

**MUSLIM NEIGHBOUR NEXUS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**MUSLIM NEIGHBOUR NEXUS**

**FINANCIAL STATEMENTS**

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# GUANZON PROFESSIONAL CORPORATION

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## 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, 2020, 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, 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 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, 2020 and 2019, current assets as at December 31, 2020 and 2019, and fund balances as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2020 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.



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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 'Suzanne K'.

**GUANZON PROFESSIONAL CORPORATION**  
**Chartered Professional Accountant**  
**Licensed Public Accountant**

Authorized to practise public accounting by the Chartered Professional Accountants of Ontario

Mississauga, ON  
March 10, 2021

**MUSLIM NEIGHBOUR NEXUS**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 60,015	\$ 122,393
Receivables	4,434	26,747
Prepaid expenses and deposit (note 3)	32,540	29,079
	<u>96,989</u>	<u>178,219</u>
<b>Non-current</b>		
Property, plant and equipment (note 4)	9,079,570	9,194,074
Other assets	4,330	19,330
	<u>9,180,889</u>	<u>9,391,623</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	56,358	98,694
Deferred revenue	15,176	1,520
Short-term loans	--	148,000
	<u>71,534</u>	<u>248,214</u>
<b>Long-term debt (note 5)</b>	<u>1,120,000</u>	<u>2,445,000</u>
	1,191,534	2,693,214
<b>FUND BALANCES</b>		
Restricted - Islamic Center Fund	7,859,534	6,640,513
Restricted - Zakaah and Sadaqah Fund	3,717	7,469
Restricted - Daawah Fund	14,061	11,830
Unrestricted	112,043	38,597
	<u>7,989,355</u>	<u>6,698,409</u>
	<u>\$ 9,180,889</u>	<u>\$ 9,391,623</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, 2020**

	Islamic Center Fund	General Fund	2020 Zakaah and Sadaqah Fund	Daawah Fund	Total	2019
<b>Revenues</b>						
Donations and contributions	\$ 1,281,396	\$ 118,276	\$ 114,418	\$ 2,231	\$ 1,516,321	\$ 2,287,551
Grants	92,838	8,267	--	--	101,105	--
Membership fees	--	4,826	--	--	4,826	4,528
Other income	--	58,595	--	--	58,595	58,708
	<u>1,374,234</u>	<u>189,964</u>	<u>114,418</u>	<u>2,231</u>	<u>1,680,847</u>	<u>2,350,787</u>
<b>Expenses</b>						
Zakaah and sadaqah	--	--	118,170	--	118,170	22,300
Amortization	104,301	431	--	--	104,732	106,815
General, prayer and fundraising expenses (Schedule 1)	49,407	39,544	--	--	88,951	78,028
Finance charge	72,667	--	--	--	72,667	119,523
Bank charges	19,876	344	--	--	20,220	20,846
Salaries and wages	--	9,812	--	--	9,812	3,462
Professional fees	--	5,717	--	--	5,717	2,391
Program cost	--	4,997	--	--	4,997	23,274
Advertising and promotion	--	3,940	--	--	3,940	1,381
Rent	--	1,031	--	--	1,031	19,954
Insurance	594	702	--	--	1,296	5,908
Property tax (recoveries)	(41,632)	--	--	--	(41,632)	63,581
	<u>205,213</u>	<u>66,518</u>	<u>118,170</u>	<u>--</u>	<u>389,901</u>	<u>467,463</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>\$ 1,169,021</u>	<u>\$ 123,446</u>	<u>\$ (3,752)</u>	<u>\$ 2,231</u>	<u>\$ 1,290,946</u>	<u>\$ 1,883,324</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, 2020**

	<b>Islamic Center Fund</b>	<b>General Fund</b>	<b>2020 Zakaah and Sadaqah Fund</b>	<b>Daawah Fund</b>	<b>Total</b>	<b>2019</b>
Balance, beginning of year	\$ 6,640,513	\$ 38,597	\$ 7,469	\$ 11,830	\$ 6,698,409	\$ 4,815,085
Excess (deficiency) of revenues over expenses	1,169,021	123,446	(3,752)	2,231	1,290,946	1,883,324
Inter-fund transfers	50,000	(50,000)	--	--	--	--
Balance, end of year	<u>\$ 7,859,534</u>	<u>\$ 112,043</u>	<u>\$ 3,717</u>	<u>\$ 14,061</u>	<u>\$ 7,989,355</u>	<u>\$ 6,698,409</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, 2020**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 1,290,946	\$ 1,883,324
Amortization	104,732	106,815
	1,395,678	1,990,139
Change in non-cash component of working capital		
Receivables	22,313	95,316
Prepaid expenses and deposit	(3,461)	2,567
Accounts payable and accrued liabilities	(42,336)	(61,915)
Deferred revenue	13,656	1,520
	1,385,850	2,027,627
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(16,201)	(840,426)
Refund of Land Transfer tax and site servicing costs	25,973	--
Other assets	15,000	--
	24,772	(840,426)
<b>FINANCING ACTIVITIES</b>		
Increase in short-term loans	--	150,000
Repayment of short-term loans	(148,000)	(278,000)
Increase in long-term debt	--	--
Repayment of long-term debt	(1,325,000)	(1,285,000)
	(1,473,000)	(1,413,000)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(62,378)	(225,799)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	122,393	348,192
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 60,015	\$ 122,393

The accompanying notes are an integral part of these financial statements



**MUSLIM NEIGHBOUR NEXUS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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, 2020**

**(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 accrued liabilities, short-term loans 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, 2020**

**(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
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.

**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.

**MUSLIM NEIGHBOUR NEXUS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**2. FINANCIAL INSTRUMENTS continued**

**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 refundable building permit security deposit by MNN for the construction and development of its Islamic Centre.

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>2020</b>		<b>2019</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	\$ 6,851,736	\$ --	\$ 6,851,736	\$ 6,877,710
Building	1,025,559	67,226	958,333	991,223
Land improvement	1,262,396	82,326	1,180,070	1,207,396
Furniture and fixtures	154,970	65,539	89,431	117,745
	<b>\$ 9,294,661</b>	<b>\$ 215,091</b>	<b>\$ 9,079,570</b>	<b>\$ 9,194,074</b>

**MUSLIM NEIGHBOUR NEXUS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**5. LONG-TERM DEBT**

	<b>2020</b>	<b>2019</b>
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 \$6,851,736 (note 4).	\$ 1,120,000	\$ 2,445,000
	1,120,000	2,445,000
Less: current portion of long-term debt	--	--
	\$1,120,000	\$ 2,445,000

Long-term debt principal repayments to be made in 2022 is \$295,000 with the final installment of \$825,000 due in the following year.

**6. 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, 2020, the credit card liability amounted to \$1,019 (2019 - \$1,584).

**MUSLIM NEIGHBOUR NEXUS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**7. COVID-19 GLOBAL PANDEMIC AND SUBSEQUENT EVENTS**

*COVID-19 Global Pandemic*

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. The spread of COVID-19 has severely impacted many local economies around the globe. In many countries including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, include travel bans, quarantines, social distancing, and closures of non-essential services which have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

As a result of the COVID 19 pandemic and the state of emergency being declared in the province of Ontario on March 17, 2020, mosques, churches and other faith settings, along with other facilities and businesses, were closed for an indefinite period. MNN started its activities and gatherings virtually.

On June 12, 2020, MNN re-opened its Center with a limited capacity in accordance with the provincial guidelines for places of worship and continues to follow the restrictions on physical gatherings, as stipulated by the government from time to time. In the meantime, it continues to engage with the community through virtual programs and communications. Effective January 14, 2021, the government of Ontario issued a stay-at-home order across the province for all non-essential businesses. MNN, as a place of worship, is subject to limited physical gathering over this period.

*Canada Emergency Wage Subsidy (CEWS)*

MNN obtained wage subsidy from the Federal government of Canada as assistance from the economic impact of the closures due to the COVID 19 Pandemic. The following was obtained:

<u>Period applied</u>	<u>Amount obtained</u>	<u>Date Obtained</u>
October 25, 2020 to November 21, 2020	\$ 1,125	January 8, 2021

MNN intends to apply for other periods that it is eligible for the CEWS.

*Canada Emergency Rent Subsidy (CERS)*

CERS is a Federal government of Canada assistance that provides a direct and easy-to-access rent and mortgage subsidy of up to 65% of eligible expenses to qualifying businesses, charities and non-profits.

MNN intends to apply for the periods that it is eligible for the CERS.

MNN has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID 19 pandemic remains unclear at this time although Management believes that the disturbance may be temporary.

**8. 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, 2020**

**Schedule I**

**General, prayer and fundraising expenses**

	<b>2020</b>			
	<b>Islamic Center Fund</b>	<b>General Fund</b>	<b>Total</b>	<b>2019</b>
Operating costs	\$ 30,228	\$ --	\$ 30,228	14,028
Fundraising costs	--	18,662	18,662	\$ 19,021
Utilities	13,612	--	13,612	14,138
Supplies	4,441	6,046	10,487	10,304
Other expenses	--	6,798	6,798	11,882
Web and software	26	3,925	3,951	2,611
Honorarium	--	2,700	2,700	3,000
Membership fees	--	1,000	1,000	--
Phone and internet	860	--	860	632
Security	--	401	401	2,006
Printing	240	12	252	406
	<b>\$ 49,407</b>	<b>\$ 39,544</b>	<b>\$ 88,951</b>	<b>\$ 78,028</b>