

Revised financial statements of

Muslim Association of Canada

June 30, 2015

Muslim Association of Canada

June 30, 2015

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Independent Auditor's Report

To the Audit Committee of the
Muslim Association of Canada

We have audited the accompanying revised financial statements of the Muslim Association of Canada, which comprise the revised statement of financial position as at June 30, 2015, and the revised 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 Revised Financial Statements

Management is responsible for the preparation and fair presentation of these revised 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 revised 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 revenue, excess of revenue over expenses, assets, net assets and cash flows from operating activities as at and for the year ended June 30, 2015.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the revised financial statements present fairly, in all material respects, the financial position of the Muslim Association of Canada as at June 30, 2015, 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.

Emphasis of Matter

We draw attention to Note 16 which describes that the financial statements have been revised to correct for an error. Our audit procedures on subsequent events were restricted solely to the revision of the financial statements described in Note 16. Our audit opinion is not qualified in respect of this matter.

Chartered Professional Accountants
Licensed Public Accountants

Muslim Association of Canada

Revised statement of financial position
as at June 30, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,316,437	3,694,654
Accounts receivable (Note 3)	958,214	1,821,806
Deposit (Note 4)	206,283	294,574
Investments in marketable securities (Note 5)	2,288,529	2,612,564
Inventory	62,672	10,483
Prepaid and sundry	178,153	4,463
	7,010,288	8,438,544
Investment in private company (Note 6)	67,959	67,959
Capital assets (Note 7)	51,158,044	47,447,059
Intangible asset (Note 8)	74,709	74,709
Other assets (Note 9)	323,000	148,000
	58,634,000	56,176,271
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	838,276	770,622
Advances payable (Note 10)	649,009	1,118,819
Deferred revenue	424,792	287,017
Current portion payable of long-term debt (Note 11)	1,279,771	3,767,677
Current portion payable of loan payable (Note 12)	-	210,360
	3,191,848	6,154,495
Long-term debt (Note 11)	14,440,007	11,252,364
Deferred revenue	1,241,450	945,250
Other liabilities	13,218	13,218
	18,886,523	18,365,327
Net assets		
Net assets invested in capital assets	34,565,209	31,903,961
Unrestricted net assets	5,182,268	5,906,983
	39,747,477	37,810,944
	58,634,000	56,176,271

On behalf of the Board

[REDACTED] _____ Director

_____ Director

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

Muslim Association of Canada

Revised statement of operations
year ended June 30, 2015

	2015	2014
	\$	\$
Revenue		
Donations	7,383,545	9,622,133
School fees	6,578,657	5,548,167
Program activities	3,043,081	3,142,423
Rental	871,409	940,291
Daycare and daycamp fees	1,155,925	712,723
Government grants	1,654,570	1,203,797
Sundry	57,909	53,108
Investment income	48,401	44,553
Foreign exchange gain	256,282	24,563
Gain on disposal of capital assets	-	150,044
	21,049,779	21,441,802
 Expenses		
Expenses (Schedule of expenses)	17,048,720	12,926,346
Bad debt expense	38,259	-
Financing charges	685,341	564,648
Impairment expense	-	50,000
Amortization of intangible assets (Note 8)	-	25,291
Amortization of capital assets	1,690,926	1,201,894
	19,463,246	14,768,179
 Excess of revenue over expenses	1,586,533	6,673,623

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

Muslim Association of Canada

Revised statement of changes in net assets
year ended June 30, 2015

		2015	2014
	Invested in capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of year	31,903,961	5,906,983	37,810,944
Excess of revenue over expenses	(1,690,926)	3,277,459	1,586,533
Investment in capital assets	4,701,911	(4,701,911)	-
Donation of capital assets	350,000	-	350,000
Long-term debt financing	(1,800,000)	1,800,000	-
Long-term debt repayment	1,100,263	(1,100,263)	-
Balance, end of year	34,565,209	5,182,268	39,747,477
			37,810,944

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

Muslim Association of Canada

Revised statement of cash flows
year ended June 30, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses	1,586,533	6,673,623
Non-cash items		
Unrealized foreign exchange gain	(256,282)	(66,129)
Gain on disposal of capital assets	-	(150,044)
Amortization of capital assets	1,690,926	1,201,894
Impairment expense	-	50,000
Amortization of intangible assets	-	25,291
Bad debt expense	38,259	-
Changes in non-cash working capital items	839,374	(225,912)
	3,898,810	7,508,723
Investing activities		
Purchase of capital assets	(4,701,911)	(15,542,059)
Proceeds from disposal of capital assets	-	812,395
Advance of loan receivable	(175,000)	-
Change in marketable securities	580,317	(2,546,434)
	(4,296,594)	(17,276,098)
Financing activities		
Advances payable repayment	(469,810)	-
Advances payable financing	-	721,339
Repayment of loan payable	(210,360)	-
Advances of long-term debt	1,800,000	12,204,429
Repayment of long-term debt	(1,100,263)	(3,877,429)
	19,567	9,048,339
Net decrease in cash and cash equivalents	(378,217)	(719,036)
Cash and cash equivalents, beginning of year	3,694,654	4,413,690
Cash and cash equivalents, end of year	3,316,437	3,694,654

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

Muslim Association of Canada

Notes to the revised financial statements

June 30, 2015

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. Restricted donations for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets, if not amortized they are recognized as direct increases in net assets.

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.

Muslim Association of Canada

Notes to the revised financial statements

June 30, 2015

2. Significant accounting policies (continued)

(b) Revenue recognition (continued)

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.

(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.

(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, and deposits 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 operations.

Muslim Association of Canada

Notes to the revised financial statements
June 30, 2015

2. Significant accounting policies (continued)

(h) Financial instruments (continued)

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 the investment, and whenever the 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.

3. Accounts receivable

	2015	2014
	\$	\$
Sales tax receivable	763,944	1,363,065
Trilex receivable	75,583	58,769
Tuition receivable	2,016	188,636
Other receivable	116,671	211,336
	958,214	1,821,806

4. Deposit

The deposit balance represents amounts advanced for the purchase of capital assets and for services that have not yet been performed.

Muslim Association of Canada

Notes to the revised financial statements
June 30, 2015

5. Investments in marketable securities

	2015	2014
	\$	\$
Canadian money market term deposit	525,420	1,011,164
Foreign money market term deposit	1,763,109	1,601,400
	<u>2,288,529</u>	<u>2,612,564</u>

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

6. Investment in private company

	2015	2014
	\$	\$
[REDACTED]	67,959	67,959
	<u>67,959</u>	<u>67,959</u>

On March 1, 2008, the Association purchased 16 Class "A" common shares in the private company [REDACTED] for consideration of \$160,000 representing 16% of the equity in [REDACTED]

7. Capital assets

	Cost	Accumulated amortization	Net book value	2014
	\$	\$	\$	\$
Construction in progress	54,413	-	54,413	-
Land	20,040,916	-	20,040,916	18,625,713
Buildings	36,351,426	5,914,521	30,436,905	28,235,572
Furniture and fixtures	986,501	646,825	339,676	144,856
Computer equipment	590,124	310,387	279,737	257,331
Leasehold improvements	-	-	-	172,925
Vehicle	12,794	6,397	6,397	10,662
	<u>58,036,174</u>	<u>6,878,130</u>	<u>51,158,044</u>	<u>47,447,059</u>

Muslim Association of Canada

Notes to the revised financial statements

June 30, 2015

8. Intangible asset

	2015	2014
	\$	\$
Customer list	74,709	74,709
	<u>74,709</u>	<u>74,709</u>

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.

9. Other assets

	2015	2014
	\$	\$
Non-interest bearing loans receivable	323,000	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 revised financial statements

June 30, 2015

11. Long-term debt

	2015	2014
	\$	\$
Mortgage, repayable in monthly instalments of \$10,389, bearing financing charges at 3.47%, maturing August 5, 2019, secured by land and building with a carrying value of \$2,184,890 as at June 30, 2015. Under the credit agreement, the Association is required to respect certain financial ratios which are in compliance as at June 30th 2015.	1,747,079	-
Mortgage, repayable in monthly instalments of \$29,080, bearing financing charges at 5.71%, maturing February 1, 2015, secured by land and building with a carrying value of \$5,112,863 (2014 - \$4,899,907) Under the credit agreement, the Association is required to respect certain financial ratios which are in compliance as at June 30, 2015. As at October 2015, this loan was re-paid by [REDACTED] and the company entered into a new agreement with [REDACTED] (Note 15).	2,573,330	2,769,227
Mortgage, repayable in monthly installments of \$15,579, bearing financing charges at 3.55%, maturing May 7, 2019 secured by land with a carrying value of \$5,386,882 (2014 - \$5,359,099)	2,563,891	2,666,190
Mortgage, repayable in monthly installments of \$23,249, bearing financing charges at 3.524%, maturing May 13, 2019, secured by land with a carrying value of \$5,188,961 (2014 - \$5,142,380)	3,848,840	3,988,723
Mortgage, repayable in monthly installments of \$14,545 bearing financing charges at 4.6%, maturing October 1, 2018, secured by property with a carrying value of \$3,362,596 (2014 - \$5,142,380)	1,822,755	2,234,414
Mortgage, repayable in monthly installments of \$10,762 bearing financing charges at 4.55%, maturing July 10, 2018, secured by property with a carrying value of \$2,947,697 (2014 - \$3,007,127)	1,595,074	1,651,044
Mortgage, repayable in monthly installments of \$15,579, bearing financing charges at 5.65%, maturing July 3, 2018, secured by property with a carrying value of \$3,371,455 (2014 - \$3,128,246)	1,468,578	1,510,443
First mortgage back to vendor secured by a property with a carrying value of \$1,350,963 (2014 - \$1,436,559), non-finance charge bearing and due on April 30, 2016, with an annual principal only payment of \$100,000. First payment date April 30, 2013	100,231	200,000
Current portion of long-term debt	15,719,778	15,020,041
	1,279,771	3,767,677
	14,440,007	11,252,364

Muslim Association of Canada

Notes to the revised financial statements

June 30, 2015

11. Long-term debt (continued)

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

	\$
2016	1,279,771
2017	1,203,505
2018	1,203,505
2019	1,203,505
2020	1,062,155
Thereafter	9,767,337
	15,719,778

The Association incurred financing charges of \$685,341 in 2015 (2014 - \$564,648).

12. Loan payable

	2015	2014
	\$	\$
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
Current portion of loan payable	-	210,360
	-	-

13. Financial instruments

Currency risk

The Association realizes revenue primarily in Canadian Dollars and thus is not subject to significant foreign exchange fluctuations. The statement of financial position includes a term deposit of \$1,535,270 expressed in Canadian dollars 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, 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 on accounts receivable given the size and diversity of individual accounts due to the Association. The Association is exposed to credit risk on loans receivable.

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, 2015 the most significant financial liabilities are: accounts payable and accrued liabilities, advances payable, and long-term debt.

Muslim Association of Canada

Notes to the revised financial statements

June 30, 2015

14. Commitments

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

	\$
2016	90,570
2017	42,000
	<hr/> <hr/> <hr/> 132,570

15. Subsequent events

In May 2015, the Association entered into an agreement with the [REDACTED] to refinance the mortgage payable to the [REDACTED] and to advance a renovation loan to be repaid at \$15,032 and \$8,116 per month respectively, due May 20, 2020. The funds were advanced to repay the debt in October 2015. As the funds were refinanced subsequent to the year-end, the mortgage payable related to the [REDACTED] has been presented as long-term in the statement of financial position.

16. Financial statement revision

Subsequent to the issuance of the financial statements on November 30, 2015, management corrected an error in the financial statements and the financial statements were revised. Land and building donated to the Muslim Association of Canada during the year-ended June 30, 2015 was recorded at cost instead of fair value in the statement of financial position. The financial statements have been revised to recognize the donated land and building at fair value and the related amortization has been recorded. Capital assets increased by \$350,000 and \$336,000 for the donated land and building respectively, deferred revenue increased by \$336,000 and net assets increased by \$350,000. Revenue and amortization expense of \$14,000 were recognized on the donated building.

Muslim Association of Canada

Revised schedule of expenses
year ended June 30, 2015

	2015	2014
	\$	\$
Expenses		
Salaries, wages and benefits	9,875,624	7,395,312
Social, religious and program activities	2,179,232	1,490,509
Maintenance and repairs	1,023,065	795,854
Rental for halls and facilities	661,211	716,295
Utilities	637,117	523,778
School supplies	621,146	464,948
Contributions to Canadian charities	210,691	280,902
Professional fees	439,372	253,198
Insurance	142,315	155,676
Realty taxes	294,166	125,425
Office and general	90,003	123,540
Advertising and promotion	122,118	125,315
■, credit card and bank charges	118,218	95,064
Printing and stationery	79,495	64,589
Conferences, conventions, training and seminars	71,272	60,053
Travel	98,796	51,496
Office supplies	128,578	51,004
Telecommunications	52,764	50,365
Computer maintenance and supplies	78,474	40,482
Security	42,370	31,689
Equipment rental	82,693	30,852
	17,048,720	12,926,346

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