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Financial statements of

## **Muslim Association of Canada**

December 31, 2016

# **Muslim Association of Canada**

## **December 31, 2016**

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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 December 31, 2016, 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 verification. Accordingly, our verification 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 December 31, 2016. Our audit opinion on the financial statements for the six month period ended December 31, 2015 was modified accordingly because of the possible effects of this scope limitation.

### **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, 2016, 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.

Chartered Professional Accountants  
Licensed Public Accountants

# Muslim Association of Canada

## Statement of financial position as at December 31, 2016

	December 31, 2016	December 31, 2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	4,506,810	5,474,659
Accounts receivable (Note 3)	1,718,020	1,183,150
Deposit (Note 4)	182,466	209,752
Investments in marketable securities (Note 5)	1,009,852	2,811,947
Inventory	62,752	62,672
Prepaid and sundry	221,619	254,163
	<b>7,701,519</b>	<b>9,996,343</b>
Investment in private company (Note 6)	67,959	67,959
Capital assets (Note 7)	60,145,255	52,032,827
Intangible asset (Note 8)	74,709	74,709
Loans receivable (Note 9)	273,000	323,000
	<b>68,262,442</b>	<b>62,494,838</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	1,182,046	1,037,287
Advances payable (Note 10)	1,249,801	487,970
Deferred revenue	1,747,909	1,080,897
Current portion payable of long-term debt (Note 11)	760,833	682,778
	<b>4,940,589</b>	<b>3,288,932</b>
Long-term debt (Note 11)	17,586,268	16,878,466
Deferred revenue	1,166,923	1,809,085
Other liabilities	13,218	13,218
	<b>23,706,998</b>	<b>21,989,701</b>
Commitments and contingencies (Notes 13, 14)		
<b>Net assets</b>		
Net assets invested in capital assets	46,427,955	37,529,670
Unrestricted net assets	(1,872,511)	2,975,467
	<b>44,555,444</b>	<b>40,505,137</b>
	<b>68,262,442</b>	<b>62,494,838</b>

On behalf of the Board

[REDACTED] Director  
 [REDACTED] 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, 2016

	December 31, 2016 (12 months)	December 31, 2015 (6 months)
	\$	\$
<b>Revenue</b>		
Donations	<b>11,237,234</b>	5,074,065
School fees	<b>8,326,011</b>	3,165,388
Program activities	<b>3,978,176</b>	1,403,454
Rental	<b>1,285,348</b>	512,833
Daycare and daycamp fees	<b>1,099,052</b>	807,609
Government grants	<b>2,072,930</b>	1,031,769
Sundry	<b>29,943</b>	26,854
Investment income	<b>34,387</b>	18,462
Foreign exchange (loss) gain	<b>(15,270)</b>	105,151
	<b>28,047,811</b>	12,145,585
 <b>Expenses</b>		
Expenses (Schedule of expenses)	<b>21,414,291</b>	10,428,766
Financing charges on long-term debt	<b>666,025</b>	343,831
Amortization of capital assets	<b>1,913,634</b>	847,162
Loss on disposal of capital assets	<b>3,554</b>	68,166
	<b>23,997,504</b>	11,687,925
<b>Excess of revenue over expenses</b>	<b>4,050,307</b>	<b>457,660</b>

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, 2016

		December 31, 2016 (12 months)	December 31, 2015 (6 months)
	Invested in capital assets	Unrestricted	Total
	\$	\$	\$
<b>Balance, beginning of period</b>	<b>37,529,670</b>	<b>2,975,467</b>	<b>40,505,137</b>
Excess (deficiency) of revenue over expenses	(1,913,634)	5,963,941	4,050,307
Investment in capital assets	10,029,616	(10,029,616)	-
Loss on disposal of capital assets	(3,554)	3,554	-
Long-term debt financing	1,560,000	(1,560,000)	-
Long-term debt repayment	(774,143)	774,143	-
<b>Balance, end of period</b>	<b>46,427,955</b>	<b>(1,872,511)</b>	<b>44,555,444</b>
			40,505,137

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, 2016

	December 31, 2016 (12 months)	December 31, 2015 (6 months)
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	4,050,307	457,660
Non-cash items		
Unrealized foreign exchange gain (loss)	15,270	(105,151)
Loss on disposal of capital assets	3,554	68,166
Amortization of capital assets	1,913,634	847,162
Changes in non-cash working capital items	(305,511)	1,118,336
	5,677,254	2,386,173
<b>Investing activities</b>		
Purchase of capital assets	(10,029,616)	(1,614,217)
Proceeds from disposal of capital assets	-	124,106
Decrease in loans receivable	50,000	-
Net proceeds from the sale (purchase) of marketable securities	1,786,825	(418,267)
	(8,192,791)	(1,908,378)
<b>Financing activities</b>		
Advances payable repayment	(337,220)	(231,039)
Advances payable financing	1,099,051	70,000
Advances of long-term debt	1,560,000	4,700,000
Repayment of long-term debt	(774,143)	(2,858,534)
	1,547,688	1,680,427
Net (decrease) increase in cash and cash equivalents	(967,849)	2,158,222
Cash and cash equivalents, beginning of period	5,474,659	3,316,437
<b>Cash and cash equivalents, end of period</b>	<b>4,506,810</b>	<b>5,474,659</b>

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, 2016

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### 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.

The Association received approval from the Charities Directorate to change their fiscal year end from June 30 to December 31. The change was made effective for the Dec 31 2015 year-end. These Financial Statements reflect the activity for the twelve months ended December 31, 2016 and 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 the determination of the allowance for doubtful accounts. 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, 2016

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### 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, 2016

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### 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, 2016	December 31, 2015
	\$	\$
Sales tax receivable	1,141,687	992,653
[REDACTED] receivable	53,806	75,868
Tuition receivable	339,440	101,614
Other receivable	183,087	13,015
	<hr/> <b>1,718,020</b>	<hr/> <b>1,183,150</b>

### 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, 2016

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## 5. Investments in marketable securities

	December 31, 2016	December 31, 2015
	\$	\$
Canadian money market term deposit	1,009,852	2,534,423
Foreign money market term deposit	-	277,524
	1,009,852	2,811,947

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 [REDACTED] for consideration of \$160,000 representing 16% of the equity in [REDACTED]

## 7. Capital assets

	Accumulated Cost amortization	Net book value	Net book value
	\$	\$	\$
Construction in progress	221,424	-	221,424
Land	24,186,227	-	24,186,227
Building	43,037,753	7,887,454	35,150,299
Furniture and fixtures	1,424,989	1,097,179	327,810
Computer equipment	829,666	630,250	199,416
Leasehold improvements	74,880	14,801	60,079
Vehicle	9,240	9,240	-
	69,784,179	9,638,924	60,145,255
			52,032,827

## Muslim Association of Canada

## Notes to the financial statements

December 31, 2016

## 8. Intangible asset

	<b>December 31, December 31,</b>	
	<b>2016</b>	<b>2015</b>
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. Loans receivable

	December 31, 2016	December 31, 2015
	\$	\$
<b>Non-interest bearing loans receivable</b>	<b>273,000</b>	<b>323,000</b>

## 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, 2016	December 31, 2015
	\$	\$
Mortgage, repayable in monthly installments of \$9,629, bearing financing charges at 4.25%, maturing November 28, 2021 secured by land and building with a carrying value of \$2,468,596.	1,560,000	-
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 \$1,634,191 (2015 - \$1,555,506). Under the credit agreement, the Association is required to respect certain financial ratios which are in compliance as at December 31, 2016.	1,648,208	1,714,689
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 \$5,269,993 (2015 - \$5,066,938).	2,408,431	2,498,060
	<b>5,616,639</b>	<b>4,212,749</b>

# Muslim Association of Canada

## Notes to the financial statements December 31, 2016

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### 11. Long-term debt (continued)

	December 31, 2016	December 31, 2015
	\$	\$
Carried forward	5,616,639	4,212,749
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 \$5,269,993 (2015- \$5,066,938).	1,426,439	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 \$5,346,793 (2015 - \$5,314,196)	2,419,655	2,515,895
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 \$5,126,790 (2015 - \$5,153,583)	3,628,914	3,772,182
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 \$3,323,073 (2015 - \$3,335,932)	1,681,352	1,776,693
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 \$2,990,381 (2015 - \$2,912,225)	1,506,534	1,566,284
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 \$3,328,391 (2015 - \$3,349,806)	1,391,740	1,441,129
First mortgage back to vendor secured by a building with a carrying value of \$3,241,271 (June 30, 2015 - \$1,317,520), 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
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 \$1,178,548 (2015 - \$1,150,059). The Association is required to respect certain financial ratios which are in compliance as at December 31, 2016.	675,828	697,320
Current portion of long-term debt	18,347,101	17,561,244
	760,833	682,778
	<b>17,586,268</b>	<b>16,878,466</b>

# Muslim Association of Canada

## Notes to the financial statements December 31, 2016

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### 11. Long-term debt (continued)

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

	\$
2017	760,833
2018	4,933,889
2019	7,280,654
2020	4,033,994
2021	1,337,731
	<hr/> <u>18,347,101</u>

The Association incurred financing charges of \$666,025 for the year ended December 31, 2016 (six months ended December 31, 2015 - \$343,831).

### 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 \$15,458 (2015 - \$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, 2016 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:

	\$
2017	90,570
2018	42,000
	<hr/> <u>132,570</u>

# **Muslim Association of Canada**

Notes to the financial statements

December 31, 2016

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**14.**

[REDACTED]

**15. Comparative figures**

Certain comparative balances have been reclassified to conform to the current year presentation.

# Muslim Association of Canada

## Schedule of expenses

period ended December 31, 2016

	December 31, 2016 (12 months)	December 31, 2015 (6 months)
	\$	\$
<b>Expenses</b>		
Salaries, wages and benefits	12,559,217	5,423,761
Social, religious and program activities	2,431,181	1,263,553
Maintenance and repairs	1,136,209	651,093
Rental for halls and facilities	1,165,739	496,219
Utilities	699,248	267,459
School supplies	659,599	503,903
Charitable contributions	754,913	612,957
Professional fees	377,884	233,325
Insurance	171,824	72,335
Realty taxes	503,046	344,096
Office and general	92,783	54,658
Advertising and promotion	175,405	87,272
■, credit card and bank charges	156,208	69,628
Printing and stationery	83,971	31,908
Conferences, conventions, training and seminars	58,922	55,486
Travel	79,870	65,599
Office supplies	111,325	76,331
Telecommunications	69,495	31,010
Computer maintenance and supplies	62,804	38,801
Security	41,057	27,711
Equipment rental	23,591	21,661
	<b>21,414,291</b>	<b>10,428,766</b>

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