Financial statements of
Muslim Association of Canada

December 31, 2018

[redacted]

[redacted]

Independent Auditor's Report

To the Board of Directors of the
Muslim Association of Canada

Qualified Opinion

We have audited the financial statements of Muslim Association of Canada (the "Association"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Association derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Associations and we were not able to determine whether any adjustments might be necessary to recorded revenue, the excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018, current assets as at December 31, 2018, and net assets as at January 1 and December 31 for the 2018 year.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[redacted]

Chartered Professional Accountants
Licensed Public Accountants
Kitchener, Ontario
[redacted]

Muslim Association of Canada
Statement of financial position
As at December 31, 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents		**5,459,962**	3,719,128
Accounts receivable	3	**2,289,685**	2,241,869
Deposits	4	**236,331**	458,973
Investments in marketable securities	5	**2,157,359**	2,533,619
Inventory		**59,659**	62,958
Prepaid and sundry		**621,831**	91,553
Loans receivable	9	**273,000**	273,000
		11,097,827	9,381,100
Investment in private companies	6	**282,059**	280,059
Capital assets	7	**65,899,873**	62,522,639
Intangible asset	8	**74,709**	74,709
		77,354,468	72,258,507
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,323,560**	1,232,667
Advances payable	10	**775,892**	1,142,751
Deferred revenue		**1,476,957**	2,031,998
Current portion payable of long-term debt	11	**902,760**	2,170,228
		4,479,169	6,577,644
Long-term debt	11	**18,395,369**	15,413,475
Deferred revenue		**1,071,736**	1,123,546
Other liabilities		**14,687**	14,687
		23,960,961	23,129,352
Commitments and contingencies	13 and 14		
Net assets			
Net assets invested in capital assets		**53,157,061**	48,065,401
Unrestricted net assets		**236,446**	1,063,754
		53,393,507	49,129,155
		77,354,468	72,258,507

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

On behalf of the Board

______________________________, Director

______________________________, Director

Muslim Association of Canada
Statement of operations
Year ended December 31, 2018

	2018	2017
	$	$
Revenue		
School fees	**10,922,631**	9,587,536
Donations	**9,943,191**	10,110,618
Program activities	**4,960,394**	4,435,893
Government grants	**2,999,450**	2,970,150
Daycare and daycamp fees	**1,329,633**	1,359,320
Rental	**1,375,826**	1,326,530
Sundry	**56,482**	85,319
Investment income	**78,471**	36,068
	31,666,078	29,911,434
Expenses		
Expenses (Schedule of expenses)	**24,541,650**	22,560,290
Financing charges on long-term debt	**752,353**	708,016
Amortization of capital assets	**2,120,241**	2,070,361
Unrealized (gain) loss on foreign exchange	**(12,518)**	77
Gain on disposal of capital assets	**—**	(1,021)
	27,401,726	25,337,723
Excess of revenue over expenses	**4,264,352**	4,573,711

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

Muslim Association of Canada
Statement of changes in net assets
Year ended December 31, 2018

	Invested in capital assets	Unrestricted	2018 Total	2017 Total
	$	$	$	$
Balance, beginning of year	**48,065,401**	**1,063,754**	**49,129,155**	44,555,444
(Deficiency) excess of revenue over expenses	**(2,120,241)**	**6,384,593**	**4,264,352**	4,573,711
Investment in capital assets	**5,497,475**	**(5,497,475)**	**—**	—
Long-term debt financing	**2,502,500**	**(2,502,500)**	**—**	—
Long-term debt repayment	**(788,074)**	**788,074**	**—**	—
Balance, end of year	**53,157,061**	**236,446**	**53,393,507**	49,129,155

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

Muslim Association of Canada
Statement of cash flows
Year ended December 31, 2018

	2018	2017
	$	$
Operating activities		
Excess of revenue over expenses	**4,264,352**	4,573,711
Non-cash items		
Unrealized (gain) loss on foreign exchange	**(12,518)**	77
Gain on disposal of capital assets	**—**	(1,021)
Advances payable converted to donations	**(50,000)**	—
Share dividends received	**(2,000)**	—
Amortization of capital assets	**2,120,241**	2,070,361
Changes in non-cash working capital items	**(868,111)**	(589,794)
	5,451,964	6,053,334
Investing activities		
Purchase of capital assets	**(5,497,475)**	(4,470,184)
Proceeds from the disposal of capital assets	**—**	23,460
Net proceeds (disbursements) from the purchase and sale of marketable securities	**388,778**	(1,523,844)
	(5,108,697)	(5,970,568)
Financing activities		
Repayment of advances payable	**(745,000)**	(766,900)
Increase in advances payable	**428,141**	659,850
Increase in long-term debt	**2,502,500**	—
Repayment of long-term debt	**(788,074)**	(763,398)
	1,397,567	(870,448)
Net increase (decrease) in cash and cash equivalents	**1,740,834**	(787,682)
Cash and cash equivalents, beginning of year	**3,719,128**	4,506,810
Cash and cash equivalents, end of year	**5,459,962**	3,719,128

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

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 accrued liabilities and 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.

2. Significant accounting policies (continued)

(b) Revenue recognition (continued)

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.

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

Costs incurred in renovating existing buildings are capitalized as construction in progress. Amortization for these costs commences once the asset is ready for use.

(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.

2. Significant accounting policies (continued)

(g) Intangible assets

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

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

(g) 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.

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 in the period the reversal occurs.

(h) Investments in private companies

Investments subject to significant influence

The investment [redacted] a private company, 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 any further share of losses 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.

2. Significant accounting policies (continued)

(h) Investments in private companies (continued)

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

	2018	2017
	$	$
Sales tax receivable	**887,106**	866,798
[redacted] receivable	**12,277**	41,590
Tuition receivable	**1,333,129**	1,203,312
Other receivable	**57,173**	130,169
	2,289,685	2,241,869

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

	2018	2017
	$	$
Canadian money market term deposit	**2,157,359**	2,533,619

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

6. Investment in private companies

	2018	2017
	$	$
[redacted]	**67,959**	67,959
	214,100	212,100
	282,059	280,059

6. Investment in private companies (continued)

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. On June 30, 2018, the Association received dividends in the form of additional shares in [redacted] with a value of $2,000.

7. Capital assets

	Cost $	Accumulated amortization $	2018 Net book value $	2017 Net book value $
Construction in progress	**514,500**	**—**	**514,500**	280,220
Land	**23,844,895**	**—**	**23,844,895**	23,343,051
Building	**51,684,826**	**11,017,326**	**40,667,500**	38,329,030
Furniture and fixtures	**2,258,991**	**1,733,846**	**525,145**	279,557
Computer equipment	**1,231,540**	**1,012,187**	**219,353**	238,335
Leasehold improvements	**179,387**	**55,074**	**124,313**	52,446
Vehicle	**14,240**	**10,073**	**4,167**	—
	79,728,379	**13,828,506**	**65,899,873**	62,522,639

8. Intangible asset

	2018 $	2017 $
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

	2018 $	2017 $
Non-interest bearing loans receivable, due on demand	**273,000**	273,000

10. Advances payable

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

11. Long-term debt

	2018	2017
	$	$
Mortgage, repayable in monthly installments of $9,629, bearing financing charges at 4.25%, maturing December 19, 2021 secured by land and building with a carrying value of $2,366,077 ($2,415,282 in 2017)	**1,449,606**	1,502,595
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 $2,527,430 ($1,867,052 in 2017). Subsequent to December 31, 2018, the mortgage was renewed for an additional five-years on the same terms. Under the credit agreement, the Association is required to respect certain financial ratios which are in compliance as at December 31, 2018	**1,507,849**	1,579,236
Mortgage, repayable in monthly installments of $14,604, bearing financing charges at 3.55%, maturing October 21, 2020 secured by land and building with a carrying value of $4,872,739 ($4,987,853 in 2017)	**2,219,073**	2,315,394
Mortgage, repayable in monthly installments of $8,645, bearing financing charges at 3.55%, maturing October 21, 2020 secured by land and building with a carrying value of $4,872,739 ($4,987,853 in 2017)	**1,315,809**	1,372,097
Mortgage, repayable in monthly installments of $15,579, bearing financing charges at 3.58%, maturing May 7, 2019 secured by land and building with a carrying value of $5,304,002 ($5,400,678 in 2017). Subsequent to December 31, 2018, the mortgage was renewed for an additional five-years at the same terms	**2,216,855**	2,322,960
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 $4,841,203 ($4,947,282 in 2017). Subsequent to December 31, 2018, the mortgage was renewed for an additional five-years at the same terms	**3,316,261**	3,475,337
Mortgage, repayable in monthly installments of $11,592 bearing financing charges at 4.4%, maturing June 30, 2023, secured by land and building with a carrying value of $4,170,073 ($3,560,709 in 2017)	**1,484,869**	1,581,346
	13,510,322	14,148,965

11. Long-term debt (continued)

	2018 $	2017 $
Carried forward	**13,510,322**	14,148,965
Mortgage, repayable in monthly installments of $11,001 bearing financing charges at 4.89%, maturing November 9, 2023, secured by land and building with a carrying value of $2,849,403 ($2,852,505 in 2017)	**1,378,753**	1,444,006
Mortgage, repayable in monthly installments of $10,736, bearing financing charges at 5.65%, maturing July 3, 2023, secured by land and building with a carrying value of $3,119,504 ($3,181,104 in 2017)	**1,283,841**	1,339,293
Mortgage, repayable in monthly installments of $4,320, bearing financing charges at 4%, maturing November 30, 2020, secured by land and buildings with carrying values of $1,122,488 (2017 - $1,144,565). The Association is required to respect certain financial ratios which are in compliance as at December 31, 2018	**626,065**	651,439
Mortgage, repayable in monthly installments of $20,012, bearing financing charges at 5.17%, maturing November 30, 2023, secured by land and buildings with carrying value of $3,917,787 ($nil in 2017). The Association is required to respect certain financial ratios which are in compliance as at December 31, 2018	**2,499,148**	—
	19,298,129	17,583,703
Current portion of long-term debt	**902,760**	2,170,228
	18,395,369	15,413,475

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

	$
2019	902,760
2020	4,724,190
2021	2,058,173
2022	752,383
2023	5,691,037
Thereafter	5,169,586
	19,298,129

On March 8, 2018, The Association has an outstanding letter of credit of $100,000.

The Association incurred financing charges of $752,353 for the year ended December 31, 2018 ($708,016 in December 31, 2017).

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, 2018 the most significant financial liabilities are: accounts payable and accrued liabilities, advances payable, and long-term debt.

13. Commitments

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

	$
2019	72,361
2020	9,938
2021	297
	82,596

14. [redacted]

[redacted]

15. Subsequent event

On January 10, 2019, the Association paid a $25,000 deposit to the Board of Trustees of the Edmonton Catholic School District No.7 for the purchase of a school. The transaction closed on February 27, 2019 for a final purchase price of $2,000,000.

Muslim Association of Canada
Schedule of expenses
Year ended December 31, 2018

	2018 $	2017 $
Expenses		
Salaries, wages and benefits	**15,306,170**	13,621,662
Social, religious and program activities	**2,496,413**	2,513,014
Maintenance and repairs	**1,364,025**	1,180,981
Rental for halls and facilities	**1,012,756**	985,258
School supplies	**745,442**	764,866
Utilities	**709,293**	681,137
Charitable contributions	**487,492**	840,345
Insurance	**417,419**	183,938
Professional fees	**393,233**	502,519
Realty taxes	**300,333**	193,370
[redacted] credit card and bank charges	**289,450**	210,258
Bad debt expense	**183,134**	—
Travel	**113,494**	63,801
Advertising and promotion	**113,144**	129,852
Office supplies	**108,464**	118,804
Office and general	**107,301**	181,380
Printing and stationery	**87,227**	72,059
Telecommunications	**76,190**	79,886
Computer maintenance and supplies	**72,394**	66,678
Conferences, conventions, training and seminars	**64,098**	63,122
Equipment rental	**48,748**	36,217
Security	**45,430**	71,143
	24,541,650	22,560,290