

MUSLIM NEIGHBOUR NEXUS

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021, 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, 2021, 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, 2021 and 2020, current assets as at December 31, 2021 and 2020, and fund balances as at January 1 and December 31 for both the 2021 and 2020 years. Our audit 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 **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 'Suzy 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 22, 2022

MUSLIM NEIGHBOUR NEXUS
STATEMENT OF FINANCIAL POSITION
As at December 31, 2021

	2021	2020
ASSETS		
Current		
Cash	\$ 911,838	\$ 60,015
Receivables	3,774	4,434
Prepaid expenses and deposit	4,494	32,540
	920,106	96,989
Non-current		
Property, plant and equipment, net (note 3)	8,972,603	9,079,570
Other assets (note 4)	40,048	4,330
	\$ 9,932,757	\$ 9,180,889
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 12,746	\$ 56,358
Deferred revenue	26,431	15,176
	39,177	71,534
Long-term debt (note 5)	--	1,120,000
	39,177	1,191,534
FUND BALANCES		
Restricted - Islamic Center Fund	9,640,951	7,859,534
Restricted - Zakaah and Sadaqah Fund	815	3,717
Restricted - Daawah Fund	20,807	14,061
Unrestricted	231,007	112,043
	9,893,580	7,989,355
	\$ 9,932,757	\$ 9,180,889

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, 2021

	2021				Total	2020
	Islamic Center Fund	General Fund	Zakaah and Sadaqah Fund	Daawah Fund		
Revenues						
Donations and contributions	\$ 1,896,516	\$ 164,821	\$ 89,924	\$ 8,326	\$ 2,159,587	\$ 1,516,321
Grants	12,780	27,215	--	--	39,995	101,105
Membership fees	--	5,869	--	--	5,869	4,826
Other income	--	48,414	--	--	48,414	58,595
	<u>1,909,296</u>	<u>246,319</u>	<u>89,924</u>	<u>8,326</u>	<u>2,253,865</u>	<u>1,680,847</u>
Expenses						
Amortization	101,912	431	--	--	102,343	104,732
Zakaah and sadaqah	--	--	92,826	--	92,826	118,170
General, prayer and fundraising expenses (Schedule 1)	36,527	16,595	--	1,279	54,401	78,464
Salaries and wages	--	28,603	--	--	28,603	9,812
Bank charges	20,144	--	--	--	20,144	20,220
Community programs	--	18,574	--	301	18,875	15,484
Finance charge	18,035	--	--	--	18,035	72,667
Advertising and promotion	--	5,341	--	--	5,341	3,940
Professional fees	629	4,692	--	--	5,321	5,717
Rent	--	2,283	--	--	2,283	1,031
Insurance	632	836	--	--	1,468	1,296
Property tax (recoveries)	--	--	--	--	--	(41,632)
	<u>177,879</u>	<u>77,355</u>	<u>92,826</u>	<u>1,580</u>	<u>349,640</u>	<u>389,901</u>
Excess (deficiency) of revenues over expenses	<u>\$ 1,731,417</u>	<u>\$ 168,964</u>	<u>\$ (2,902)</u>	<u>\$ 6,746</u>	<u>\$ 1,904,225</u>	<u>\$ 1,290,946</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, 2021

	Islamic Center Fund	General Fund	2021 Zakaah and Sadaqah Fund	Daawah Fund	Total	2020
Balance, beginning of year	\$ 7,859,534	\$ 112,043	\$ 3,717	\$ 14,061	\$ 7,989,355	\$ 6,698,409
Excess (deficiency) of revenues over expenses	1,731,417	168,964	(2,902)	6,746	1,904,225	1,290,946
Inter-fund transfers	50,000	(50,000)	--	--	--	--
Balance, end of year	<u>\$ 9,640,951</u>	<u>\$ 231,007</u>	<u>\$ 815</u>	<u>\$ 20,807</u>	<u>\$ 9,893,580</u>	<u>\$ 7,989,355</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, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,904,225	\$ 1,290,946
Amortization	102,343	104,732
	2,006,568	1,395,678
Change in non-cash component of working capital		
Receivables	660	22,313
Prepaid expenses and deposit	28,046	(3,461)
Accounts payable and accrued liabilities	(43,612)	(42,336)
Deferred revenue	11,255	13,656
	2,002,917	1,385,850
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,078)	(16,201)
Refund of Land Transfer tax and site servicing costs	--	25,973
Refund of security deposit on Land	6,702	--
Change in other assets	(35,718)	15,000
	(31,094)	24,772
FINANCING ACTIVITIES		
Repayment of short-term loans	--	(148,000)
Repayment of long-term debt	(1,120,000)	(1,325,000)
	(1,120,000)	(1,473,000)
CHANGE IN CASH AND CASH EQUIVALENTS	851,823	(62,378)
CASH AND CASH EQUIVALENTS, beginning of year	60,015	122,393
CASH AND CASH EQUIVALENTS, end of year	\$ 911,838	\$ 60,015

The accompanying notes are an integral part of these financial statements

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 with 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, 2021

(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 accrued liabilities.

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 accounting standards for not-for-profit organizations requires the Organization's Board 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. Items requiring significant estimates and subject to measurement uncertainty include the determination of useful lives of property, plant and equipment. By their nature, these estimates are subject to measurement uncertainty. Actual results could differ from those estimates.

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

(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

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.

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 their receivable pertains to HST/GST rebate from the government of Canada.

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

3. PROPERTY, PLANT AND EQUIPMENT

	2021			2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Land	\$ 6,845,034	\$ --	\$ 6,845,034	\$ 6,851,736	
Building	1,027,638	99,240	928,398	958,333	
Land improvement	1,262,396	121,662	1,140,734	1,180,070	
Furniture and fixtures	154,970	96,533	58,437	89,431	
	\$ 9,290,038	\$ 317,435	\$ 8,972,603	\$ 9,079,570	

4. OTHER ASSETS

Other assets pertain to deposits by MNN for the future construction and development of its Islamic Centre building and to a local utility company.

5. LONG-TERM DEBT

	2021	2020
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 \$6,845,034 (note 3).	\$ --	\$ 1,120,000
	--	1,120,000
Less: current portion of long-term debt	--	--
	\$ --	\$ 1,120,000

Long-term debt was repaid in full during the 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, 2021, the credit card liability amounted to \$5,044 (2020 - \$1,019).

MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, several lockdowns and stay at home orders were implemented forcing various mosques, churches and other faith settings, along with other facilities and businesses to be closed for an indefinite period. Throughout the year, there were various changes in provincial guidelines and restrictions requiring MNN to conduct gatherings virtually, require proof of vaccination for any in-person gatherings, and postpone or cancel in-person programs and activities.

On January 5, 2022, the Province of Ontario re-entered Step 2 of the Provincial Roadmap to Reopen in the wake of new COVID 19 variants of concern further limiting in person activities for the organization, followed by a stay-at-home order announced on January 12, 2022 which was lifted on February 9, 2022, after which capacity restrictions were eased. On February 17, 2022, the Province of Ontario further eased public health measures and as of March 1, 2022 all capacity requirements and proof of vaccination requirements have been lifted allowing MNN to resume operations with full capacity.

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, 2021 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.

Canada Emergency Wage Subsidy (CEWS)

The Canada Emergency Wage Subsidy is a Federal Government program to support eligible employers to cover part of their employees' wages during the COVID-19 pandemic closures.

During the period MNN obtained a total of \$5,169 for CEWS.

Canada Emergency Rent Subsidy (CERS)

The Canadian Emergency Rent Subsidy is a Federal Government program that provides rent and mortgage subsidies for eligible expenses to qualifying businesses, charities, and non-profits.

During the period MNN obtained a total of \$12,780 for CERS.

**MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021

Schedule I

General, prayer and fundraising expenses

	2021				2020
	Islamic Center Fund	General Fund	Dawaah Fund	Total	
Maintenance and operating costs	\$ 24,349	\$ --	\$ --	\$ 24,349	30,228
Utilities	11,369	--	--	11,369	13,612
Other expenses	--	6,053	--	6,053	6,798
Web and software	--	5,518	--	5,518	3,951
Security	--	2,912	--	2,912	401
Honorarium	--	2,100	--	2,100	2,700
Printing	--	12	1,279	1,291	252
Phone and internet	809	--	--	809	860
Fundraising costs	--	--	--	--	18,662
Membership fees	--	--	--	--	1,000
	\$ 36,527	\$ 16,595	\$ 1,279	\$ 54,401	\$ 78,464