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MUSLIM ASSOCIATION OF CANADA

Audited Financial Statements
June 30, 2013

MUSLIM ASSOCIATION OF CANADA

Financial Statements June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the Muslim Association of Canada

I have audited the accompanying financial statements of Muslim Association of Canada, which comprise the statement of financial position as at June 30, 2013, 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 Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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

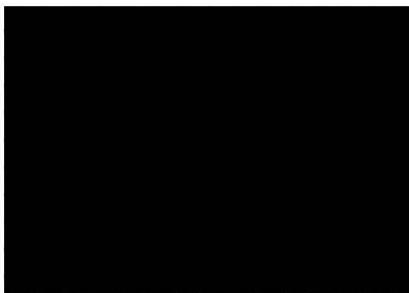
In common with many non-profit organizations, Muslim Association of Canada derives revenues from donations, the completeness of which is not susceptible of satisfactory audit. Accordingly, my audit of these revenues was limited to the amounts recorded in the records of the charity and I was not able to determine whether any adjustments might be necessary to donations revenues, excess of revenues over expenses and cash flow from operating activities for the year ended June 30, 2013, current assets at June 30, 2013 and net assets at July 1, 2012 and at June 30, 2013.

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 of Muslim Association of Canada as at June 30, 2013, its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Comparative Information

Without modifying my opinion, we draw attention to Note 2 to the financial statements, which describes that Muslim Association of Canada adopted *Canadian accounting standards for not-for-profit organizations* on July 1, 2012 with a transition date of July 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at June 30, 2012 and July 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended June 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.



Muslim Association of Canada
 Statement of Financial Position
 As at June 30, 2013

Assets	2013	2012
	\$	\$
Current assets		
Cash and cash equivalents	4,413,690	1,085,906
Accounts receivable (note 4)	472,107	391,842
Deposit (note 5)	3,084,171	1,688,786
Investments in marketable securities (note 6)	-	2,468,392
Prepaid and sundry	28,072	14,410
	7,998,040	5,649,336
Investments in private companies (note 7)	116,546	103,639
Capital assets (note 8)	30,891,955	30,992,562
Intangible assets (note 9)	237,693	100,000
Other assets (note 10)	148,000	601,416
	39,392,234	37,446,953
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	939,716	454,765
Advances payable (note 12)	397,479	520,479
Current portion payable of long-term debt (note 13)	488,424	571,775
Current portion payable of loan payable (note 14)	105,180	101,810
	1,930,799	1,648,829
Long-term debt (note 13)	6,204,617	8,443,126
Loan payable (note 14)	105,180	203,620
Other liabilities	14,317	14,317
	8,254,913	10,309,892
Net assets		
Net assets invested in capital assets	23,913,594	21,691,521
Unrestricted net assets	7,223,727	5,445,540
	31,137,321	27,137,061
	39,392,234	37,446,953

On behalf of the Board,

Chairman

Muslim Association of Canada
 Statement of Operations
 For the year ended June 30, 2013

	2013 \$	2012 \$
Revenues		
Donations	7,467,089	7,060,299
School fees	4,250,531	3,541,235
Program activities	1,248,623	1,152,905
Rental	781,596	931,330
Daycare and daycamp fees	716,489	656,741
Sale of goods & services	844,620	619,125
Government contributions	432,421	183,304
Sundry	-	7,024
Investment income	51,065	38,709
Foreign Exchange gain	46,297	65,153
Gain on disposal of capital assets	<u>344,211</u>	-
	<u>16,182,942</u>	14,255,825
Expenses		
Expenses (Schedule A)	10,813,211	8,600,443
Financing charges	444,594	498,891
Amortization of capital assets	<u>937,784</u>	<u>994,973</u>
	<u>12,195,589</u>	<u>10,094,307</u>
Excess of revenue over expenses before the following	<u>3,987,353</u>	<u>4,161,518</u>
Share of loss in a company subject to significant influence	<u>12,907</u>	<u>(5,215)</u>
Excess of revenues over expenses	<u>4,000,260</u>	<u>4,156,303</u>

Muslim Association of Canada
 Statement of Changes in Net Assets
 For the year ended June 30, 2013

	Invested in capital assets \$	Unrestricted \$	2013 Total \$	2012 Total \$
Balance, beginning of year	21,691,521	5,445,540	27,137,061	22,980,758
Error correction				
Excess of revenues over expenses	(937,784)	4,938,044	4,000,260	4,156,303
Investment in capital assets	3,818,080	(3,818,080)		-
Disposal in capital assets	(3,005,789)	3,005,789		-
Long-term debt financing	-	-		-
Long-term debt repayment	2,221,860	(2,221,860)		-
Loan payable repayment	125,705	(125,705)		-
Balance, end of year	23,913,594	7,223,727	31,137,321	27,137,061

Muslim Association of Canada
 Statement of Cash Flows
 For the year ended June 30, 2013

	2013	2012
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	4,000,260	4,156,303
Non-cash items		
Foreign exchange loss or gain	(46,297)	(67,206)
Share of loss in a company subject to significant influence	(12,907)	5,215
Gain on disposal of capital assets	(344,211)	-
Amortization of capital assets	937,784	994,973
Changes in non cash working capital items (note 16)	<u>844,440</u>	<u>(754,435)</u>
Cash flows from operating activities	<u>5,379,069</u>	<u>4,334,850</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,818,080)	(3,075,253)
Disposal of property, plant and equipment	3,350,000	-
Purchase of intangible assets	(137,693)	-
Disposal of marketable securities	<u>2,520,438</u>	<u>618,894</u>
Cash flows from investing activities	<u>1,914,665</u>	<u>(2,456,359)</u>
FINANCING ACTIVITIES		
Loans receivable		(35,000)
Advances payable repayment	(548,000)	(395,490)
Advances payable financing	425,000	347,990
Long-term debt financing		400,000
Long-term debt repayment	(2,321,860)	(506,587)
Loan payable repayment IDB	(125,705)	(122,168)
Deposit	<u>(1,395,385)</u>	<u>(1,675,786)</u>
Cash flows from financing activities	<u>(3,965,950)</u>	<u>(1,987,041)</u>
Net increase in cash and cash equivalents	3,327,784	(108,550)
Cash and cash equivalents, beginning of year	<u>1,085,906</u>	<u>1,194,456</u>
Cash and cash equivalents, end of year	<u>4,413,690</u>	<u>1,085,906</u>
CASH AND CASH EQUIVALENTS		
Cash	4,413,690	1,085,906
Term deposits		-
	<u>4,413,690</u>	<u>1,085,906</u>

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

Muslim Association of Canada
 Additional information
 For the year ended June 30, 2013

2013
 \$

2012
 \$

Schedule A

Expenses

Salaries, wages and fringe benefits	5,788,856	4,696,933
Social, religious and program activities	1,103,005	1,217,076
Maintenance and repairs	461,467	520,520
Contributions to Canadian charities	612,915	444,577
Utilities	424,118	391,288
School supplies	296,023	267,828
Professional fees	333,254	264,161
Rental for halls and facilities	420,959	124,209
Insurance	114,113	88,644
Fundraising	48,354	68,649
Realty taxes	478,892	64,004
Conferences, conventions, training and seminars	122,365	74,799
Travelling and entertainment	123,565	70,148
Office and general	47,415	52,222
ADP, credit card and bank charges	66,705	48,486
Telecommunications	44,646	39,563
Printing and stationery	94,729	38,618
School bus operating costs	53,382	9,493
Advertizing and promotion	34,813	35,271
Office supplies	55,603	29,162
Equipement rental	37,872	25,924
Computer maintenance and supplies	26,774	14,709
Security	23,386	14,159
	10,813,211	8,600,443

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

1. PURPOSE AND LEGAL FORM OF THE ASSOCIATION

The Muslim Association of Canada (MAC) was incorporated on August 8th, 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. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

MAC adopted *Canadian accounting standards for not-for-profit organizations* on July 1, 2012 with a transition date of July 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at June 30, 2012 and July 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended June 30, 2012 and related disclosures. The initial application of this standard had no impact on the statements of operations for the year ended June 30, 2012 or net assets at the transition date of July 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. 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.

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 (if any) are recognized as revenue when they are earned. Interest (if any) 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.

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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:

	Methods	Rates
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

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

	Methods	Rates
Computer software	Straight-line	20%

When an intangible asset is determined to have an indefinite useful life, it shall not be amortized until its life is determined to be no longer indefinite. The customers list is not amortized because the difficulty to estimate the useful life thereof. It should be tested for impairment annually or more frequently if events or changes in circumstances indicate that it is impaired. No depreciation related of this intangible asset has been recorded.

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments

The Charity has initially measured its financial instruments at fair value and subsequently according to the following measurement methods.

Financial asset/liabilities	Measurement
Cash and term deposit	Fair value
Accounts receivable	Amortized cost
Deposit	Fair value
Investments in marketable securities	Fair value
Investment in [REDACTED]	Amortized cost
Loan receivable	Amortized cost
Accounts payable & accrued liabilities	Amortized cost
Advances payable	Amortized cost
Long term debt	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, 2013

4. ACCOUNTS RECEIVABLE

	2013	2012
	\$	\$
Sales tax receivable	326,068	215,657
████████ receivable	51,624	47,754
Deposit █████	53,190	52,573
Other receivable	41,225	75,858
	<u>472,107</u>	<u>391,482</u>

5. DEPOSIT

The deposit is the amounts advanced for the purchase of land and building.

6. INVESTMENTS IN MARKETABLE SECURITIES

	2013	2012
	\$	\$
Canadian money market mutual funds	-	772,599
Foreign money market mutual funds	-	1,695,793
	<u>-</u>	<u>2,468,392</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, 2013

7. INVESTMENTS IN PRIVATE COMPANIES

	2013	2012
	\$	\$
66,546	53,639	
50,000	50,000	
116,546	106,639	

(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 of 16%. The equity 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, 2012.

(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.

8. CAPITAL ASSETS

			2013	2012
	Accumulated			
	Cost	amortization	Net	Net
	\$	\$	\$	\$
Land	13,139,685	-	13,139,685	12,036,508
Building	21,179,406	3,830,530	17,348,875	18,437,116
Furniture and fixtures	499,304	431,291	68,013	87,204
Computer equipment	85,789	50,782	35,008	31,130
Leasehold improvements	637,246	336,871	300,374	400,604
	35,541,429	4,649,936	30,891,955	30,992,562

9. INTANGIBLE ASSETS

	2013	2012
	Cost	Cost
	\$	\$
Computer software (a)	137,693	-
Customer List (b)	100,000	100,000
	<hr/> 237,693	100,000

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

9. INTANGIBLE ASSETS (Continued)

(a) The computer software not yet used at June 30, 2013 that way is not yet amortized
(b) 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 (2013 - \$25,081 and 2012 - \$21,212).

10. OTHER ASSETS

	2013	2012
	\$	\$
Loan receivable	148,000	148,000
Rent receivable	-	453,416
	<u>148,000</u>	<u>601,416</u>

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
	\$	\$
Accounts payable	93,063	176,050
Accrued liabilities (a)	644,509	278,714
Deferred revenues (b)	202,144	-
	<u>939,716</u>	<u>454,764</u>

(a) Consist of accrued salaries and vacation (2013 - \$129,311 and 2012 - \$94,672), accrued interests (2013 - \$30,587 and 2011 - \$39,611) and other accrued (2013 - \$484,611 and 2012 - \$127,361).
(b) School fees of OGS, Al Huda School and Abraar School for the academic year 2012-2013 received in advance. In 2012, MAC had no differed income.

12. 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, 2013

13. LONG-TERM DEBT

	2013	2012
	\$	\$
Mortgage, repayable in monthly instalments of \$33,447, with an option to annually prepay up to 20% of the original principal, including financial charges at 5.916% in favour of [REDACTED] maturing September 12, 2013, secured by land and building located at [REDACTED] [REDACTED] office with a net value of \$7,017,479.	3,438,766	3,630,765
Mortgage, repayable in monthly instalments of \$29,080, with an option to annually prepay up to 20% of the principal amount, including financial charges at 5.71% in favour of [REDACTED] [REDACTED] maturing February 1st, 2015, secured by land and building located [REDACTED] [REDACTED] also known as the [REDACTED] office with a net value of \$5,091,230. Under the credit agreement, the Charity is required to respect certain financial ratios.	2,954,275	3,129,077
Mortgage, repayable in monthly instalments of \$16,000, with an option to annually prepay up to 20% of the principal amount, including financial charges at 4.80% in favour of [REDACTED] [REDACTED] maturing January 1st, 2016, secured by land and building of Vancouver Center located at [REDACTED] [REDACTED] office with a net value of \$3,098,672. In September 2012, MAC repaid the entire mortgage.	- 1,855,059	
[REDACTED] back to vendor registered against [REDACTED] [REDACTED] with net value of \$826,530, is non-interest bearing and due on April 30, 2016, with an annual principal only payment of \$100,000. First payment date April 30, 2013.	300,000	400,000
	6,693,041	9,014,901
Current portion of mortgage payable	488,424	571,775
	6,204,617	8,443,126

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

13. LONG-TERM DEBT (Continued)

Long-term debt capital repayments to be made over the next five years are the following:
2014, \$488,424; 2015, \$512,011; 2016, \$537,174; 2017, \$463,298; 2018, \$490,983.

The Charity paid out \$450,053 in financial charges in 2013 (\$497,231 in 2012).

As at June 30th, 2013 the Charity annual debt service coverage ratio is 5.76 which is more than the minimum ratio expected of 1.25. Therefore, Charity is in compliance with the credit agreement conditions.

14. LOAN PAYABLE

	2013	2012
	\$	\$
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 st , 2015	210,360	305,430
Current portion of loan payable	105,180	101,810
	105,180	203,620

Loan payable capital repayments to be made over the next five years are the following:
2014, \$105,180; 2015, \$105,180;

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

15. 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:

	2013	2012
	\$	\$
Cash and cash equivalent	1,761,280	124,395
Investments in marketable securities	-	1,695,793
Loan payable	210,360	305,430
Net exposure	<u>1,971,640</u>	<u>2,125,618</u>

Fair value

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

Cash and deposit:

These financial assets 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

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

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, 2013.

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

15. FINANCIAL INSTRUMENTS (Continued)

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:

	2013	2012
	\$	\$
Account payable (note 11)	93,063	176,050
Accrued Liabilities (note 11)	644,509	278,714
Deferred revenue (note 11)	202,144	-
Advances payable (note 12)	397,479	520,479
Current debt (note 13 & 14)	593,604	673,585
	<hr/> <u>1,930,799</u>	<hr/> <u>1,648,828</u>

Muslim Association of Canada
Notes to Financial Statements
For the year ended June 30, 2013

16. INFORMATION INCLUDED IN CASH FLOWS

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

	2013	2012
	\$	\$
Accounts receivable	(80,265)	(24,675)
Prepaid and sundry	(13,662)	6,922
Other assets	453,416	(163,750)
Accounts payable and accrued liabilities	484,951	(572,930)
	<hr/>	<hr/>
	844,440	(754,436)

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

	2013	2012
	\$	\$
Financial charges paid	444,594	497,231

17. COMMITMENTS

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

2014	\$377,034
2015	129,155
2016	90,570
2017	42,000

The Charity is committed to buy land and building of an approximate amount of \$3,500,000.

18. COMPARATIVE FIGURE

The comparative figures for 2012 have been reclassified to conform to the financial statements presentation adopted for 2013.