MANITOBA ISLAMIC ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2021

November 7, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Manitoba Islamic Association:

Qualified Opinion

We have audited the financial statements of Manitoba Islamic Association (the Association), which comprise the statement of financial position as at June 30, 2021, the statement of operations, the statement of changes in net assets 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 possible 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 the Association as at June 30, 2021, and its financial performance 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, the Association derives revenue which is not susceptible of satisfactory audit verification. Accordingly, verification of revenues was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, difference between revenues and expenses, and cash flow from operating activities for the year ended June 30, 2021 and 9 months ended June 30, 2020, current assets as at June 30, 2021 and June 30, 2020 and net assets as at June 30, 2021, June 30, 2020 and October 1, 2019. Our audit opinion on the financial statements for the 9 months ended June 30, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 the Association 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 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 the Association'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 the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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.

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 the Association’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 the Association’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 the Association 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.

DRAFT

Chartered Professional Accountants
Winnipeg, Canada

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF FINANCIAL POSITION

	June 30 2021	June 30 2020
ASSETS		
Current assets:		
Cash	$ 1,080,229	$ 643,865
Cash - capital projects	167,838	142,061
Accounts receivable	53,173	98,657
GST receivable	30,140	23,223
	1,331,380	907,806
Capital assets (Note 3)	5,095,295	5,242,530
	$ 6,426,675	$ 6,150,336
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 146,232	$ 27,018
Government remittances	233	594
Deferred revenue	2,000	6,101
Deferred contributions (Note 4)	8,500	58,000
	156,965	91,713
Canada Emergency Business Account (Note 5)	30,000	-
Deferred contributions related to capital assets (Note 6)	3,428,804	3,577,406
	3,615,769	3,669,119
Net assets	2,810,906	2,481,217
	$ 6,426,675	$ 6,150,336

APPROVED BY THE BOARD:

_____________________________**Director**

_____________________________**Director**

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF OPERATIONS

		Year ended June 30 2021		9 months ended June 30 2020
Revenues:				
Donations, fund-raising and other revenue	$	1,158,232	$	1,158,571
Contributions used for assistance		199,618		71,239
Amortization of deferred contributions related to capital assets		148,602		148,602
Rental income		257,002		101,023
		1,763,454		1,479,435
Expenses:				
Amortization		215,475		197,562
Assistance		398,673		186,287
General expenses		515,832		372,006
Wages and employee benefits		303,785		204,744
		1,433,765		960,599
Difference between revenues and expenses	$	329,689	$	518,836

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS

	Year ended June 30 2021	9 months ended June 30 2020
Balance, beginning of period	$ 2,481,217	$ 1,962,381
Difference between revenues and expenses	329,689	518,836
Balance, end of period	$ 2,810,906	$ 2,481,217

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CASH FLOWS

		Year ended June 30 2021		9 months ended June 30 2020
Cash flow from operating activities:				
Cash from donations, fundraising and other	$	1,599,818	$	1,309,013
Cash paid to suppliers, employees and others		(1,099,437)		(736,498)
		500,381		572,515
Cash flow from investing activities:				
Purchase of capital assets		(68,240)		(409,451)
Cash flow from financing activities:				
Proceeds from Canada Emergency Business Account		30,000		-
Change in cash		462,141		163,064
Cash, beginning of period		785,926		622,862
Cash, end of period	$	1,248,067	$	785,926
Cash consists of:				
Cash	$	1,080,229	$	643,865
Cash - capital projects		167,838		142,061
	$	1,248,067	$	785,926

1. Purpose of the Organization:

Manitoba Islamic Association provides religious, social, cultural, and educational activities for Muslims in Manitoba. The Manitoba Islamic Association is incorporated under the Manitoba Corporations Act and is a Registered Charity.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Critical accounting estimates-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Revenue recognition-

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental income is recognized on a time proportion basis in accordance with the rental agreement.

c) Contributed materials and services-

Contributed materials are not recognized in the financial statements. Volunteers contribute an indeterminate number of hours supporting the various fundraising activities and operating programs of the Association. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

2. **Significant accounting policies** (continued):

d) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution plus all costs directly attributable to the acquisition. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

The buildings are being amortized on a straight line basis over 40 years. Building improvements are being amortized on a straight line basis over 10 years. Equipment is being amortized on a straight line basis over 5 years. Computer software is being amortized on a straight line basis over 3 years.

e) Financial instruments-

Financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

Financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. The Association measures all financial instruments at amortized cost.

The Association assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

3. **Capital assets:**

	June 30			
	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 1,020,000	$ -	$ 1,020,000	$ -
Building	4,532,791	1,236,731	4,532,791	1,155,116
Building improvements	1,115,031	315,128	1,046,791	228,756
Equipment	287,982	312,415	287,982	269,217
Computer software	17,163	13,398	17,163	9,108
	$ 6,972,967	$ 1,877,672	$ 6,904,727	$ 1,662,197
Net book value	$ 5,095,295		$ 5,242,530	

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

4. Deferred contributions:

Deferred contributions represents contributions received during the year restricted for the following fiscal year.

	June 30 2021	June 30 2020
Balance, beginning of year	$ 58,000	$ -
Amount recognized as revenue in the year	(58,000)	-
Amount received related to the following year	8,500	58,000
Balance, end of year	$ 8,500	$ 58,000

5. Canada Emergency Business Account:

	Year ended June 30 2021	9 months ended June 30 2020
Canada Emergency Business Account loan payable, interest free until December 31, 2022. From January 1, 2023 to December 31, 2025 loan will bear interest at 5%. If at least $30,000 is repaid by December 31, 2022 the remaining 25% will be forgiven. Loan matures December 31, 2025.	$ 40,000	$ -
Forgivable portion of the loan	(10,000)	-
	$ 30,000	$ -

6. Deferred contributions related to capital assets:

	Year ended June 30 2021	9 months ended June 30 2020
Deferred contributions related to capital assets, beginning of year	$ 3,577,406	$ 3,726,008
Amortization of deferred contributions related to capital assets	(148,602)	(148,602)
Deferred contributions related to capital assets, end of year	$ 3,428,804	$ 3,577,406

7. Government assistance:

The forgivable portion of the Canada Emergency Business Account received during the year ended June 30, 2021 is included in donations, fund-raising and other revenue.

The Association applied for the Temporary Wage Subsidy relating to salaries paid during the period ended June 30, 2020. Wages and employee benefits expenses for the period ended June 30, 2020 have been reduced by $4,192 related to the Temporary Wage Subsidy.

8. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Association's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its operations, the Association is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Association has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Association, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them are as follows:

Liquidity risk-
Liquidity risk is the risk that the Association cannot meet its financial obligations associated with financial liabilities in full. The Association's main sources of liquidity are its operations and external contributions. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Association's financial obligations associated with financial liabilities.

Credit risk-
Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Association has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Association also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. No allowance for doubtful accounts has been recorded.

9. COVID-19:

The outbreak of COVID-19, has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Subsequent to June 30, 2021 government has continued to react with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Association in future periods.