

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Financial Statements

Year Ended December 31, 2019

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Index to Financial Statements

Year Ended December 31, 2019

	Page
AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



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INDEPENDENT AUDITOR'S REPORT

To the Members of Islamic Society of North America Canada (ISNA - Canada)

Qualified Opinion

We have audited the financial statements of Islamic Society of North America Canada (ISNA - Canada) (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, 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.

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 Organization as at December 31, 2019, 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 charitable organizations, the Organization derives revenue from cash 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 Organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

The Organization does not amortize its capital assets, which is a departure from the Canadian Accounting Standards for Not-For-Profit Organizations.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Organization 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 those 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.

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

Those charged with governance are responsible for overseeing the Organization'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Organization'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 Organization'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 Organization 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.


ROSENTHAL PERVEZ & NOOR LLP
Chartered Professional Accountants
Licensed Public Accountants

Oakville, Ontario
March 25, 2020

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Statement of Financial Position

December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash in bank	\$ 1,856,392	\$ 2,164,852
Grave inventory	1,717,598	1,615,749
Security Deposit	35,500	-
Harmonized sales tax receivable	139,017	83,566
	<u>3,748,507</u>	<u>3,864,167</u>
PROPERTY AND EQUIPMENT <i>(Net) (Note 5)</i>	<u>11,807,760</u>	<u>11,388,837</u>
	<u>\$ 15,556,267</u>	<u>\$ 15,253,004</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 6)</i>	\$ 28,704	\$ 469,403
Property loan payable - current portion <i>(Note 7)</i>	400,000	400,000
	<u>428,704</u>	<u>869,403</u>
PROPERTY LOAN PAYABLE <i>(Note 7)</i>	<u>2,557,000</u>	<u>2,957,000</u>
	<u>2,985,704</u>	<u>3,826,403</u>
NET ASSETS		
General fund <i>(Notes 3, 9, 11)</i>	3,719,803	3,394,763
Capital Fund <i>(Notes 3, 9, 11)</i>	8,850,760	8,031,838
	<u>12,570,563</u>	<u>11,426,601</u>
	<u>\$ 15,556,267</u>	<u>\$ 15,253,004</u>

APPROVED BY DIRECTOR

_____ Director

See notes to financial statements

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Statement of Revenues and Expenditures

Year Ended December 31, 2019

	2019	2018
REVENUES		
General donations	\$ 2,505,830	\$ 2,814,345
Programs and services	1,170,877	923,437
Rental income	425,720	386,880
Convention income	-	1,550
In-kind transfer of Jami Mosque property	-	410,740
	<u>4,102,427</u>	<u>4,536,952</u>
EXPENSES		
Salaries and wages	1,149,041	1,093,986
Program and services	1,106,697	1,000,597
Office and general	387,233	408,126
Utilities	107,467	92,611
Repairs and maintenance	88,670	71,105
Professional fees	71,120	64,965
Insurance and property taxes	30,999	24,445
Stakeholder Communications	17,238	19,109
ISNA annual convention	-	4,055
Charitable fund distributions (Note 6)	-	594,880
	<u>2,958,465</u>	<u>3,373,879</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 1,143,962</u>	<u>\$ 1,163,073</u>

See notes to financial statements

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Statement of Changes in Net Assets

Year Ended December 31, 2019

	General Fund	Capital Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 3,394,763	\$ 8,031,838	\$ 11,426,601	\$ 10,263,528
Excess of revenues over expenses	1,143,962	-	1,143,962	1,163,073
Interfund transfers <i>(Note 9)</i>	(818,922)	818,922	-	-
Prior period adjustments <i>(Note 10)</i>	-	-	-	-
NET ASSETS - END OF YEAR	\$ 3,719,803	\$ 8,850,760	\$ 12,570,563	\$ 11,426,601

See notes to financial statements

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Statement of Cash Flows

Year Ended December 31, 2019

	Total 2019	Total 2018
OPERATING ACTIVITIES		
Excess of Revenues Over Expenditures	\$ 1,143,962	\$ 1,163,073
Item not affecting cash:		
In-kind transfer of Jami Mosque property	-	(410,740)
	<u>1,143,962</u>	<u>752,333</u>
Changes in non-cash working capital:		
Grave inventory	(101,849)	293,015
Accounts payable and accrued liabilities	(440,700)	440,128
Security Deposit	(35,500)	-
Harmonized sales tax receivable	(55,451)	90,757
	<u>(633,500)</u>	<u>823,900</u>
Cash flow from operating activities	<u>510,462</u>	<u>1,576,233</u>
INVESTING ACTIVITY		
Purchase and additions of property and equipment	(418,922)	(24,369)
Cash flow used by investing activity	<u>(418,922)</u>	<u>(24,369)</u>
FINANCING ACTIVITY		
Repayment of property loan	(400,000)	(400,000)
INCREASE (DECREASE) IN CASH FLOW	(308,460)	1,151,864
Cash - beginning of year	<u>2,164,852</u>	<u>1,012,988</u>
CASH - END OF YEAR	\$ 1,856,392	\$ 2,164,852

See notes to financial statements

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Notes to Financial Statements

Year Ended December 31, 2019

1. DESCRIPTION OF BUSINESS

Islamic Society of North America Canada (ISNA - Canada) (the "organization" or ISNA - Canada) is a not-for-profit organization incorporated on September 26, 1983 under the Corporations Act of Ontario. The organization is a registered charity under the Income Tax Act and its income is exempt from income tax.

The organization's principal purpose is to build Islamic Centres, Mosque and Islamic Schools, hold Annual Conventions/Conferences, Seminars and Workshops propagating Islam for better understanding between Muslims & Non-Muslims in Canada and also providing community social assistance to relieve poverty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. These financial statements are prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of operations.

Inventory

Inventory consists of graves purchased from cemeteries and is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are stated at net book value. It is the policy of the Management not to depreciate the organization's capital assets. Since depreciation is a non-cash expense and has no impact on the cash flow and income tax being a charity, the organization decided not to include the depreciation expense in the income statement.

Impairment of Long Lived Assets

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Notes to Financial Statements

Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. The significant areas requiring management's judgment related to the estimated useful lives of the property and equipment, estimates of fair value for donation-in-kind, estimated net realizable value of other assets and the recording of accrued liabilities. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Revenue recognition

Islamic Society of North America Canada (ISNA - Canada) follows the restricted fund 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. Endowment contributions are recognized as direct increases in net assets.

Revenue from general donations is recognized when received. Charitable donation receipts are provided when cash is received.

Revenue from all other sources is recognized when significant risks and rewards of ownership have been transferred and there are no significant obligations remaining, the sales price is fixed and determinable, persuasive evidence of an arrangement exists and collectibility is reasonably assured.

There is no revenue recognized in relation to voluntary services due to the difficulty in valuation

3. DESCRIPTION OF FUNDS

The organization uses the restrictive fund method and the types of funds used are as follows:

General fund - Funds donated are used for the organization's general activities and services.

Capital fund - The capital fund consists of any property and equipment that is owned by the organization. The capital fund also includes a sole liability for the loan obligation with ICHC.

4. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of December 31, 2019.

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ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Notes to Financial Statements

Year Ended December 31, 2019

4. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from tenants for its commercial activities. In order to reduce its credit risk, the organization reviews a new tenant's credit history before extending credit and conducts regular reviews of its existing tenants' credit performance.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its donors, customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

(d) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates.

(e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The organization does not deal with interest and thus does not have any interest rate risk exposure.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments.

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Notes to Financial Statements

Year Ended December 31, 2019

5. PROPERTY, PLANT AND EQUIPMENT -

	<u>2019</u>	<u>2018</u>
Land	\$ 1,752,544	\$ 1,752,544
Buildings	9,980,905	9,561,982
Furniture and fixtures	49,942	49,942
Motor vehicles	24,369	24,369
	<u>\$ 11,807,760</u>	<u>\$ 11,388,837</u>

Please note that all assets are presented at their net book value.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In November 2011, the Canada Revenue Agency (CRA) conducted an audit of the books and records of the organization for the period from January 1, 2007 to December 31, 2009. As a result of the audit, the organization appointed a new management team who took immediate steps providing a detailed response and steps that would be taken to rectify the deficiencies outlined in the proposal.

In September 2018, the Canada Revenue Agency (CRA) reached its decision with regards to the audit for the period from January 1, 2007 to December 31, 2009. The CRA acknowledged significant improvement and that there were controls put in place by the management and decided not to impact the current operations by revoking the charitable status of the organization, instead the decision was as follows: the CRA determined sufficient grounds for the suspension of the Society's charitable registration status for the period from September 12, 2018 to September 11, 2019, and a penalty fee totaling \$548,872. The implications of the suspension of the charitable status are as follows: during the said period ISNA - Canada cannot issue any charitable donation receipts to any donors.

Per the terms of the CRA the penalty of \$548,872 may be paid to an eligible donee - a registered charity - or to the CRA. ISNA - Canada has decided to pay the penalty to a registered charity. This amount was paid off in 2019.

7. LOAN PAYABLE

Islamic Co-operative Housing Corporation Ltd. (ICHC) and ISNA - Canada jointly acquired and renovated the land and building situated at 2200 South Sheridan Way, Mississauga, L5J 2M4. As of May 2015, the total amount of \$7,157,000 was advanced by ICHC toward the purchase and construction of the property. Advances from ICHC are non-interest bearing. ISNA - Canada is required to repay ICHC quarterly installments of \$100,000 on March 1, June 1, September 1 and December 1 of each year until such time as the amount of \$7,157,000 is fully paid. ISNA - Canada agrees, where capable, to make more frequent payments or payments of larger amounts than the agreed quarterly installment, to reduce the length of payment of the indebtedness.

Please refer to Note 7 for additional details regarding this loan.

2019 2018

(continues)

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Notes to Financial Statements

Year Ended December 31, 2019

7. LOAN PAYABLE (continued)

Due to Islamic Co-operative Housing Corporation Ltd. - current	\$ 400,000	\$ 400,000
Due to Islamic Co-operative Housing Corporation Ltd. - long term	<u>2,557,000</u>	<u>2,957,000</u>
	<u>\$ 2,957,000</u>	<u>\$ 3,357,000</u>

8. CONTINGENCIES AND COMMITMENTS

The loan from ICHC for the construction of the building located at 2200 South Sheridan Way, Mississauga, L5J 2M4 is currently in the process of being renegotiated. There is a possibility that this liability will increase further in order to compensate ICHC for the cost of capital for the duration of the loan. The increase cannot be estimated as of yet, and accordingly, no accrual for the increase has been recorded.

9. INTERFUND TRANSFER

These funds were transferred from the general fund to the capital fund for additions and/or improvements to properties and the repayment of the ICHC loan.

	<u>2019</u>	<u>2018</u>
Transfer In-Kind of Jami Mosque	\$ -	\$ 410,740
Vehicle Additions	-	24,369
Repayment of ICHC Loan	400,000	400,000
Improvements to Capital Assets	418,922	-
Less: Current Year Capital Fund Surplus	-	(410,740)
Interfund Transfer required	<u>\$ 818,922</u>	<u>\$ 424,369</u>

10. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was required to record the interfund transfer from the general fund to the capital fund to fund prior year additions to vehicles and repayment of the ICHC loan.

	<u>Capital Fund 2018</u>	<u>General Fund 2018</u>
Ending fund balances as per 2018 financial statement	\$ 7,607,469	\$ 3,819,132
Vehicle additions	24,369	(24,369)
Repayment of ICHC loan	400,000	(400,000)
Interfund transfer required for 2018	<u>424,362</u>	<u>(424,369)</u>
Restated fund balances as at December 31, 2018	<u>\$ 8,031,838</u>	<u>\$ 3,394,763</u>

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Notes to Financial Statements

Year Ended December 31, 2019

11. RECONCILIATION OF NET ASSETS

	<u>2019</u>	<u>2018</u>
<u>Calculation of Capital Fund Balance</u>		
Property, plant and equipment	\$ 11,807,760	\$ 11,388,838
Less: loan on building	<u>(2,957,000)</u>	<u>(3,357,000)</u>
Ending capital asset fund balance	8,850,760	8,031,838
Ending general fund balance	<u>3,719,803</u>	<u>3,394,763</u>
Ending total net assets	<u>\$ 12,570,563</u>	<u>\$ 11,426,601</u>

Please note that on an annual basis, the interfund transfers from the general fund to the capital fund represent the sum of the purchases, additions to capital assets, and the repayment of the ICHC loan, less any capital fund surplus from the current year. Please refer to Note 8 for a reconciliation of the interfund transfer.

12. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the Organization will be able to realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned, as described above, will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these financial statements.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
