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Financial statements of

Muslim Association of Canada

June 30, 2014

Muslim Association of Canada

June 30, 2014

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Independent Auditor's Report

To the Audit Committee of the
Muslim Association of Canada

We have audited the accompanying financial statements of the Muslim Association of Canada, which comprise the statement of financial position as at June 30, 2014, and the statements of operations, changes in net assets and 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many non-profit organizations, the Muslim Association of Canada derives revenues from donations, the completeness of which is not susceptible of satisfactory audit. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to donations revenues, excess of revenues over expenses, assets, net assets and cash flows from operating activities as at and for the year ended June 30, 2014.

Qualified Opinion

In our 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 the Muslim Association of Canada as at June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Other Matters

The financial statements of the Muslim Association of Canada for the year ended June 30, 2013 were audited by another auditor who expressed a qualified opinion related to the completeness of donations revenue on those statements on November 30, 2013.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

Muslim Association of Canada

Statement of financial position as at June 30, 2014

	2014	2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,694,654	4,413,690
Accounts receivable (Note 3)	1,821,806	472,107
Deposit (Note 4)	294,574	3,084,171
Investments in marketable securities (Note 5)	2,612,564	-
Inventory	10,483	-
Prepaid and sundry	4,463	28,072
	8,438,544	7,998,040
Investments in private companies (Note 6)	67,959	116,546
Capital assets (Note 7)	47,447,059	30,891,955
Intangible assets (Note 8)	74,709	237,693
Other assets (Note 9)	148,000	148,000
	56,176,271	39,392,234
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	770,622	737,573
Advances payable (Note 10)	1,118,819	397,479
Deferred revenue	287,017	202,143
Current portion payable of long-term debt (Note 11)	3,767,677	488,424
Current portion payable of loan payable (Note 12)	210,360	105,180
	6,154,495	1,930,799
Long-term debt (Note 11)	11,252,364	6,204,617
Deferred revenue	945,250	-
Loan payable (Note 12)	-	105,180
Other liabilities	13,218	14,317
	18,365,327	8,254,913
Net assets		
Net assets invested in capital assets	31,903,961	23,913,594
Unrestricted net assets	5,906,983	7,223,727
	37,810,944	31,137,321
	56,176,271	39,392,234

On behalf of the Board

Chairman

Chairman

The accompanying notes to the financial statements are an integral part of this financial statement.

Muslim Association of Canada

Statement of operations year ended June 30, 2014

	2014	2013
	\$	\$
Revenue		
Donations	9,622,133	7,467,089
School fees	5,548,167	4,250,531
Program activities	3,142,423	2,093,243
Rental	940,291	781,596
Daycare and daycamp fees	712,723	716,489
Government grants	1,203,797	432,421
Sundry	53,108	-
Investment income	44,553	51,065
Foreign exchange gain	24,563	46,297
Gain on disposal of capital assets	150,044	344,211
	21,441,802	16,182,942
 Expenses		
Expenses (Schedule)	12,926,346	10,813,211
Financing charges	564,648	444,594
Impairment expense (Note 6)	50,000	-
Amortization of intangible assets (Note 8)	25,291	-
Amortization of capital assets	1,201,894	937,784
	14,768,179	12,195,589
Excess of revenue over expenses before the following	6,673,623	3,987,353
Share of income in a company subject to significant influence	-	12,907
Excess of revenue over expenses	6,673,623	4,000,260

The accompanying notes to the financial statements are an integral part of this financial statement.

Muslim Association of Canada

Statement of changes in net assets year ended June 30, 2014

		2014	2013
	Invested in capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of year	23,913,594	7,223,727	31,137,321
Excess of revenue over expenses	(1,201,894)	7,875,517	6,673,623
Investment in capital assets	18,331,656	(18,331,656)	-
Proceeds from disposal of capital assets	(812,395)	812,395	-
Long-term debt financing	(12,204,429)	12,204,429	-
Long-term debt repayment	3,877,429	(3,877,429)	-
Balance, end of year	31,903,961	5,906,983	37,810,944
			31,137,321

The accompanying notes to the financial statements are an integral part of this financial statement.

Muslim Association of Canada

Statement of cash flows year ended June 30, 2014

	2014	2013
	\$	\$
Operating activities		
Excess of revenue over expenses	6,673,623	4,000,260
Non-cash items		
Unrealized foreign exchange gain	(66,130)	(46,297)
Share of income on investment in private companies	-	(12,907)
Gain on disposal of capital assets	(150,044)	(344,211)
Amortization of capital assets	1,201,894	937,784
Impairment of investment in private companies	50,000	-
Amortization of intangible assets	25,291	-
Changes in non-cash working capital items	(225,912)	844,440
	7,508,723	5,379,069
Investing activities		
Purchase of capital assets	(15,542,059)	(3,818,080)
Proceeds from disposal of capital assets	812,395	-
Disposal of capital assets	-	3,350,000
Purchase of intangible assets	-	(137,693)
Purchase of marketable securities	(2,546,434)	-
Disposal of marketable securities	-	2,520,438
	(17,276,098)	1,914,665
Financing activities		
Advances payable repayment	-	(548,000)
Advances payable financing	721,339	425,000
Advances of long-term debt	12,204,429	-
Repayment of long-term debt	(3,877,429)	(2,321,860)
Loan payable repayment [REDACTED]	-	(125,705)
Deposit	-	(1,395,385)
	9,048,339	(3,965,950)
Net (decrease) increase in cash and cash equivalents	(719,036)	3,327,784
Cash and cash equivalents, beginning of year	4,413,690	1,085,906
Cash and cash equivalents, end of year	3,694,654	4,413,690

The accompanying notes to the financial statements are an integral part of this financial statement.

Muslim Association of Canada

Notes to the financial statements

June 30, 2014

1. Purpose and legal form of the Association

The Muslim Association of Canada ("The Association") was incorporated on August 8, 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. The Muslim Association 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 and operates many 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 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 accounting standards for not-for-profit organizations 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.

School fee, program fees and daycare and daycamp fees

Revenue is recognized as service is rendered to the customer. Amounts billed or received in accordance with customer contracts that do not yet satisfy revenue recognition criteria are recorded as deferred revenue.

Rent income

The Association 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.

Government grants

Government grants are recorded in the financial statements when there is reasonable assurance that the Association has complied with all conditions necessary to obtain the grant.

Muslim Association of Canada

Notes to the financial statements

June 30, 2014

2. Significant accounting policies (continued)

(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) *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 equipment	Straight-line	33
Computer software	Straight-line	20
Vehicle	Straight-line	33
Leasehold improvements	Straight-line	20

(f) *Cash and cash equivalents*

Cash and cash equivalents comprise cash and short-term investments with a term to maturity of three months or less at the date of acquisition

Muslim Association of Canada

Notes to the financial statements

June 30, 2014

2. Significant accounting policies (continued)

(g) *Intangible assets*

Intangible assets are recorded at cost. Contributed intangible assets are recorded at fair value at the date of contribution.

The customer list is amortized on a rational and systematic basis based on the number of customer contracts. As the number of customers decreases, amortization is recognized.

(h) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Association becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the following:

- a) Cash and cash equivalents, deposits and investments in marketable securities, which are measured at fair value.

Interest earned on short-term investments and bonds, dividends received on unlisted shares, and realized gains and losses on sale of short-term investments and bonds are included in other income in the statement of loss.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Association recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

(i) *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 Association'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 Association'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 Association 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 the financial statements

June 30, 2014

3. Accounts receivable

	2014	2013
	\$	\$
Sales tax receivable	1,363,065	326,068
██████████	58,769	51,624
	-	53,190
Tuition receivable	188,636	-
Other receivable	211,336	41,225
	1,821,806	472,107

4. Deposit

The deposit balance represents amounts advanced for the purchase of land and buildings.

5. Investments in marketable securities

	2014	2013
	\$	\$
Canadian money market mutual funds	1,011,164	-
Foreign money market mutual funds	1,601,400	-
	2,612,564	-

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

6. Investments in private companies

	2014	2013
	\$	\$
██████████	67,959	66,546
	-	50,000
	67,959	116,546

On March 1, 2008, the Association purchased 16 Class "A" common shares in the private company ██████████ for a consideration of \$160,000 representing 16% of the equity in ██████████. The equity in ██████████ represents an investment subject to significant influence, which is accounted for using the equity method.

On May 17, 2005, the Association irrevocably subscribed for 100,000 of Class "A" common shares of ██████████ for a consideration of \$100,000. Management determined that the value in this investment was impaired. An impairment expense of \$50,000 is included in the Statement of operations for the year ended June 30, 2014.

Muslim Association of Canada

Notes to the financial statements

June 30, 2014

7. Capital assets

		Cost	Accumulated amortization	2014 Net book value	2013 Net book value
		\$	\$	\$	\$
Land		18,625,713	-	18,625,713	13,139,685
Building		32,941,150	4,705,578	28,235,572	17,348,875
Furniture and fixtures		638,696	493,840	144,856	68,013
Computer equipment		410,124	152,793	257,331	35,008
Leasehold improvements		637,246	464,321	172,925	300,374
Vehicle		12,794	2,132	10,662	-
		53,265,723	5,818,664	47,447,059	30,891,955

8. Intangible assets

	2014	2013
	\$	\$
Computer software	-	137,693
Customer list	74,709	100,000
	74,709	237,693

The computer software was put into use during 2014 and as such was reclassified to capital assets.

The customer list consists of alarm system accounts. The Association acquired the list on March 1, 2008 and at this time a management and service agreement was entered into by the Association and [REDACTED]. As per the agreement, the Association acquired the list for consideration of \$100,000 as an investment for a period of five years, after which [REDACTED] may buy back the customer list for the same purchase price, however timing of this will occur at the discretion of the Association. [REDACTED] is responsible for managing and servicing the accounts. Amortization expense of \$25,291 was recorded in the Statement of operations as at June 30, 2014.

9. Other assets

	2014	2013
	\$	\$
Loan receivable	148,000	148,000

10. Advances payable

Advances payable represent amounts loaned to the Association by the members. These amounts are non-interest bearing, unsecured and have no specific terms of repayment.

Muslim Association of Canada

Notes to the financial statements

June 30, 2014

11. Long-term debt

	2014	2013
	\$	\$
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 with a carrying value of \$7,017,479 as at June 30, 2013. In August 2013, the Association repaid the mortgage.	- 3,438,766	
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] maturing February 1, 2015, secured by land and building with a carrying value of \$4,899,907 (2013 - \$5,091,230). Under the credit agreement, the Association is required to respect certain financial ratios which are in compliance as at June 30, 2014.	2,769,227	2,954,275
Mortgage, repayable in monthly installments of \$15,579, bearing interest at 3.55% in favour of [REDACTED] maturing May 7, 2019, secured by land with a carrying value of \$5,359,099.	2,666,190	-
Mortgage, repayable in monthly installments of \$23,249, bearing interest at 3.524% in favour of [REDACTED] maturing May 13, 2019, secured by land with a carrying value of \$5,142,380.	3,988,723	-
Mortgage, repayable in monthly installments of \$14,545 bearing interest at 4.6% in favour of [REDACTED] maturing October 1, 2018 secured against property with a carrying value of \$5,142,380.	2,234,414	-
Mortgage, repayable in monthly installments of \$10,762 bearing interest at 4.55% in favour of [REDACTED] maturing July 10, 2018, secured against property with a carrying value of \$3,007,127.	1,651,044	-
Mortgage, repayable in monthly installments of \$15,579, bearing interest at 5.65% in favour of [REDACTED] maturing July 3, 2018, secured against property with a carrying value of \$3,128,246.	1,510,443	-
[REDACTED] back to vendor secured by property with a carrying value of \$1,436,559 (2013 - \$826,530) non-interest bearing and due on April 30, 2016, with an annual principal only payment of \$100,000. First payment date April 30, 2013.	200,000	300,000
Current portion of long-term debt	15,020,041	6,693,041
	3,767,677	488,424
	11,252,364	6,204,617

Muslim Association of Canada

Notes to the financial statements

June 30, 2014

11. Long-term debt (continued)

Long-term debt capital repayments to be made over the next five years and thereafter are as follows:

	\$
2015	3,767,677
2016	998,451
2017	898,451
2018	898,451
2019	741,522
Thereafter	7,715,489

The Association incurred financing charges of \$564,648 in 2014 (2013 - \$444,594).

12. Loan payable

	2014	2013
	\$	\$
Loan of US \$500,000 for assistance in financing the purchase of a building for the Olive Grove School in Mississauga, Ontario. Payable twice a year in equal instalments of US \$50,000, maturing on June 1, 2015	210,360	210,360
Current portion of loan payable	210,360	105,180
	-	105,180

13. Financial instruments

Currency risk

The Association realizes revenue primarily in Canadian Dollars and thus is not subject to significant foreign exchange fluctuations. The balance sheet includes a term deposit of \$1,535,270 expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in US dollars.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Association is exposed to interest rate risk arising from its investments and its loans payable, which bear interest at variable rates.

Credit risk

Credit risk is the risk that counterparties fail to perform as contracted. The Association is not subject to any particular concentration of credit risk given the size and diversity of individual accounts due to the Association.

Liquidity risk

The Association's objective is to have sufficient liquidity to meet its liabilities when due. The Association monitors its cash balances and cash flows generated from operations to meet its requirements. As at June 30, 2014 the most significant financial liabilities are: loans payable, accounts payable, advances payable, accrued liabilities and long-term debt.

Muslim Association of Canada

Notes to the financial statements

June 30, 2014

14. Commitments

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

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

15. Comparative figures

The comparative financial statements were audited by another accountant. Certain comparative figures have been reclassified to conform to the current year's presentation.

16. Subsequent event

Subsequent to the year-end, the Association purchased a school in Kitchener, Ontario for approximately \$1,845,000. The purchase was financed by a Canadian chartered bank for \$1,800,000 and the remainder of the purchase price was paid in cash.

Muslim Association of Canada

Schedule of expenses
year ended June 30, 2014

	2014	2013
	\$	\$
Expenses		
Salaries, wages and fringe benefits	7,395,312	5,788,856
Social, religious and program activities	1,490,509	1,103,005
Maintenance and repairs	795,854	461,467
Rental for halls and facilities	716,295	420,959
Utilities	523,778	424,118
School supplies	464,948	296,023
Contributions to Canadian charities	280,902	612,915
Professional fees	253,198	333,254
Insurance	155,676	114,113
Realty taxes	125,425	478,892
Office and general	123,540	100,797
Advertising and promotion	122,007	34,813
██████████ credit card and bank charges	95,064	66,705
Printing and stationery	64,589	94,729
Conferences, conventions, training and seminars	60,053	122,365
Travelling and entertainment	51,496	123,565
Office supplies	51,004	55,603
Telecommunications	50,365	44,646
Computer maintenance and supplies	40,482	26,774
Security	31,689	23,386
Equipment rental	30,852	37,872
Fundraising	3,308	48,354
	12,926,346	10,813,211

The accompanying notes to the financial statements are an integral part of this financial statement.