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Financial statements of

Muslim Association of Canada

December 31, 2017

Muslim Association of Canada

December 31, 2017

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Independent Auditor's Report

To the Board of Directors 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, 2017, 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, 2017.

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, 2017, 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, 2017

	December 31, 2017	December 31, 2016
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,719,128	4,506,810
Accounts receivable (Note 3)	2,241,869	1,718,020
Deposits (Note 4)	458,973	182,466
Investments in marketable securities (Note 5)	2,533,619	1,009,852
Inventory	62,958	62,752
Prepaid and sundry	91,553	221,619
	9,108,100	7,701,519
Investment in private companies (Note 6)	280,059	67,959
Capital assets (Note 7)	62,522,639	60,145,255
Intangible asset (Note 8)	74,709	74,709
Loans receivable (Note 9)	273,000	273,000
	72,258,507	68,262,442
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,232,667	1,182,046
Advances payable (Note 10)	1,142,751	1,249,801
Deferred revenue	2,031,998	1,747,909
Current portion payable of long-term debt (Note 11)	2,170,228	760,833
	6,577,644	4,940,589
Long-term debt (Note 11)	15,413,475	17,586,268
Deferred revenue	1,123,546	1,166,923
Other liabilities	14,687	13,218
	23,129,352	23,706,998
Commitments and contingencies (Notes 13, 14)		
Net assets		
Net assets invested in capital assets	48,065,401	46,427,955
Unrestricted net assets	1,063,754	(1,872,511)
	49,129,155	44,555,444
	72,258,507	68,262,442

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, 2017

	December 31, 2017	December 31, 2016
	\$	\$
Revenue		
Donations	10,110,618	11,237,234
School fees	9,587,536	8,326,011
Program activities	4,435,893	3,978,176
Rental	1,326,530	1,285,348
Daycare and daycamp fees	1,359,320	1,099,052
Government grants	2,970,150	2,072,930
Sundry	85,319	29,943
Investment income	36,068	34,387
	29,911,434	28,063,081
Expenses		
Expenses (Schedule of expenses)	22,560,290	21,414,291
Financing charges on long-term debt	708,016	666,025
Amortization of capital assets	2,070,361	1,913,634
Unrealized loss on foreign exchange	77	15,270
(Gain) loss on disposal of capital assets	(1,021)	3,554
	25,337,723	24,012,774
Excess of revenue over expenses	4,573,711	4,050,307

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, 2017

		December 31, 2017	December 31, 2016
	Invested in capital assets	Unrestricted	Total
	\$	\$	\$
Balance, beginning of period	46,427,955	(1,872,511)	44,555,444
(Deficiency) excess of revenue over expenses	(2,070,361)	6,644,072	4,573,711
Investment in capital assets	4,470,184	(4,470,184)	-
Gain on disposal of capital assets	1,021	(1,021)	-
Long-term debt repayment	(763,398)	763,398	-
Balance, end of period	48,065,401	1,063,754	49,129,155
			44,555,444

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, 2017

	December 31, 2017	December 31, 2016
	\$	\$
Operating activities		
Excess of revenue over expenses	4,573,711	4,050,307
Non-cash items		
Unrealized loss on foreign exchange	77	15,270
(Gain) loss on disposal of capital assets	(1,021)	3,554
Amortization of capital assets	2,070,361	1,913,634
Changes in non-cash working capital items	(589,794)	(305,511)
	<u>6,053,334</u>	<u>5,677,254</u>
Investing activities		
Purchase of capital assets	(4,470,184)	(10,029,616)
Proceeds from the disposal of capital assets	23,460	-
Decrease in loans receivable	-	50,000
Net (disbursements) proceeds from the purchase and sale of marketable securities	(1,523,844)	1,786,825
	<u>(5,970,568)</u>	<u>(8,192,791)</u>
Financing activities		
Repayment of advances payable	(766,900)	(337,220)
Increase in advances payable	659,850	1,099,051
Increase in long-term debt	-	1,560,000
Repayment of long-term debt	(763,398)	(774,143)
	<u>(870,448)</u>	<u>1,547,688</u>
Net decrease in cash and cash equivalents	(787,682)	(967,849)
Cash and cash equivalents, beginning of period	4,506,810	5,474,659
Cash and cash equivalents, end of period	3,719,128	4,506,810

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, 2017

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.

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. Donations in-kind are recorded as revenue at the fair value of the contribution at the date of contribution, if fair value can be reasonably measured.

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, 2017

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
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 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, 2017

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

Investments 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.

Investments not subject to significant influence

The investment in the [REDACTED] not subject to significant influence is accounted for using the cost method. 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.

3. Accounts receivable

	December 31, 2017	December 31, 2016
	\$	\$
Sales tax receivable	866,798	1,141,687
[REDACTED] receivable	41,590	53,806
Tuition receivable	1,203,312	339,440
Other receivable	130,169	183,087
	2,241,869	1,718,020

Muslim Association of Canada

Notes to the financial statements

December 31, 2017

4. Deposits

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

5. Investments in marketable securities

	December 31, 2017	December 31, 2016
	\$	\$
Canadian money market term deposit	2,533,619	1,009,852

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

6. Investment in private companies

	December 31, 2017	December 31, 2016
	\$	\$
	67,959	67,959
	212,100	-
	280,059	67,959

On March 1, 2008, the Association purchased 16 Class "A" common shares in [REDACTED] for consideration of \$160,000, representing 16% of the equity in [REDACTED]. On October 1, 2017, the Association received shares in [REDACTED] as a donation in kind with a value of \$212,000, representing a nominal ownership interest in the company.

7. Capital assets

			December 31, 2017	December 31, 2016
			Net book value	Net book value
	\$	\$	\$	\$
Construction in progress	280,220	-	280,220	201,817
Land	23,343,051	-	23,343,051	23,343,051
Building	47,733,373	9,404,343	38,329,030	36,013,082
Furniture and fixtures	1,707,821	1,428,264	279,557	327,810
Computer equipment	1,074,159	835,824	238,335	199,416
Leasehold improvements	83,039	30,593	52,446	60,079
Vehicle	9,240	9,240	-	-
	74,230,903	11,708,264	62,522,639	60,145,255

Muslim Association of Canada

Notes to the financial statements

December 31, 2017

8. Intangible asset

	December 31, December 31,	
	2017	2016
	\$	\$
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 that time, the Association and [REDACTED] entered into a management and service agreement. 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, December 31,	
	2017	2016
	\$	\$
Non-interest bearing loans receivable	273,000	273,000

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, December 31,	
	2017	2016
	\$	\$
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 \$2,415,282 (2016 - \$2,468,596)	1,502,595	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 \$1,867,052 (2016 - \$1,634,191). Under the credit agreement, the Association is required to respect certain financial ratios which are in compliance as at December 31, 2017.	1,579,236	1,648,208
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 (2016 - \$5,269,993).	2,315,394	2,408,431
	5,397,225	5,616,639

Muslim Association of Canada

Notes to the financial statements
December 31, 2017

11. Long-term debt (continued)

	December 31, 2017	December 31, 2016
	\$	\$
Carried forward	5,397,225	5,616,639
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 (2016- \$5,269,993).	1,372,097	1,426,439
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 (2016 - \$5,346,793)	2,322,960	2,419,655
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 \$4,987,853 (2016 - \$5,126,790)	3,475,337	3,628,914
Mortgage, repayable in monthly installments of \$14,545 bearing financing charges at 4.6%, maturing October 1, 2023, secured by land and building with a carrying value of \$3,560,709 (2016 - \$3,323,073)	1,581,346	1,681,352
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 \$2,852,505 (2016 - \$2,990,381)	1,444,006	1,506,534
Mortgage, repayable in monthly installments of \$10,736, bearing financing charges at 5.64%, maturing July 3, 2023, secured by land and building with a carrying value of \$3,181,104 (2016 - \$3,328,391)	1,339,293	1,391,740
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 \$1,144,565 (2016 - \$1,178,548). The Association is required to respect certain financial ratios which are in compliance as at December 31, 2017.	651,439	675,828
	17,583,703	18,347,101
Current portion of long-term debt	2,170,228	760,833
	<u>15,413,475</u>	<u>17,586,268</u>

Muslim Association of Canada

Notes to the financial statements

December 31, 2017

11. Long-term debt (continued)

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

	\$
2018	2,170,228
2019	7,448,148
2020	4,209,767
2021	1,515,135
2022	194,078
Thereafter	2,046,347
	<u>17,583,703</u>

The Association incurred financing charges of \$708,016 for the year ended December 31, 2017 (December 31, 2016 - \$666,025).

12. Financial instruments

Currency risk

The Association realizes revenue primarily in Canadian dollars and thus is not subject to significant foreign exchange fluctuations.

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, 2017 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 year ended December 31 as follows:

	\$
2018	<u>42,000</u>
	<u>42,000</u>

Muslim Association of Canada

Notes to the financial statements

December 31, 2017

14.

[REDACTED]

Muslim Association of Canada

Schedule of expenses

period ended December 31, 2017

	December 31, 2017	December 31, 2016
	\$	\$
Expenses		
Salaries, wages and benefits	13,621,662	12,559,217
Social, religious and program activities	2,513,014	2,431,181
Maintenance and repairs	1,180,981	1,136,209
Rental for halls and facilities	985,258	1,165,739
Charitable contributions	840,345	754,913
School supplies	764,866	659,599
Utilities	681,137	699,248
Professional fees	502,519	377,884
██████████, credit card and bank charges	210,258	156,208
Realty taxes	193,370	503,046
Insurance	183,938	171,824
Office and general	181,380	92,783
Advertising and promotion	129,852	175,405
Office supplies	118,804	111,325
Telecommunications	79,886	69,495
Printing and stationery	72,059	83,971
Security	71,143	41,057
Computer maintenance and supplies	66,678	62,804
Travel	63,801	79,870
Conferences, conventions, training and seminars	63,122	58,922
Equipment rental	36,217	23,591
	22,560,290	21,414,291

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