

**MUSLIM NEIGHBOUR NEXUS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**MUSLIM NEIGHBOUR NEXUS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**Ramon Guanzon, CPA, CA**

**Licensed Public Accountant**

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**INDEPENDENT AUDITOR'S REPORT**

To the members of  
**MUSLIM NEIGHBOUR NEXUS**

*Report on the Financial Statements*

We have audited the accompanying financial statements of **MUSLIM NEIGHBOUR NEXUS**, which comprise the statements of financial position as at December 31, 2016 and the statements of operations and changes in fund balances and cash flows for the year ended December 31, 2016 and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, the entity derives revenue from fund-raising activities, 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 entity and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

*Qualified Opinion*

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **MUSLIM NEIGHBOUR NEXUS** as at December 31, 2016 and the results of its operations and its cash flows for the year ended December 31, 2016 in accordance with Canadian accounting standards for not-for-profit organizations.

*Other matters*

The prior year's figures are unaudited.



**Ramon Guanzon**  
**Chartered Professional Accountant**  
**Licensed Public Accountant**

Mississauga, Ontario  
August 24, 2017

**MUSLIM NEIGHBOUR NEXUS**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2016**

	General Fund	Islamic Center Fund	Zakaah and Sadaqah Fund	2016	2015 (Unaudited)
<b>ASSETS</b>					
<b>Current</b>					
Cash in bank	\$ 6,372	\$ 2,108,581	\$ 211	\$ 2,115,164	\$ 513,611
Receivable	3,439	--	--	3,439	--
Prepaid expense	--	4,006	--	4,006	--
Deposits (Note 2)	--	100,000	--	100,000	--
	\$ 9,811	\$ 2,212,587	\$ 211	\$ 2,222,609	\$ 513,611
<b>LIABILITIES</b>					
<b>Current</b>					
Short-term loans (Note 3)	\$ --	\$ 46,290	\$ --	\$ 46,290	\$ --
Accounts payable and accrued liabilities	2,260	--	--	2,260	--
	2,260	46,290	--	48,550	--
<b>FUND BALANCES</b>					
Restricted -Islamic Fund	--	2,166,297	--	2,166,297	492,999
Restricted - Zakaah and Sadaqah fund	--	--	211	211	16,380
Unrestricted	7,551	--	--	7,551	4,232
	7,551	2,166,297	211	2,174,059	513,611
	\$ 9,811	\$2,212,587	\$ 211	\$ 2,222,609	\$ 513,611

The accompanying notes are an integral part of these financial statements

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

**MUSLIM NEIGHBOUR NEXUS**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**For The Year Ended December 31, 2016**

	General Fund		Islamic Center Fund		Zakaah and Sadaqah Fund		Total	
	2016	2015 (Unaudited)	2016	2015 (Unaudited)	2016	2015 (Unaudited)	2016	2015 (Unaudited)
<b>Revenues</b>								
Donations	\$ 35,801	\$ 45,980	\$ 1,679,114	\$ 228,199	\$ 7,119	\$ 28,677	\$ 1,722,034	\$ 302,856
Membership fees	3,840	--	--	--	--	--	3,840	--
Other income	14,739	--	9,163	--	--	--	23,902	--
	54,380	45,980	1,688,277	228,199	7,119	28,677	1,749,776	302,856
<b>Expenses</b>								
Occupancy cost	23,123	21,627	--	--	--	--	23,123	21,627
Zakat disbursement	--	--	--	--	23,288	26,605	23,288	26,605
Advertising and promotion	3,841	8,366	2,100	--	--	--	5,941	8,366
Professional fees	2,260	--	--	--	--	--	2,260	--
Bank charges	6,441	342	--	--	--	--	6,441	342
General and fundraising expenses	15,396	14,075	12,879	--	--	--	28,275	14,075
	51,061	44,410	14,979	--	23,288	26,605	89,328	71,015
<b>Excess (deficiency) of receipts over disbursements</b>	\$ 3,319	\$ 1,570	\$ 1,673,298	\$ 228,199	\$ (16,169)	\$ 2,072	\$ 1,660,448	\$ 231,841
<b>Fund balances beginning of the year</b>	4,232	2,662	492,999	264,800	16,380	14,308	513,611	281,770
<b>Fund balances end of the year</b>	\$ 7,551	\$ 4,232	\$ 2,166,297	\$ 492,999	\$ 211	\$ 16,380	\$ 2,174,059	\$ 513,611

The accompanying notes are an integral part of these financial statements

**MUSLIM NEIGHBOUR NEXUS  
STATEMENT OF CASH FLOWS  
For The Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u> <u>Unaudited</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 1,660,448	\$ 231,841
Increase (decrease) in cash from changes in		
Receivable	(3,439)	
Prepaid expense	(4,006)	--
Deposits	(100,000)	--
Accounts payable and accrued liabilities	2,260	--
	1,555,263	231,,841
<b>FINANCING ACITIVITES</b>		
Increase in short-term loans	46,290	--
	46,290	--
 <b>CHANGE IN CASH</b>	 1,601,553	 231,841
<b>CASH, beginning of year</b>	<u>513,611</u>	<u>281,770</u>
<b>CASH, end of year</b>	<u>\$ 2,115,164</u>	<u>\$ 513,611</u>

The accompanying notes are an integral part of these financial statements

**MUSLIM NEIGHBOUR NEXUS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**1. NATURE OF OPERATIONS**

Muslim Neighbour Nexus (“MNN”) was incorporated by letters patent under the Canada Corporations Act on August 20, 2012. The organization is a registered charity and its principal purpose is to serve the religious Islamic needs of the Churchill Meadows and Lisgar Communities of Mississauga. MNN provides, arranges and manages Islamic centers for Salaah, Islamic education and social activities, catering to the needs of and affording a welcoming atmosphere to all segments of Muslim community – males, females, youth and seniors.

MNN is registered as a charitable organization under the Income Tax Act (“the Act”) and is in compliance with the requirements of the Act to maintain its non-taxable status.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

These financial statements were prepared in accordance with Canadian accounting standards for not for profit organizations.

**(b) Fund accounting**

MNN follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization’s program delivery and administrative activities. This fund reports unrestricted resources.

The Islamic Center Fund reports the assets, liabilities, revenue and expenses related to MNN’s capital asset Islamic Center program.

The Zakaah and Sadaqah Fund reports resources contributed for religious and charitable purposes. The collected contribution is paid to poor Muslims.

**(c) Revenue Recognition**

Contributions are recognized in the year received or receivable if the amount to be recorded can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the General Fund.

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Membership fees are recognized as revenue of the General Fund when collected.

Other income is recorded using accrual method.

**MUSLIM NEIGHBOUR NEXUS**  
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**(d) Contributed Services**

MNN derives significant benefits from members acting as volunteers and directors. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

**(e) Financial Instruments**

**i) Measurement of Financial Instruments**

MNN initially measures its financial assets and financial liabilities at fair value.

MNN subsequently measures all of its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

MNN has not designated any financial assets or financial liabilities to be recorded at fair value.

**ii) Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in results of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in results of operations.

**(f) Estimates and Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(g) Short-term loans**

Short term loans consist of interest free loans with parties with terms of repayment ranging from 6 months to 1 year.



**MUSLIM NEIGHBOUR NEXUS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. DEPOSITS**

Deposits pertain to down payments made by MNN for the purchase of 5.125 acres of land (Note 5).

**3. SHORT TERM LOANS**

Short term loans consist of loans with parties with terms of repayment ranging from six months to one year. The loans are unsecured and non-interest bearing.

**4. FINANCIAL INSTRUMENTS**

**a) Risks and Concentrations**

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the company's risk exposure as at the date of balance sheet.

**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 accounts payable and accrued liabilities and short-term loans.

**c) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is not exposed to significant levels of credit risk as the main receivable is HST/GST rebate from the government of Canada.

**5. SUBSEQUENT EVENTS**

On March 16, 2017, the Corporation closed on the purchase of 5.125 acres of land at the purchase price of \$6.4 million. The first installment for the purchase of the land was made from the Islamic Center fund. The downpayment for the purchase of the land was made from the Islamic Center fund and the amount with HST and closing costs paid was \$2.27 million by March 31, 2017.