



Grant Thornton

Financial Statements

Islamic Society of North America - Canada
(ISNA - Canada)

December 31, 2022

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Independent Auditor's Report

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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, 2022, and the statements of revenue 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* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, 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 ("ASNPO").

Basis for qualified opinion

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets at December 31, 2022 and 2021, and fund balances as at January 1, 2022 and 2021 and December 31, 2022 and 2021.

The predecessor auditor's opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this scope limitation.

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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter – Restated comparative information

We draw attention to Note 8 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2021 has been restated. The financial statements for the year ended December 31, 2021, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor, who expressed a qualified opinion on those financial statements on July 5, 2022. Our opinion is not modified in respect of the matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Mississauga, Canada
July 23, 2023

Chartered Professional Accountants
Licensed Public Accountants

Islamic Society of North America - Canada (ISNA - Canada)

Statement of Financial Position

December 31	2022	2021
		(As restated - Note 8)
Assets		
Current		
Cash	\$ 2,112,223	\$ 1,784,729
Accounts receivable	324,752	285,529
HST receivable	160,964	84,431
Cemetery properties	1,060,304	1,684,278
Prepaid expenses	27,488	-
Security deposit	<u>35,500</u>	<u>35,500</u>
	3,721,231	3,874,467
Property and equipment (Notes 3 and 8)	<u>14,740,282</u>	<u>13,361,493</u>
	\$ 18,461,513	\$ 17,235,960
<hr/>		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 173,583	\$ 255,936
CEBA loan payable (Note 4)	-	10,000
Property loan payable (Note 5)	<u>1,000,000</u>	<u>1,000,000</u>
	1,173,583	1,265,936
Property loan payable (Notes 5 and 8)	2,634,177	3,458,082
Deferred capital contributions (Note 6)	<u>529,555</u>	<u>-</u>
	<u>4,337,315</u>	<u>4,724,018</u>
 Net assets		
General fund	2,547,648	2,608,531
Capital fund (Note 8)	10,576,550	8,903,411
Emergency operating fund	<u>1,000,000</u>	<u>1,000,000</u>
	<u>14,124,198</u>	<u>12,511,942</u>
	\$ 18,461,513	\$ 17,235,960

On behalf of the Board of Directors

_____ Director

_____ Director

See accompanying notes to the financial statements.

Islamic Society of North America - Canada (ISNA - Canada)

Statement of Revenue and Expenditures

Year ended December 31	2022	2021
		(As restated - Note 8)
Revenue		
Donations	\$ 4,175,031	\$ 2,382,951
Programs and services	1,491,708	1,024,840
Grave sales	1,034,100	599,324
Rental income	482,970	402,188
Government assistance	<u>10,000</u>	<u>114,145</u>
	<u>7,193,809</u>	<u>4,523,448</u>
Expenses		
Salaries and wages	1,664,787	1,503,740
Programs and services	1,447,643	839,592
Amortization (Note 8)	588,894	559,570
Grave costs	631,130	263,458
Repairs and maintenance	310,128	181,955
Bank charges and other fees (Note 8)	289,942	271,566
Office and general	168,673	128,941
Utilities	130,917	86,976
Professional fees	150,456	52,962
Insurance	106,172	80,083
Communications	72,966	66,257
Property taxes	<u>19,845</u>	<u>14,116</u>
	<u>5,581,553</u>	<u>4,049,216</u>
Excess of revenue over expenses	<u>\$ 1,612,256</u>	<u>\$ 474,232</u>

See accompanying notes to the financial statements.

Islamic Society of North America - Canada (ISNA - Canada)

Statement of Changes in Net Assets

Year ended December 31, 2022

	General Fund	Capital Fund	Emergency Operating Fund	Total 2022	Total 2021
Net assets, beginning of year, as previously reported	\$ 2,608,531	\$ 8,903,411	\$ 1,000,000	\$ 12,511,842	\$ 13,722,781
Prior period adjustment (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,685,071)</u>
Net assets, beginning of year, as restated	2,608,531	8,903,411	1,000,000	12,511,942	12,037,710
Excess of revenue over expenses	2,201,150	(588,894)	-	1,612,256	474,232
Repayment of property loan payable	(823,905)	823,905	-	-	-
Funding received for property and equipment	529,555	(529,555)	-	-	-
Purchase of property and equipment	<u>(1,967,683)</u>	<u>1,967,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,547,648</u>	<u>\$ 10,576,550</u>	<u>\$ 1,000,000</u>	<u>\$ 14,124,198</u>	<u>\$ 12,511,942</u>

See accompanying notes to the financial statements.

Islamic Society of North America - Canada (ISNA - Canada)

Statement of Cash Flows

Year ended December 31	2022	2021
		(As restated - Note 8)
Cash flows provided by (used in)		
Operating		
Excess of revenue over expenses (Note 8)	\$ 1,612,256	\$ 474,232
Item no involving cash		
Forgivable portion of the CEBA loan payable	(10,000)	-
Amortization (Note 8)	588,894	559,570
Imputed interest on property loan payable (Note 8)	<u>176,095</u>	<u>207,402</u>
	2,367,245	1,241,204
Change in non-cash working capital items		
Accounts receivable	(39,223)	(285,529)
HST receivable	(76,533)	53,160
Prepaid	(27,488)	-
Cemetery properties	623,974	263,457
Accounts payable and accrued liabilities	<u>(82,353)</u>	<u>235,594</u>
	<u>2,765,622</u>	<u>1,507,886</u>
Investing		
Purchase of property and equipment	(1,967,683)	(247,209)
Deferred capital contributions received	<u>529,555</u>	<u>-</u>
	(1,438,128)	(247,209)
Financing		
Repayment of property loan payable	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Increase in cash	327,494	260,677
Cash, beginning of year	<u>1,784,729</u>	<u>1,524,052</u>
Cash, end of year	<u>\$ 2,112,223</u>	<u>\$ 1,784,729</u>

See accompanying notes to the financial statements.

Islamic Society of North America Canada (ISNA – Canada)

Notes to the Financial Statements

December 31, 2022

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 center, mosque, and Islamic schools, facilitate daily prayers, hold annual conventions and conferences, seminars and workshops propagating Islam for better understanding between Muslims and non-Muslims in Canada, provide Muslim burial services, and provide community social assistance to relieve poverty.

2. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by the Organization and applied in these financial statements are summarized below. Note that all accounting policies applied are consistent in nature with prior years.

Funds

The accounts are maintained whereby net assets of the Organization are classified for accounting and reporting purposes into funds to be used as determined by the Organization.

General Fund

The General Fund reflects all general programs and activities, other than those activities listed below.

Capital Fund

The Capital Fund reflects the assets, liabilities, revenue and expenses related to the Organization's property and equipment.

Emergency Operating Fund

The Emergency Operating Fund consists of funds set aside by the Board of Directors (the "Board") to fund operations if revenue or expenses are adversely impacted in the near future.

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Organization's financial instruments are comprised of cash, accounts receivable, accounts payable, CEBA loan payable and property loan payable.

Financial assets and liabilities are initially recorded at its fair value. The Organization subsequently measures all its financial assets and liabilities at amortized cost. For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indicators of impairment. Any impairment loss is recognized in the statement of operations.

Islamic Society of North America Canada (ISNA – Canada)

Notes to the Financial Statements

December 31, 2022

2. Summary of significant accounting policies (continued)

Revenue recognition

The Organization follows the deferral method of accounting for externally restricted contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Externally restricted contributions received for the purchase of capital assets are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization of the related asset. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Programs and services are recognized in the period that the programs occur, or the services are rendered. Rental income is recognized over the term of the rental.

Government assistance relates to the Canada Emergency Wage Subsidy (“CEWS”) as well as the forgivable portion of the CEBA loan payable and is recognized in the statement of revenue and expenditures when received or receivable in the year to which it relates.

Contributed materials and services

Contributed materials are recognized in revenue if the fair market value is reasonably determinable and the good would otherwise be purchased as part of normal operations of the Organization. Volunteers contribute a substantial number of hours each year to assist the Organization in carrying out its mission. Because of the difficulty in determining the fair market value, contributed services are not recognized in the financial statements.

Cemetery properties

Cemetery properties consist of land and land development costs incurred attributable to specific grave lots. These costs are expensed when the grave lots are sold.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis as follows:

Buildings	25 years
Leasehold improvements	10 years
Furniture and fixtures	5 years
Motor vehicles	3 years

Property and equipment are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset’s fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of revenue and expenditures. Any impairment recognized is not reversed.

Islamic Society of North America Canada (ISNA – Canada)

Notes to the Financial Statements

December 31, 2022

2. Summary of significant accounting policies (continued)

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Management's estimates relate to the allowance for doubtful accounts, estimated useful lives of property and equipment, estimated rate of interest for discounting property loan payable and certain accruals.

These estimates are reviewed periodically and adjustments are made to the excess of revenue over expenditures as appropriate in the year they become known.

3. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2022 Net Book Value</u>	<u>2021 Net Book Value</u> (As restated - Note 8)
Land	\$ 1,752,544	\$ -	\$ 1,752,544	\$ 1,752,544
Buildings	15,942,947	3,444,452	12,498,495	11,376,123
Leasehold improvements	400,159	40,684	359,475	196,421
Furniture and fixtures	203,118	73,350	129,768	36,405
Motor vehicles	<u>24,369</u>	<u>24,369</u>	<u>-</u>	<u>-</u>
	<u>\$ 18,323,137</u>	<u>\$ 3,582,855</u>	<u>\$ 14,740,282</u>	<u>\$ 13,361,493</u>

Included in buildings is \$2,460,986 (2021 - \$804,029) of assets that are not yet in use and thus, amortization will not commence until the asset is in use.

4. CEBA loan payable

In a prior year, the Organization obtained a Canada Emergency Business Account ("CEBA") loan of \$40,000. The loan was interest free and due no later than December 31, 2023. If the Organization is able to pay \$10,000 on or before December 31, 2023, the remaining \$10,000 will be forgiven. If the loan cannot be repaid by December 31, 2023, the loan will be converted into a 3-year term loan, with an interest rate of 5% due no later than December 31, 2025. As the Organization paid the loan prior to December 31, 2023, \$10,000 has been recognized as government assistance in fiscal 2022.

Islamic Society of North America Canada (ISNA – Canada)

Notes to the Financial Statements

December 31, 2022

5. Property loan payable

	<u>2022</u>	<u>2021</u> (As restated - Note 8)
Loan with the Islamic Co-operative Housing Corporation Ltd. (IHC), secured by the land and building at 2200 South Sheridan Way, Mississauga, Ontario, non-interest bearing, payable in annual installments of \$1,000,000 due on the 31st of December of each year.	\$ 4,000,000	\$ 5,000,000
Less: present value discount of 3.95%	<u>(365,823)</u>	<u>(541,918)</u>
	3,634,177	4,458,082
Less: current portion	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 2,634,177</u>	<u>\$ 3,458,082</u>

Minimum principal repayments over the next four fiscal years are as follows:

2023	\$ 1,000,000
2024	1,000,000
2025	1,000,000
2026	1,000,000

Included in bank charges and other fees is \$176,094 (2021 - \$207,402) of imputed interest on the property loan payable.

6. Deferred capital contributions

	<u>2022</u>	<u>2021</u> (As restated - Note 8)
Balance, beginning of year	\$ -	\$ -
Deferred capital contributions received	<u>529,555</u>	<u>-</u>
Balance, end of year	<u>\$ 529,555</u>	<u>\$ -</u>

Deferred capital contributions above relate to externally restricted contributions received for the construction of Yellowknife project (Masjid) and will be recognized as revenue on the same basis as the amortization of the related asset once the project is completed and asset is in use.

Islamic Society of North America Canada (ISNA – Canada)

Notes to the Financial Statements

December 31, 2022

7. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments. It is management's opinion that the Organization is not exposed to significant currency and other price risks arising from its financial instruments. The risks are consistent with those from prior year.

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counter party to a financial instrument failing to discharge an obligation or commitment that it has entered into with the Organization. The Organization's main credit risks relate to its accounts receivable.

The Organization reduces its exposure to credit risk by ensuring that it reviews the credit history of new customers before contracting with them, conducts regularly reviews of customers' credit performance and creates an allowance for doubtful accounts when appropriate. As at December 31, 2022, the allowance for doubtful accounts is \$Nil (2021 - \$Nil).

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and property loan payable.

The Organization manages its liquidity risk by forecasting cash flows from operations, investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations.

Interest rate risk

Interest rate price risk is the risk that the fair value of an interest-bearing financial instrument will fluctuate due to changes in market interest rates. The Organization's exposure to interest rate price risk is limited to its fixed non-interest-bearing property loan payable.

Islamic Society of North America Canada (ISNA – Canada)

Notes to the Financial Statements

December 31, 2022

8. Prior period adjustment

During the year, the Organization determined that it was not appropriately discounting its non-interest-bearing property loan payable at a rate comparable to market. Additionally, the Organization had previously not amortized property and equipment and carried the amounts at cost, a departure from ASNPO. The Organization rectified both issues during the year, and as a result, the comparative figures have been restated as follows:

	Previously Reported	Adjustment	Restated
<i>Statement of Financial Position</i>			
Property and equipment	\$ 16,355,453	\$ (2,993,960)	\$ 13,361,493
Property loan payable (long-term)	4,000,000	(541,918)	3,458,082
Capital fund	11,355,453	(2,452,042)	8,903,411
<i>Statement of Revenue and Expenditures</i>			
Bank charges and other fees	64,164	207,402	271,566
Amortization	-	559,570	559,570
Excess revenue over expenses	1,241,204	(766,972)	474,232
<i>Statement of Changes in Net Assets</i>			
Net assets, beginning of year (2021)	13,722,781	(1,685,071)	12,037,710
Excess revenue over expenses	1,241,204	(766,972)	474,232
Net assets, end of year (2021)	14,963,985	(2,452,043)	12,511,942
<i>Statement of Cash Flows</i>			
Excess revenue over expenses	1,241,204	(766,972)	474,232
Amortization	-	559,570	559,570
Imputed interest on property loan	-	207,402	207,402

9. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.