

MUSLIM NEIGHBOUR NEXUS

FINANCIAL STATEMENTS

DECEMBER 31, 2017

CONTENTS

| | PAGE |
|---------------------------------------|--------|
| INDEPENDENT AUDITOR'S REPORT | |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 2 |
| Statement of Operations | 3 |
| Statement of Changes in Fund Balances | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 - 11 |

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, 2017 and the statements of operations and changes in fund balances and cash flows for the year ended December 31, 2017 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, 2017 and the results of its operations and its cash flows for the year ended December 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.



GUANZON PROFESSIONAL CORPORATION
Chartered Professional Accountant
Licensed Public Accountant

Milton, Ontario
February 23, 2018

MUSLIM NEIGHBOUR NEXUS
STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

| | General Fund | Islamic Center Fund | Zakaah and Sadaqah Fund | 2017 | 2016 |
|--|-------------------------|--------------------------------|------------------------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Current | | | | | |
| Cash in bank | \$ 12,068 | \$ 704,300 | \$ -- | \$ 716,368 | \$ 2,115,164 |
| Receivables | 3,903 | -- | -- | 3,903 | 3,439 |
| Prepaid expense | 2,033 | -- | -- | 2,033 | 4,006 |
| Deposits (Note 3) | -- | -- | -- | -- | 100,000 |
| | <u>18,004</u> | <u>704,300</u> | <u>--</u> | <u>722,304</u> | <u>2,222,609</u> |
| Non-current | | | | | |
| Property and equipment (Note 4) | 2,809 | 6,833,879 | -- | 6,836,688 | -- |
| Other assets (Note 5) | -- | 60,453 | -- | 60,453 | -- |
| | <u>20,813</u> | <u>7,598,632</u> | <u>--</u> | <u>7,619,445</u> | <u>2,222,609</u> |
| LIABILITIES | | | | | |
| Current | | | | | |
| Accounts payable and accrued liabilities | 6,507 | 30,903 | -- | 37,410 | 2,260 |
| Deferred grant (Note 6) | 3,832 | -- | -- | 3,832 | -- |
| Financing payable | -- | 146,930 | -- | 146,930 | -- |
| Short-term loans (Note 7) | -- | -- | -- | -- | 46,290 |
| Current portion of long-term debt (Note 8) | -- | 835,000 | -- | 835,000 | -- |
| | <u>10,339</u> | <u>1,012,833</u> | <u>--</u> | <u>1,023,172</u> | <u>48,550</u> |
| Long-term debt (Note 8) | <u>--</u> | <u>3,330,000</u> | <u>--</u> | <u>3,330,000</u> | <u>--</u> |
| | <u>10,339</u> | <u>4,342,833</u> | <u>--</u> | <u>4,353,172</u> | <u>48,550</u> |
| FUND BALANCES | | | | | |
| Restricted - Islamic Fund | -- | 3,255,799 | -- | 3,255,799 | 2,166,297 |
| Restricted - Zakaah and Sadaqah fund | -- | -- | -- | -- | 211 |
| Unrestricted | 10,474 | -- | -- | 10,474 | 7,551 |
| | <u>10,474</u> | <u>3,255,799</u> | <u>--</u> | <u>3,266,273</u> | <u>2,174,059</u> |
| | <u>\$ 20,813</u> | <u>\$ 7,598,632</u> | <u>\$ --</u> | <u>\$ 7,619,455</u> | <u>\$ 2,222,609</u> |

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
For The Year Ended December 31, 2017

| | General Fund | | Islamic Center Fund | | Zakaah and Sadaqah Fund | | Total | |
|--|------------------|-----------------|---------------------|---------------------|-------------------------|--------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | | | |
| Donations | \$ 120,852 | \$ 35,801 | \$ 1,165,642 | \$ 1,679,114 | \$ 6,502 | \$ 7,119 | \$ 1,292,996 | \$ 1,722,034 |
| Grants | 2,568 | -- | -- | -- | -- | -- | 2,568 | -- |
| Membership fees | 6,140 | 3,840 | -- | -- | -- | -- | 6,140 | 3,840 |
| Other income | 7,192 | 14,739 | -- | 9,163 | -- | -- | 7,192 | 23,902 |
| | <u>136,752</u> | <u>54,380</u> | <u>1,165,642</u> | <u>1,688,277</u> | <u>6,502</u> | <u>7,119</u> | <u>1,308,896</u> | <u>1,749,776</u> |
| Expenses | | | | | | | | |
| Finance charge | -- | -- | 146,930 | -- | -- | -- | 146,930 | -- |
| Rent | 29,010 | 23,123 | -- | -- | -- | -- | 29,010 | 23,123 |
| Bank charges | -- | 6,441 | 9,457 | -- | -- | -- | 9,457 | 6,441 |
| Zakat disbursement | -- | -- | -- | -- | 7,597 | 23,288 | 7,597 | 23,288 |
| Professional fees | 2,598 | 2,260 | -- | -- | -- | -- | 2,598 | 2,260 |
| Advertising and Promotion | -- | 3,841 | 1,665 | 2,100 | -- | -- | 1,665 | 5,941 |
| Property tax | -- | -- | 1,650 | -- | -- | -- | 1,650 | -- |
| Amortization (Note 4) | 973 | -- | -- | -- | -- | -- | 973 | -- |
| General and fundraising expenses | 12,364 | 15,396 | 4,438 | 12,879 | -- | -- | 16,802 | 28,275 |
| | <u>44,945</u> | <u>51,061</u> | <u>164,140</u> | <u>14,979</u> | <u>7,597</u> | <u>23,288</u> | <u>216,682</u> | <u>89,328</u> |
| Excess (deficiency) of revenues over expenses | <u>\$ 91,807</u> | <u>\$ 3,319</u> | <u>\$ 1,001,502</u> | <u>\$ 1,673,298</u> | <u>\$ (1,095)</u> | <u>\$ (16,169)</u> | <u>\$ 1,092,214</u> | <u>\$ 1,660,448</u> |

The accompanying notes are an integral part of these financial statements

MUSLIM NEIGHBOUR NEXUS
STATEMENT OF CHANGES IN FUND BALANCES
For The Year Ended December 31, 2017

| | General Fund | | Islamic Center Fund | | Zakaah and Sadaqah Fund | | Total | |
|---|------------------|-----------------|---------------------|---------------------|-------------------------|---------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Balance, beginning of the year | \$ 7,551 | \$ 4,232 | \$ 2,166,297 | \$ 492,999 | \$ 211 | \$ 16,380 | \$ 2,174,059 | \$ 513,611 |
| Excess (deficiency) of revenues over expenses | 91,807 | 3,319 | 1,001,502 | \$ 1,673,298 | \$ (1,095) | \$ (16,169) | \$ 1,092,214 | \$ 1,660,448 |
| Inter-fund transfers | (88,884) | -- | 88,000 | -- | 884 | -- | -- | -- |
| | <u>\$ 10,474</u> | <u>\$ 7,551</u> | <u>\$ 3,255,799</u> | <u>\$ 2,166,297</u> | <u>\$ --</u> | <u>\$ 211</u> | <u>\$ 3,266,273</u> | <u>\$ 2,174,059</u> |

The accompanying notes are an integral part of these financial statements

MUSLIM NEIGHBOUR NEXUS
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2017

| | 2017 | 2016 |
|---|--------------|--------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 1,092,214 | \$ 1,660,448 |
| Amortization | 973 | -- |
| | 1,093,187 | 1,660,448 |
| Change in non-cash component of working capital | | |
| Receivables | (464) | (3,439) |
| Prepaid expense | 1,973 | (4,006) |
| Deposits | 100,000 | (100,000) |
| Accounts payable and accrued liabilities | 35,150 | 2,260 |
| Deferred grant | 3,832 | -- |
| Financing payable | 146,930 | -- |
| | 1,380,608 | 1,555,263 |
| INVESTING ACTIVITES | | |
| Purchase of property and equipment, net | (6,837,661) | -- |
| Increase in other assets | (60,453) | -- |
| | (6,898,114) | -- |
| FINANCING ACTIVITES | | |
| Increase in short-term loans | 100,000 | 46,290 |
| Repayment of short-term loans | (146,290) | -- |
| Increase in long-term debt | 5,000,000 | -- |
| Repayment of long-term debt | (835,000) | -- |
| | 4,118,710 | 46,290 |
| CHANGE IN CASH | (1,398,796) | 1,601,553 |
| CASH, beginning of year | 2,115,164 | 513,611 |
| CASH, end of year | \$ 716,368 | \$ 2,115,164 |

The accompanying notes are an integral part of these financial statements

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

1. 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

The General Fund accounts for current operations and programs as well as the organization’s restricted contributions for which no corresponding restricted fund is presented.

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.

(c) Revenue Recognition

The organization follows the restricted fund method whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which no corresponding restricted fund is presented is recognized in the General Fund using the deferral method. Unrestricted contributions are recognized as revenues in the General Fund.

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

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

Other income is recorded using accrual method.

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(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 receivables.

Financial liabilities measured at amortized cost include accounts payable and long-term debt.

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.

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(g) Property and equipment

Property and equipment are measured at cost and amortized over their estimated lives using the straight-line method at the following annual rates. When a tangible capital asset no longer has any long-term service potential for the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

| | |
|------------------------|-------|
| Computer equipment | - 33% |
| Furniture and fixtures | - 20% |

(h) Impairment of capital assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(i) 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
DECEMBER 31, 2017

2. 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 long-term debt. This risk is reduced because of considerable cash balance.

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.

3. DEPOSITS

Deposits pertain to down payments made by MNN for the purchase of 5.125 acres of land. This was reclassified to property and equipment during the year.

**MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. PROPERTY AND EQUIPMENT

| | 2017 | | | 2016 | |
|------------------------|--------------|-----------------------------|-------------------|-------------------|----|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value | |
| Land | \$ 6,833,879 | \$ -- | \$ 6,833,879 | \$ -- | -- |
| Furniture and fixtures | 2,156 | 431 | 1,725 | -- | -- |
| Computer equipment | 1,626 | 542 | 1,084 | -- | -- |
| | \$ 6,837,661 | \$ 973 | \$ 6,836,688 | \$ -- | -- |

5. OTHER ASSETS

Other assets consist of long-term security deposit and pre-construction cost of the building.

6. DEFERRED GRANT

| | 2017 | 2016 |
|---|----------|-------|
| Opening balance | \$ -- | \$ -- |
| Grant funds received during the year | 6,400 | -- |
| Grant funds applied to program activities during the year | (2,568) | -- |
| | \$ 3,832 | \$ -- |

7. 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. The short-term loans have been paid during the year.

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. LONG-TERM DEBT

| | 2017 | 2016 |
|--|---------------------|--------------|
| Loan repayable in annual instalments of \$835,000 plus financing charge calculated at 4% due March 26, 2023 secured by the land with the net value of \$6,833,879 | \$ 4,165,000 | \$ -- |
| Less: current portion of long-term debt | 835,000 | -- |
| | \$ 3,330,000 | \$ -- |

Long-term debt principal repayments to be made over each of the next four years are \$835,000 with the final installment of \$825,000 due in the fifth year.