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Financial statements of

Muslim Association of Canada

December 31, 2015

Muslim Association of Canada

December 31, 2015

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Independent Auditor's Report

To the Audit of 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 December 31, 2015, and the statements of operations, changes in net assets and cash flows for the six months 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 revenue, excess of revenue over expenses, assets, net assets and cash flows from operating activities as at and for the six month period ended December 31, 2015.

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 December 31, 2015, and the results of its operations and its cash flows for the six months then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.



Chartered Professional Accountants
Licensed Public Accountants



Muslim Association of Canada

Statement of financial position as at December 31, 2015

	December 31, 2015	June 30, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,474,659	3,316,437
Accounts receivable (Note 3)	1,183,150	958,214
Deposit (Note 4)	209,752	206,283
Investments in marketable securities (Note 5)	2,811,947	2,288,529
Inventory	62,672	62,672
Prepaid and sundry	254,163	178,153
	9,996,343	7,010,288
Investment in private company (Note 6)	67,959	67,959
Capital assets (Note 7)	52,032,827	51,158,044
Intangible asset (Note 8)	74,709	74,709
Other assets (Note 9)	323,000	323,000
	62,494,838	58,634,000
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,037,287	838,276
Advances payable (Note 10)	487,970	649,009
Deferred revenue	1,080,897	424,792
Current portion payable of long-term debt (Note 11)	1,453,196	1,279,771
	4,059,350	3,191,848
Long-term debt (Note 11)	16,108,048	14,440,007
Deferred revenue	1,809,085	1,241,450
Other liabilities	13,218	13,218
	21,989,701	18,886,523
Net assets		
Net assets invested in capital assets	37,529,670	34,565,209
Unrestricted net assets	2,975,467	5,182,268
	40,505,137	39,747,477
	62,494,838	58,634,000

On behalf of the Board



Director

Director

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

Muslim Association of Canada

Statement of operations period ended December 31, 2015

	December 31, 2015 (6 months)	June 30, 2015 (12 months)
	\$	\$
Revenue		
Donations	5,074,065	7,383,545
School fees	3,165,388	6,578,657
Program activities	1,403,454	3,043,081
Rental	512,833	871,409
Daycare and daycamp fees	807,609	1,155,925
Government grants	1,031,769	1,654,570
Sundry	26,854	57,909
Investment income	18,462	48,401
Foreign exchange gain	105,151	256,282
	12,145,585	21,049,779
Expenses		
Expenses (Schedule of expenses)	10,428,766	17,048,720
Bad debt expense	-	38,259
Interest on long-term debt	343,831	685,341
Amortization of capital assets	847,162	1,690,926
Loss on disposal of capital assets	68,166	-
	11,687,925	19,463,246
Excess of revenue over expenses	457,660	1,586,533

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 period ended December 31, 2015

	December 31, 2015 (6 months)		June 30, 2015 (12 months)	
	Invested in capital assets	Unrestricted	Total	Total
	\$	\$	\$	\$
Balance, beginning of period	34,565,209	5,182,268	39,747,477	37,810,944
Excess (deficiency) of revenue over expenses	(847,162)	1,304,822	457,660	1,586,533
Investment in capital assets	1,914,217	(1,614,217)	300,000	-
Loss on disposal of capital assets	(68,166)	68,166	-	-
Proceeds from disposal of capital assets	124,106	(124,106)	-	-
Donation of capital assets	-	-	-	350,000
Long-term debt financing	4,700,000	(4,700,000)	-	-
Long-term debt repayment	(2,858,534)	2,858,534	-	-
Balance, end of period	37,529,670	2,975,467	40,505,137	39,747,477

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

Muslim Association of Canada

Statement of cash flows period ended December 31, 2015

	December 31, 2015 (6 months)	June 30, 2015 (12 months)
	\$	\$
Operating activities		
Excess of revenue over expenses	457,660	1,586,533
Non-cash items		
Unrealized foreign exchange gain	(105,151)	(256,282)
Loss on disposal of capital assets	68,166	-
Amortization of capital assets	847,162	1,690,926
Bad debt expense	-	38,259
Changes in non-cash working capital items	1,118,336	839,374
	2,386,173	3,898,810
Investing activities		
Purchase of capital assets	(1,614,217)	(4,701,911)
Proceeds from disposal of capital assets	124,106	-
Advance of loan receivable	-	(175,000)
Change in marketable securities	(418,267)	580,317
	(1,908,378)	(4,296,594)
Financing activities		
Advances payable repayment	(231,039)	(469,810)
Advances payable financing	70,000	-
Repayment of loan payable	-	(210,360)
Advances of long-term debt	4,700,000	1,800,000
Repayment of long-term debt	(2,858,534)	(1,100,263)
	1,680,427	19,567
Net increase (decrease) in cash and cash equivalents	2,158,222	(378,217)
Cash and cash equivalents, beginning of year	3,316,437	3,694,654
Cash and cash equivalents, end of year	5,474,659	3,316,437

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

Muslim Association of Canada

Notes to the financial statements

December 31, 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 corporation without share capital under the Canada Corporations Act. It was continued under Canada Not-for-Profit Corporations Act by Articles of Continuance issued on July 17, 2014. It is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided that certain requirements of the Income Tax Act (Canada) are met.

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.

During the year, the Association received approval from the Charities Directorate to change their fiscal year end from June 30 to December 31. These Financial Statements reflect the activity for the six months ended December 31, 2015.

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.

Rental 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 financial statements

December 31, 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 financial statements

December 31, 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 the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Association recognizes in the statement of operations 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 the statement of operations 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, 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

	December 31, 2015	June 30, 2015
	\$	\$
Sales tax receivable	992,653	763,944
[REDACTED] receivable	75,868	75,583
Tuition receivable	101,614	2,016
Other receivable	13,015	116,671
	<u>1,183,150</u>	<u>958,214</u>

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 financial statements

December 31, 2015

5. Investments in marketable securities

	December 31, 2015	June 30, 2015
	\$	\$
Canadian money market term deposit	2,534,423	525,420
Foreign money market term deposit	277,524	1,763,109
	2,811,947	2,288,529

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

6. Investment in Private Company

	December 31, 2015	June 30, 2015
	\$	\$
	67,959	67,959

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

7. Capital assets

			December 31, 2015	June 30, 2015
	Accumulated Cost amortization		Net book value	Net book value
	\$	\$	\$	\$
Construction in progress	14,494	-	14,494	54,413
Land	20,697,319	-	20,697,319	20,040,916
Building	37,114,205	6,530,887	30,583,318	30,436,905
Furniture and fixtures	1,197,149	778,753	418,396	339,676
Computer equipment	673,404	403,973	269,431	279,737
Leasehold improvements	48,753	2,438	46,315	-
Vehicle	12,794	9,240	3,554	6,397
	59,758,118	7,725,291	52,032,827	51,158,044

Muslim Association of Canada

Notes to the financial statements

December 31, 2015

8. Intangible asset

	December 31, 2015	June 30, 2015
	\$	\$
Customer list	74,709	74,709

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

	December 31, 2015	June 30, 2015
	\$	\$
Non-interest bearing loans receivable	323,000	323,000

10. Advances payable

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

11. Long-term debt

	December 31, 2015	June 30, 2015
	\$	\$
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 \$1,555,506 (June 30, 2015 - \$1,516,793). Under the credit agreement, the Association is required to respect certain financial ratios which are in compliance as at December 31, 2015.	1,714,689	1,747,079
Mortgage, repayable in monthly instalments of \$29,080, bearing financing charges at 5.71%. On October 2015, this loan was discharged and the company entered into a new mortgage agreement.	-	2,573,330
Mortgage, repayable in monthly installments of \$14,604, bearing financing charges at 3.55%, maturing October 21, 2020 secured by land with a carrying value of \$5,066,938	2,498,060	-
	4,212,749	4,320,409

Muslim Association of Canada

Notes to the financial statements

December 31, 2015

11. Long-term debt (continued)

	December 31, 2015	June 30, 2015
	\$	\$
Carried forward	4,212,749	4,320,409
Mortgage, repayable in monthly installments of \$8,645, bearing financing charges at 3.52%, maturing October 21, 2020 secured by land with a carrying value of \$5,066,938	1,478,761	-
Mortgage, repayable in monthly installments of \$15,579, bearing financing charges at 3.58%, maturing May 7, 2019 secured by land with a carrying value of \$5,314,196 (June 30, 2015 - \$5,386,882)	2,515,895	2,563,891
Mortgage, repayable in monthly installments of \$23,249, bearing financing charges at 3.55%, maturing May 13, 2019 secured by land and building with a carrying value of \$5,153,583 (June 30, 2015 - \$5,188,961)	3,772,182	3,848,840
Mortgage, repayable in monthly installments of \$14,545 bearing financing charges at 4.6%, maturing October 1, 2018, secured by land and building with a carrying value of \$3,335,932 (June 30, 2015 - \$3,362,596)	1,776,693	1,822,755
Mortgage, repayable in monthly installments of \$10,762 bearing financing charges at 4.55%, maturing July 10, 2018, secured by land and building with a carrying value of \$2,912,225 (June 30, 2015 - \$2,947,697)	1,566,284	1,595,074
Mortgage, repayable in monthly installments of \$10,736, bearing financing charges at 5.64%, maturing July 3, 2018, secured by land and building with a carrying value of \$3,349,806 (June 30, 2015 - \$3,371,455)	1,441,129	1,468,578
First mortgage back to vendor secured by a building with a carrying value of \$1,317,520 (June 30, 2015 - \$1,350,963), 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	100,231
Mortgage, repayable in monthly installments of \$4,230, bearing financing charges at 4%, maturing November 30, 2020, secured by land and buildings with carrying values of \$1,150,059. The Association is required to respect certain financial ratios which are in compliance as at December 31, 2015.	697,320	-
	17,561,244	15,719,778
Current portion of long-term debt	1,453,196	1,279,771
	16,108,048	14,440,007

Muslim Association of Canada

Notes to the financial statements

December 31, 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	1,453,196
2017	1,352,865
2018	4,839,412
2019	6,565,351
2020	3,350,420
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	17,561,244

The Association incurred financing charges of \$343,831 for the six months December 31, 2015 (June 30, 2015 - \$685,341).

12. 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 \$277,524 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. The Association is not exposed to interest risk on its long-term debt as these amounts are set to be repaid at fixed 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.

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 December 31, 2015 the most significant financial liabilities are: accounts payable and accrued liabilities, advances payable, and long-term debt.

13. Commitments

The Association entered into equipment operating leases and is committed to pay annual amounts for the years ended December 31 as follows:

\$

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

Muslim Association of Canada

Notes to the financial statements

December 31, 2015

14.

[REDACTED]

[REDACTED]

15. **Comparative figures**

Certain of the prior year figures have been reclassified to conform to current year presentation.

Muslim Association of Canada

Schedule of expenses period ended December 31, 2015

	December 31, 2015 (6 months)	June 30, 2015 (12 months)
	\$	\$
Expenses		
Salaries, wages and benefits	5,423,761	9,875,624
Social, religious and program activities	1,263,553	2,179,232
Maintenance and repairs	651,093	1,023,065
Rental for halls and facilities	496,219	661,211
Utilities	267,459	637,117
School supplies	503,903	621,146
Contributions to Canadian charities	612,957	210,691
Professional fees	233,325	439,372
Insurance	72,335	142,315
Realty taxes	344,096	294,166
Office and general	54,658	90,003
Advertising and promotion	87,272	122,118
████, credit card and bank charges	69,628	118,218
Printing and stationery	31,908	79,495
Conferences, conventions, training and seminars	55,486	71,272
Travel	65,599	98,796
Office supplies	76,331	128,578
Telecommunications	31,010	52,764
Computer maintenance and supplies	38,801	78,474
Security	27,711	42,370
Equipment rental	21,661	82,693
	10,428,766	17,048,720

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