268,428	242,477
Contributions to Canadian charities	234,278	161,624
Foreign exchange loss	118,011	129,769
Realty taxes	99,960	74,388
Insurance	84,798	78,556
Fundraising	84,041	84,624
Rental for halls and facilities	75,731	80,476
Office and general	58,223	47,135
School bus operating costs	62,799	63,926
Travelling and entertainment	54,047	38,178
Conferences, conventions, training and seminars	53,343	88,215
Printing and stationery	40,843	47,631
Telecommunications	34,027	41,590
Office supplies	21,853	32,038
Advertising and promotion	20,103	23,681
████, credit card and bank charges	15,876	14,557
Computer maintenance and supplies	14,225	14,708
Equipment rental	13,278	4,123
Security	7,268	16,300
	<u>7,528,852</u>	<u>6,292,008</u>

**Muslim Association of Canada**  
**Notes to Financial Statements**  
For the year ended June 30, 2011

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

The Muslim Association of Canada (MAC) was incorporated on August 8<sup>th</sup>, 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, 2011

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

*Deferred revenue ñ 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 ñfor ñsales 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**

Capital 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, 2011

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

**(f) Capital assets**

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

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

**(g) 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.

**(h) Intangible Assets**

The customers 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 customers list with its carrying amount. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess. No depreciation related of this intangible asset has been recorded.

**(i) Financial instruments**

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 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, 2011

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**(j) Financial instruments (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 debt	Other financial liabilities	Amortized cost

**(k) Investments in private companies subject to significant influence**

The investment in private company [REDACTED] subject to significant influence is 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 analyzes 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.

**Muslim Association of Canada**  
**Notes to Financial Statements**  
For the year ended June 30, 2011

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**3. 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) developed, by the end of 2010, a new set of standards for not-for-profit organizations and incorporates them into Canadian GAAP in

the CICA Handbook n 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 on July 1, 2012.

**4. ACCOUNTS RECEIVABLE**

	2011	2010
	\$	\$
Sales tax receivable	226,894	68,303
Accrued investment revenue	56,017	34,819
Other receivable	32,271	16,781
	<u>315,182</u>	<u>119,903</u>

**5. INVESTMENTS IN MARKETABLE SECURITIES**

	2011	2010
	\$	\$
Canadian money market mutual funds	1,398,636	288,338
Foreign money market mutual funds	1 602,151	1,802,859
Term deposit	50,573	50,018
Investment	1,412	1,412
	<u>3,052,772</u>	<u>2,142,627</u>

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

**Muslim Association of Canada**  
**Notes to Financial Statements**  
For the year ended June 30, 2011

**6. INVESTMENTS IN PRIVATE COMPAGNIES**

	2011	2010
	\$	\$
	58,855	60,954
	50,000	50,000
	<u>108,855</u>	<u>110,954</u>

(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 [REDACTED] 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 statements of [REDACTED] as at December 31, 2010.

(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 fair value of the investment is not available at the time of reporting.

**7. CAPITAL ASSETS**

	2011		2010	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	11,342,066		11,342,066	10,101,066
Building	19,456,682	2,525,597	16,931,085	14,140,145
Furniture and fixtures	395,371	236,534	158,837	157,986
Computer equipments	28,897	12,959	15,938	13,027
Leasehold improvements	561,665	97,310	464,355	411,430
	<u>31,784,681</u>	<u>2,872,400</u>	<u>28,912,281</u>	<u>24,823,654</u>

**8. INTANGIBLE ASSETS**

	2011	2010
	Cost	Cost
	\$	\$
Customer List	<u>100,000</u>	<u>100,000</u>



**Muslim Association of Canada**  
**Notes to Financial Statements**  
For the year ended June 30, 2011

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**8. INTANGIBLE ASSETS (Continued)**

The customers 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 (2011 - \$21,198 and 2010 - \$24,436).

**9. OTHER ASSETS**

	2011	2010
	\$	\$
Loan receivable	113,000	98,000
Rent receivable	289,666	131,666
	<u>402,666</u>	<u>229,666</u>

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2011	2010
	\$	\$
Accounts payable	498,400	12,844
Accrued liabilities (a)	313,773	140,445
Deferred revenues (b)	215,522	66,910
	<u>1,027,695</u>	<u>220,200</u>

(a) Consist of accrued salaries and vacation (\$108,359), holdback of project Dar el Iman (\$114,152), accrued interests (\$41,705) and other accrued (\$49,557)

(b) School fees of OGS and Abraar School for the academic year 2011-2012 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, 2011

12. LONG-TERM DEBT

	2011 \$	2010 \$
Mortgage, repayable in monthly instalments of \$33,447, with an option to annually prepay up to 20% of the original principal, including interest at 5.916% in favour of [REDACTED] maturing September 12, 2013, secured by land and building located at [REDACTED] office with a net value of \$7,017,479.	3,811,124	3,981,466
Mortgage, repayable in monthly instalments of \$29,080, with an option to annually prepay up to 20% of the principal amount, including interest at 5.71% in favour of [REDACTED] maturing February 1st, 2015, secured by land and building located [REDACTED] also known as the [REDACTED] with a net value of \$5,091,230. Under the credit agreement, the Charity is required to respect certain financial ratios.	3,293,722	3,449,728
Mortgage, repayable in monthly instalments of \$16,000, with an option to annually prepay up to 20% of the principal amount, including interest at 4.80% in favour of [REDACTED] maturing January 1st, 2016, secured by land and building of Vancouver Center located [REDACTED] with a net value of \$3,098,672. Under the credit agreement, the Charity is required to respect certain financial ratios.	1,955,142	-
[REDACTED] registered against [REDACTED] is non-interest bearing when not in default and 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

**Muslim Association of Canada**  
**Notes to Financial Statements**  
For the year ended June 30, 2011

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

<p>██████████ registered against ██████████  ██████████ 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 until maturity. The mortgage is fully open with discount provisions if paid early with not default.</p>	61,500	184,500
	9,121,488	7,842,694
<b>Current portion of mortgage payable</b>	506,974	677,177
	8,614,514	7,165,517

Long-term debt capital repayments to be made over the next five years are the following:  
2012, \$506,974; 2013, \$471,781; 2014, \$498,848; 2015, \$277,554; 2016, \$59,931.

The Charity paid out \$477,533 in interest in 2011 (\$303,900 in 2010).

As at June 30<sup>th</sup>, 2011 the Charity annual debt service coverage ratio is 2.9 which is more than the minimum ratio expected of 1.25. Therefore, Charity is in compliance with the credit agreement conditions.

**13. LOAN PAYABLE**

	2011	2010
	\$	\$
<p>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 instalments of US \$50,000, maturing on June 1<sup>st</sup>, 2015</p>	408,307	530,300
<b>Current portion of loan payable</b>	122,168	106,060
	286,139	424,240

Loan payable capital repayments to be made over the next five years are the following:  
2012, \$122,168; 2013, \$95,379; 2014, \$95,379; 2015, \$95,379;

Muslim Association of Canada  
Notes to Financial Statements  
For the year ended June 30, 2011

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#### 14. FINANCIAL INSTRUMENTS

##### Foreign exchange risk

A significant portion of the Charity's revenues is made of donations from 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:

	2011	2010
	\$	\$
Cash and cash equivalent	75,345	15,818
Investments in marketable securities	1,602,151	1,802,859
Loan payable	408,307	530,300
Net exposure	<u>2,085,803</u>	<u>2,348,977</u>

##### Fair value

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

*Cash, accounts receivable, deposit, loan receivable, 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 are classified as held for trading. Management follows broker 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 is measured at cost since 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 occurs, the investment is written down to recognize the loss. The write-down should be included in the Statement of Operations.

*Long-term debt, advances payable, and loan payable:*

The fair value of these instruments does not significantly differ from their carrying amount.

Muslim Association of Canada  
Notes to Financial Statements  
For the year ended June 30, 2011

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**14. FINANCIAL INSTRUMENTS (Continued)**

**Interest Rate Risk**

The Charity is exposed to interest rate risk changes in market interest rates will cause fluctuations in the fair value of future cash flows of these investments. The short term nature of these instruments, a maturity within three months of their purchase date and the highly liquid nature 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, 2011.

**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 Charity 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 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:

	2011	2010
	\$	\$
Accounts payable (note 10)	498,400	12,844
Accrued Liabilities (note 10)	313,773	140,445
Deferred revenues (note 10)	215,522	66,912
Advances payable (note 11)	567,979	899,759
Current debt (note 12 & 13))	629,142	783,237
	<u>2,224,816</u>	<u>1,903,197</u>

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**15. INFORMATION INCLUDED IN CASH FLOWS**

The changes in non cash working capital items are detailed as follows:

	2011	2010
	\$	\$
Accounts receivable	(195,279)	433
Deposit receivable	(3,000)	499
Prepaid and sundry	(5,816)	(8,242)
Other assets	(158,000)	(131,665)
Accounts payable and accrued liabilities	807,495	205,994
Other liabilities	-	14,317
	<u>445,400</u>	<u>81,336</u>

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

	2011	2010
	\$	\$
Financial charges paid	477,533	303,900

**16. COMMITMENTS**

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

2012	\$45,796
2013	46,711
2014	47,646
2015	48,599
2016	49,571

**17. COMPARATIVE FIGURE**

The comparative figures for 2010 have been reclassified to conform to the financial statements presentation adopted for 2011.