

MUSLIM NEIGHBOUR NEXUS

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



INDEPENDENT AUDITOR'S REPORT

To the members of
MUSLIM NEIGHBOUR NEXUS

Qualified Opinion

We have audited the accompanying financial statements of **MUSLIM NEIGHBOUR NEXUS**, which comprise the statement of financial position as at December 31, 2019, and the statement of operations, statement of changes in fund balances and statement of 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 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 **MUSLIM NEIGHBOUR NEXUS** 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 not-for-profit organizations, **MUSLIM NEIGHBOUR NEXUS** derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of **MUSLIM NEIGHBOUR NEXUS**. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations, excess of revenues over expenses, cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and fund balances as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2019 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 **MUSLIM NEIGHBOUR NEXUS** 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 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.

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

Those charged with governance are responsible for overseeing **MUSLIM NEIGHBOUR NEXUS**'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.



GUANZON PROFESSIONAL CORPORATION

6547D Mississauga Rd, Mississauga, ON L5N 1A6
Tel: +1 647 930 8280 | Fax+1 289 804 0774

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 **MUSLIM NEIGHBOUR NEXUS'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 **MUSLIM NEIGHBOUR NEXUS'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 **MUSLIM NEIGHBOUR NEXUS** 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.

A handwritten signature in black ink, appearing to read 'Suzy R', is written over a light blue horizontal line.

GUANZON PROFESSIONAL CORPORATION
Chartered Professional Accountant
Licensed Public Accountant

Mississauga, Ontario
March 4, 2020

MUSLIM NEIGHBOUR NEXUS
STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	2019	2018
ASSETS		
Current		
Cash and cash equivalents (note 3)	\$ 122,393	\$ 348,192
Receivables	26,747	122,063
Prepaid expenses and deposit (note 4)	33,409	35,976
	<u>182,549</u>	<u>506,231</u>
Non-current		
Property, plant and equipment (note 5)	9,194,074	8,460,463
Other assets	15,000	15,000
	<u>9,391,623</u>	<u>8,981,694</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	98,694	160,609
Deferred revenue	1,520	--
Short-term loans (note 6)	148,000	181,000
Current portion of long- term debt (note 7)	--	400,000
	<u>248,214</u>	<u>741,609</u>
Long-term debt (note 7)	<u>2,445,000</u>	<u>3,425,000</u>
	<u>2,693,214</u>	<u>4,166,609</u>
FUND BALANCES		
Restricted - Islamic Center Fund	6,640,513	4,793,162
Restricted - Zakaah and Sadaqah Fund	7,469	--
Restricted - Daawah Fund	11,830	--
Unrestricted	38,597	21,923
	<u>6,698,409</u>	<u>4,815,085</u>
	<u>\$ 9,391,623</u>	<u>\$ 8,981,694</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, 2019**

	Islamic Center Fund	General Fund	2019 Zakaah and Sadaqah Fund	Daawah Fund	Total	2018
Revenues						
Donations and contributions	\$ 2,139,230	\$ 106,722	\$ 29,769	\$ 11,830	\$ 2,287,551	\$ 1,766,921
Grants	--	--	--	--	--	5,432
Membership fees	--	4,528	--	--	4,528	5,405
Other income	--	58,708	--	--	58,708	12,000
	<u>2,139,230</u>	<u>169,958</u>	<u>29,769</u>	<u>11,830</u>	<u>2,350,787</u>	<u>1,789,758</u>
Expenses						
Finance charge	119,523	--	--	--	119,523	159,755
Amortization (note 5)	105,842	973	--	--	106,815	4,198
General, prayer and fundraising expenses (Schedule 1)	32,500	45,528	--	--	78,028	18,467
Property tax	63,581	--	--	--	63,581	3,451
Program cost	--	23,274	--	--	23,274	--
Zakaah and sadaqah	--	--	22,300	--	22,300	4,336
Bank charges	20,846	--	--	--	20,846	18,150
Rent	--	19,954	--	--	19,954	23,436
Insurance	5,206	702	--	--	5,908	2,079
Salaries and wages	--	3,462	--	--	3,462	--
Professional fees	--	2,391	--	--	2,391	5,771
Advertising and promotion	1,381	--	--	--	1,381	1,303
	<u>348,879</u>	<u>96,284</u>	<u>22,300</u>	<u>--</u>	<u>467,463</u>	<u>240,946</u>
Excess of revenues over expenses	<u>\$ 1,790,351</u>	<u>\$ 73,674</u>	<u>\$ 7,469</u>	<u>\$ 11,830</u>	<u>\$ 1,883,324</u>	<u>\$ 1,548,812</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, 2019

	Islamic Center Fund	General Fund	2019 Zakaah and Sadaqah Fund	Daawah Fund	Total	2018
Balance, beginning of year	\$ 4,793,162	\$ 21,923	\$ --	\$ --	\$ 4,815,085	\$ 3,266,273
Excess of revenues over expenses	1,790,351	73,674	7,469	11,830	1,883,324	1,548,812
Inter-fund transfers	57,000	(57,000)	--	--	--	--
Balance, end of year	<u>\$ 6,640,513</u>	<u>\$ 38,597</u>	<u>\$ 7,469</u>	<u>\$ 11,830</u>	<u>\$ 6,698,409</u>	<u>\$ 4,815,085</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, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,883,324	\$ 1,548,812
Amortization	106,815	4,198
	1,990,139	1,553,010
Change in non-cash component of working capital		
Receivables	95,316	(118,160)
Prepayments	2,567	(5,645)
Deposits	--	(28,298)
Accounts payable and accrued liabilities	(61,915)	(23,731)
Deferred revenue	1,520	(3,832)
	2,027,627	1,373,344
INVESTING ACTIVITIES		
Purchase of property and equipment, net	(840,426)	(1,627,973)
Other assets	--	45,453
	(840,426)	(1,582,520)
FINANCING ACTIVITIES		
Increase in short-term loans	150,000	181,000
Repayment of short-term loans	(278,000)	--
Increase in long-term debt	--	95,000
Repayment of long-term debt	(1,285,000)	(435,000)
	(1,413,000)	(159,000)
CHANGE IN CASH AND CASH EQUIVALENTS	(225,799)	(368,176)
CASH AND CASH EQUIVALENTS, beginning of year	348,192	716,368
CASH AND CASH EQUIVALENTS, end of year	\$ 122,393	\$ 348,192
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 68,229	\$ 294,028
Guaranteed Investment Certificate	54,164	54,164
	\$ 122,393	\$ 348,192

The accompanying notes are an integral part of these financial statements

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

The Daawah Fund reports resources to be used for creating a widespread understanding of Islam

(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 in the General Fund using the deferral method. Unrestricted contributions are recognized as revenues in the General Fund.

Donations and 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 for the period 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, 2019

(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 cash equivalents and receivables.

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

The financial assets measured at fair value include the investment.

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, 2019

(g) Property and equipment

Property and equipment are measured at cost and amortized over their estimated lives on the following basis as follows:

Building	30 years, declining balance
Land improvements	30 years, declining balance
Computer equipment	3 years, straight line
Furniture and fixtures	5 years, straight line

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.

(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 three to five months.

**MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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. CASH AND CASH EQUIVALENTS

	2019	2018
Cash	\$ 68,229	\$ 294,028
Guaranteed investment certificate (a)	54,164	54,164
	\$ 122,393	\$ 348,192

(a) Comprised of guaranteed investment certificate (GIC) from a local bank and matured on May 3, 2019. This GIC bears interest rate at 1.2% per annum. The GIC is pledged as collateral for a letter of credit issued in connection with the landscaping work (see Note 9).

4. DEPOSITS

Deposits pertain to building permit security deposits by MNN for the construction and development of its Islamic Centre.

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. PROPERTY AND EQUIPMENT

	2019			2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 6,877,710	\$ --	\$ 6,877,710	\$ 6,879,857
Building	1,025,403	34,180	991,223	718,397
Land improvement	1,249,030	41,634	1,207,396	843,524
Furniture and fixtures	152,291	34,546	117,745	18,143
Computer equipment	1,626	1,626	--	542
	<u>\$ 9,306,060</u>	<u>\$ 111,986</u>	<u>\$ 9,194,074</u>	<u>\$ 8,460,463</u>

6. SHORT-TERM LOANS

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

7. LONG-TERM DEBT

	2019	2018
Long-term loans repayable in various terms ranging from two to five years, unsecured and non-interest bearing	\$ --	\$ 95,000
Loan repayable in annual instalments of \$835,000 plus financing charge calculated at 4% due March 16, 2023 secured by the land with a net value of \$6,877,710 (note 5).	2,445,000	3,730,000
	<u>2,445,000</u>	<u>3,825,000</u>
Less: current portion of long-term debt	--	400,000
	<u>\$2,445,000</u>	<u>\$3,425,000</u>

Long-term debt principal repayments to be made over each of the next two years are \$785,000 and \$835,000 with the final installment of \$825,000 due in the third year.

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. CREDIT CARD FACILITY

The Organization has unsecured credit card facility from a bank in the amount of \$20,000 bearing interest at 19.99%. As of December 31, 2019, the credit card liability amounted to \$1,584 (2018 -\$1,991).

9. COMMITMENT AND CONTINGENCIES

In the normal course of business, MNN was required by the municipality to provide letter of credit to guarantee payment for the landscaping work. In order to provide such letter of credit, MNN has entered into an indemnity agreement with a Canadian chartered bank. This agreement is collateralized by the Guaranteed Investment Certificate (GIC) amounting to \$54,164. At the date hereof, there have been no payments pertaining to such indemnification agreement.

10. COMPARATIVE FIGURES

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

MUSLIM NEIGHBOUR NEXUS
For the year ended December 31, 2019

Schedule 1

General, prayer and fundraising expenses	2019			2018
	Islamic Center Fund	General Fund	Total	
Fundraising costs	\$ --	\$ 19,021	\$ 19,021	\$ --
Utilities	14,138	--	14,138	--
Operating costs	14,028	--	14,028	--
Other expenses	--	11,882	11,882	9,733
Supplies	3,296	7,008	10,304	231
Honorarium	--	3,000	3,000	3,250
Web and software	--	2,611	2,611	2,033
Security	--	2,006	2,006	--
Phone and internet	632	--	632	--
Printing	406	--	406	1,220
Membership fees	--	--	--	1,000
Sponsorship	--	--	--	1,000
	\$ 32,500	\$ 45,528	\$ 78,028	\$ 18,067