

MUSLIM NEIGHBOUR NEXUS

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 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, 2022 and 2021, and the statement of operations, statement of changes in fund balances and statements of cash flows for the years 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, 2022, and 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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and fund balances as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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.

GUANZON PROFESSIONAL CORPORATION
Chartered Professional Accountant
Licensed Public Accountant

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

Mississauga, ON
May 30, 2023

MUSLIM NEIGHBOUR NEXUS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current		
Cash	\$ 1,637,225	\$ 911,838
Receivables	78,761	3,774
Prepaid expenses and deposit	--	4,494
	1,715,986	920,106
Non-current		
Property, plant and equipment, net (note 3)	9,603,143	8,972,603
Other assets (note 4)	48,363	40,048
	\$ 11,367,492	\$ 9,932,757
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 13,575	\$ 12,746
Deferred revenue	--	26,431
	13,575	39,177
FUND BALANCES		
Restricted - Islamic Center Fund	10,850,030	9,640,951
Restricted - Zakaah and Sadaqah Fund	83,175	815
Restricted - Daawah Fund	19,523	20,807
Unrestricted	401,189	231,007
	11,353,917	9,893,580
	\$ 11,367,492	\$ 9,932,757

The accompanying notes are an integral part of these financial statements

APPROVED ON BEHALF OF THE BOARD:

Akhtar Baqa

DIRECTOR

Iman Farid

DIRECTOR

**MUSLIM NEIGHBOUR NEXUS
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

2022

	Islamic Center Fund	General Fund	Zakaah and Sadaqah Fund	Daawah Fund	Total	2021
Revenues						
Donations and contributions	\$ 1,266,767	\$ 334,406	\$ 185,755	\$ 544	\$ 1,787,472	\$ 2,159,587
Grants	--	36,431	--	--	36,431	39,995
Membership fees	--	7,535	--	--	7,535	5,869
Other income	--	90,060	--	--	90,060	48,414
	1,266,767	468,432	185,755	544	1,921,498	2,253,865
Expenses						
Amortization	125,155	--	--	--	125,155	102,343
General, prayer and fundraising expenses (Schedule 1)	73,808	33,967	--	1,370	109,145	54,401
Zakaah and sadaqah	--	--	103,385	--	103,384	92,826
Community programs	759	35,996	--	458	37,213	18,875
Salaries and wages	--	31,542	--	--	31,542	28,603
Rent	--	25,615	--	--	25,615	2,283
Bank charges	16,757	1,024	10	--	17,791	20,144
Professional fees	561	5,148	--	--	5,709	5,321
Advertising and promotion	--	4,123	--	--	4,123	5,341
Insurance	648	836	--	--	1,484	1,468
Finance charge	--	--	--	--	--	18,035
	217,688	138,250	103,395	1,828	461,161	349,640
Excess (deficiency) of revenues over expenses	\$ 1,049,079	\$ 330,182	\$ 82,360	\$ (1,284)	\$ 1,460,337	\$ 1,904,225

The accompanying notes are an integral part of these financial statements.

MUSLIM NEIGHBOUR NEXUS
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				Total	2021
	Islamic Center Fund	General Fund	Zakaah and Sadaqah Fund	Daawah Fund		
Balance, beginning of year	\$ 9,640,951	\$ 231,007	\$ 815	\$ 20,807	\$ 9,893,580	\$ 7,989,355
Excess (deficiency) of revenues over expenses	1,049,079	330,182	82,360	(1,284)	1,460,337	1,904,225
Inter-fund transfers	160,000	(160,000)	--	--	--	--
Balance, end of year	<u>\$10,850,030</u>	<u>\$ 401,189</u>	<u>\$ 83,175</u>	<u>\$ 19,523</u>	<u>\$ 11,353,917</u>	<u>\$ 9,893,580</u>

The accompanying notes are an integral part of these financial statements

**MUSLIM NEIGHBOUR NEXUS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,460,337	\$ 1,904,225
Amortization	125,155	102,343
	1,585,492	2,006,568
Change in non-cash component of working capital		
Receivables	(74,987)	660
Prepaid expenses and deposit	4,494	28,046
Accounts payable and accrued liabilities	829	(43,612)
Deferred revenue	(26,431)	11,255
	1,489,397	2,002,917
INVESTING ACTIVITIES		
Purchase of property and equipment	(755,695)	(2,078)
Refund of security deposit on Land	--	6,702
Change in other assets	(8,315)	(35,718)
	(764,010)	(31,094)
FINANCING ACTIVITIES		
Repayment of long-term debt	--	(1,120,000)
	--	(1,120,000)
CHANGE IN CASH AND CASH EQUIVALENTS	725,387	851,823
CASH AND CASH EQUIVALENTS, beginning of year	911,838	60,015
CASH AND CASH EQUIVALENTS, end of year	\$ 1,637,225	\$ 911,838

The accompanying notes are an integral part of these financial statements.

**MUSLIM NEIGHBOUR NEXUS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. PROPERTY, PLANT AND EQUIPMENT

	2022			2021	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Land	\$ 6,845,034	\$ --	\$ 6,845,034	\$ 6,845,034	
Building	1,027,638	130,186	897,452	928,398	
Land improvement	2,018,091	184,876	1,833,215	1,140,734	
Furniture and fixtures	154,970	127,528	27,442	58,437	
	\$ 10,045,733	\$ 442,590	\$ 9,603,143	\$ 8,972,603	

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. 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, 2022, the credit card liability amounted to \$12 (2021 - \$5,044).

6. 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 YEARS ENDED DECEMBER 31, 2022 AND 2021**

Schedule I

General, prayer and fundraising expenses

	2022			Total	2021
	Islamic Center Fund	General Fund	Dawaah Fund		
Maintenance and operating costs	\$ 55,612	\$ --	\$ --	\$ 55,612	24,349
Other expenses	--	16,098	--	16,098	6,053
Utilities	13,766	--	--	13,766	11,369
Web and software	--	9,710	--	9,710	5,518
Printing	3,625	2,359	1,370	7,354	1,291
Honorarium	--	5,800	--	5,800	2,100
Phone and internet	805	--	--	805	809
Security	--	--	--	--	2,912
	\$ 73,808	\$ 33,967	\$ 1,370	\$ 109,145	\$ 54,401