

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Financial Statements

Year Ended December 31, 2020

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

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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, 2020, 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, 2020, 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

ROSENTHAL PERVEZ & NOOR LLP
Chartered Professional Accountants
Licensed Public Accountants

Oakville, Ontario
April 9, 2021

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash in bank	\$ 1,524,052	\$ 1,856,392
Grave inventory	1,947,735	1,717,598
Security Deposit	35,500	35,500
Harmonized sales tax receivable	137,591	139,017
	<u>3,644,878</u>	<u>3,748,507</u>
PROPERTY AND EQUIPMENT <i>(Net) (Note 5)</i>	<u>16,108,244</u>	<u>11,807,760</u>
	<u>\$ 19,753,122</u>	<u>\$ 15,556,267</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 30,341	\$ 28,704
Property loan payable - current portion <i>(Note 6)</i>	1,000,000	400,000
	<u>1,030,341</u>	<u>428,704</u>
PROPERTY LOAN PAYABLE <i>(Note 6)</i>	<u>5,000,000</u>	<u>2,557,000</u>
	<u>6,030,341</u>	<u>2,985,704</u>
NET ASSETS		
General fund <i>(Note 10)</i>	2,614,536	3,719,803
Capital Fund <i>(Note 10)</i>	10,108,245	8,850,760
Emergency operating fund <i>(Note 10)</i>	1,000,000	-
	<u>13,722,781</u>	<u>12,570,563</u>
	<u>\$ 19,753,122</u>	<u>\$ 15,556,267</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, 2020**

	2020	2019
REVENUES		
General donations	\$ 2,492,824	\$ 2,505,830
Programs and services	797,189	1,170,877
Rental income	368,380	425,720
	<u>3,658,393</u>	<u>4,102,427</u>
EXPENSES		
Salaries and wages	1,208,346	1,149,041
Program and services	1,042,734	1,106,697
Office and general	372,457	408,354
Repairs and maintenance	116,559	88,670
Utilities	72,524	107,467
Stakeholder Communications	41,533	17,238
Insurance and property taxes	36,910	30,999
Professional fees	21,542	49,999
	<u>2,912,605</u>	<u>2,958,465</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	745,788	1,143,962
COVID-19 related government subsidies	<u>487,100</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 1,232,888	\$ 1,143,962

See notes to financial statements

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Statement of Changes in Net Assets

Year Ended December 31, 2020

	General Fund	Capital Fund	Emergency Operating Fund	2020	2019
NET ASSETS -					
BEGINNING OF YEAR	\$ 3,719,803	\$ 8,850,760	\$ -	\$ 12,570,563	\$ 11,426,601
Excess of revenues over expenses	1,232,888	-	-	1,232,888	1,143,962
Interfund transfers to Capital fund <i>(Note 7)</i>	(1,257,485)	1,257,485	-	-	-
Interfund transfers to Emergency Operating fund <i>(Note 8)</i>	(1,000,000)	-	1,000,000	-	-
Prior period adjustments <i>(Note 9)</i>	(80,670)	-	-	(80,670)	-
NET ASSETS - END OF YEAR	\$ 2,614,536	\$ 10,108,245	\$ 1,000,000	\$ 13,722,781	\$ 12,570,563

See notes to financial statements

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

**Statement of Cash Flows
Year Ended December 31, 2020**

	Total 2020	Total 2019
OPERATING ACTIVITIES		
Excess of Revenues Over Expenditures	\$ 1,232,888	\$ 1,143,962
Changes in non-cash working capital:		
Grave inventory	(230,137)	(101,849)
Accounts payable and accrued liabilities	1,638	(440,700)
Security Deposit	-	(35,500)
Harmonized sales tax receivable	1,426	(55,451)
	<u>(227,073)</u>	<u>(633,500)</u>
Cash flow from operating activities	<u>1,005,815</u>	<u>510,462</u>
INVESTING ACTIVITIES		
Additions of property and equipment	(257,485)	(418,922)
Payment of previously purchased grave inventory	(80,670)	-
Adjustment to cost of building	(4,043,000)	-
Cash flow used by investing activities	<u>(4,381,155)</u>	<u>(418,922)</u>
FINANCING ACTIVITY		
Repayment of loan	<u>3,043,000</u>	<u>(400,000)</u>
DECREASE IN CASH FLOW	(332,340)	(308,460)
Cash - beginning of year	<u>1,856,392</u>	<u>2,164,852</u>
CASH - END OF YEAR	<u>\$ 1,524,052</u>	<u>\$ 1,856,392</u>

See notes to financial statements

1. PURPOSE OF THE ORGANIZATION

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

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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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 collectability 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.

Emergency Operating Fund

The emergency operating fund consists of funds set aside to fund operations if the revenues are adversely impacted in the near future.

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, 2020.

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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.

5. PROPERTY AND EQUIPMENT

	<u>2020</u>	<u>2019</u>
Land	\$ 1,752,544	\$ 1,752,544
Buildings	14,281,389	9,980,905
Furniture and fixtures	49,942	49,942
Motor vehicles	24,369	24,369
	<u>\$ 16,108,244</u>	<u>\$ 11,807,760</u>

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

6. LOAN PAYABLE

Islamic Co-operative Housing Corporation Ltd. (ICHC) and ISNA - Canada jointly acquired and constructed the land and building situated at 2200 South Sheridan Way, Mississauga, L5J 2M4. On May 23, 2020, the Board members of ISNA and ICHC signed a new settlement agreement to resolve the disputes related to this property. The new contract was an update of the original settlement signed on February 6, 2016, to finalize the unresolved portions of the agreement in full and final.

ISNA Board commissioned a full investigation of the history of the relationship between ISNA and ICHC, and was presented with a final report on May 22, 2020. The report concluded the relationship of the construction of the premises to be effectively a joint venture between both organizations. As such, ISNA is obligated to compensate ICHC for both the principal amount of construction and cost of the capital invested by ICHC.

ISNA has then agreed to enter into a new settlement schedule for the total indebtedness to be \$7,000,000 paid over seven years at a rate of \$1,000,000 per annum, due on the 31st of December of each year.

This settlement has resulted in an increase of \$4,043,000 of property loan payable to ICHC. The first \$1,000,000 has been paid off in 2020, and the total balance of the loan remaining as at December 31st, 2020 is \$6,000,000, with a minimum of \$1,000,000 due in 2021.

The original agreement from May 2015 is no longer in effect and has been superseded by the agreement reached on May 22, 2020.

	<u>2020</u>	<u>2019</u>
Due to Islamic Co-operative Housing Corporation Ltd. - current	\$ 1,000,000	\$ 400,000
Due to Islamic Co-operative Housing Corporation Ltd. - long term	5,000,000	2,557,000
	<u>\$ 6,000,000</u>	<u>\$ 2,957,000</u>

Notes to Financial Statements

Year Ended December 31, 2020

7. INTERFUND TRANSFER TO CAPITAL FUND

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.

	2020	2019
Repayment of ICHC Loan	\$ 1,000,000	\$ 400,000
Purchases and improvements to Capital Assets	257,485	418,922
Interfund Transfer required	<u>\$ 1,257,485</u>	<u>\$ 818,922</u>

8. INTERFUND TRANSFER TO EMERGENCY OPERATING FUND

Due to the unknown impacts of COVID-19 on the organization's operations, the board has designated \$1,000,000 from the general fund to the Emergency Operating Fund. The purpose of this transfer is to fund operations if the revenues are adversely impacted in the near future.

9. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was required to adjust the cost of graves previously sold, as a result of the settlement reached with ICHC.

10. RECONCILIATION OF NET ASSETS

	2020	2019
<u>Calculation of Capital Fund Balance</u>		
Property, plant and equipment	\$ 16,108,245	\$ 11,807,760
Less: loan on building	<u>(6,000,000)</u>	<u>(2,957,000)</u>
Ending capital asset fund balance	10,108,245	8,850,760
Ending emergency operating fund balance	1,000,000	-
Ending general fund balance	<u>2,614,536</u>	<u>3,719,803</u>
Ending total net assets	<u>\$ 13,722,781</u>	<u>\$ 12,570,563</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 7 for a reconciliation of the interfund transfer.

11. COVID-19

The global outbreak of COVID-19 has resulted in emergency measures mandated by the World Health Organization, public health authorities and federal and provincial governments. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of the disruption. The company does not expect COVID-19 to have a significant negative impact on operating results, but the specific impact cannot be reasonably estimated at this time.

12. COMPARATIVE FIGURES

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