

**ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)**

**Financial Statements**

**Year Ended December 31, 2018**

**ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)**

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**Year Ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Islamic Society of North America Canada (ISNA - Canada)

### *Opinion*

We have audited the financial statements of Islamic Society of North America Canada (ISNA - Canada) (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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 Opinion*

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 Organization 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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*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 Organization'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 Organization'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 Organization 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.



ROSENTHAL PERVEZ & NOOR LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Oakville, Ontario  
March 21, 2019

ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Statement of Financial Position

December 31, 2018

	Total 2018	Total 2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash in bank	\$ 2,164,852	\$ 1,012,988
Grave inventory	1,615,749	1,908,764
Harmonized sales tax receivable	83,566	174,323
	<u>3,864,167</u>	<u>3,096,075</u>
PROPERTY AND EQUIPMENT <i>(Net) (Note 4)</i>	<u>11,388,837</u>	<u>10,953,728</u>
	<u>\$ 15,253,004</u>	<u>\$ 14,049,803</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities <i>(Note 5)</i>	\$ 469,403	\$ 29,275
Property loan payable - current portion <i>(Note 6)</i>	400,000	400,000
	<u>869,403</u>	<u>429,275</u>
PROPERTY LOAN PAYABLE <i>(Note 6)</i>	<u>2,957,000</u>	<u>3,357,000</u>
	<u>3,826,403</u>	<u>3,786,275</u>
<b>NET ASSETS</b>		
General Fund	3,819,132	3,066,799
Capital Fund	7,607,469	7,196,729
	<u>11,426,601</u>	<u>10,263,528</u>
	<u>\$ 15,253,004</u>	<u>\$ 14,049,803</u>

APPROVED BY SOLE DIRECTOR

K. Bullock

Director

**ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)**

**Statement of Revenues and Expenditures**

**Year Ended December 31, 2018**

	General Fund 2018	Capital Fund 2018	Total 2018	Total 2017
<b>REVENUES</b>				
General donations	\$ 2,825,715	\$ -	\$ 2,825,715	\$ 2,601,690
Programs and services	884,050	-	884,050	680,521
Rental income	386,880	-	386,880	391,899
Government grant	28,017	-	28,017	-
Convention income	1,550	-	1,550	53,957
Other revenue <i>(Note 7)</i>	-	-	-	436,800
Inkind transfer of Jami Mosque property <i>(Note 8)</i>	-	410,740	410,740	-
Inkind transfer of Yellowknife property <i>(Note 8)</i>	-	-	-	468,000
	<u>4,126,212</u>	<u>410,740</u>	<u>4,536,952</u>	<u>4,632,867</u>
<b>EXPENDITURES</b>				
Salaries and wages	1,093,986	-	1,093,986	747,464
Program and services	1,000,597	-	1,000,597	769,631
Charitable fund distributions <i>(Note 5)</i>	594,880	-	594,880	116,433
Office and general	408,125	-	408,125	454,770
Utilities	92,611	-	92,611	86,565
Repairs and maintenance	71,105	-	71,105	85,296
Professional fees	64,965	-	64,965	53,994
Insurance and property taxes	24,446	-	24,446	24,022
Stakeholder Communications	19,109	-	19,109	18,780
ISNA annual convention	4,055	-	4,055	84,368
	<u>3,373,879</u>	<u>-</u>	<u>3,373,879</u>	<u>2,441,323</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 752,333</b>	<b>\$ 410,740</b>	<b>\$ 1,163,073</b>	<b>\$ 2,191,544</b>

See notes to financial statements

**ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)**

**Statement of Changes in Net Assets**

**Year Ended December 31, 2018**

	General Fund	Capital Fund	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 3,066,799	\$ 7,196,729	\$ 10,263,528	\$ 8,071,984
Excess of revenues over expenditures	752,333	410,740	1,163,073	2,191,544
<b>NET ASSETS - END OF YEAR</b>	\$ 3,819,132	\$ 7,607,469	\$ 11,426,601	\$ 10,263,528

See notes to financial statements

**ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)**

**Statement of Cash Flows**

**Year Ended December 31, 2018**

	<b>Total 2018</b>	<b>Total 2017</b>
<b>OPERATING ACTIVITIES</b>		
Excess of Revenues Over Expenditures	\$ 1,163,073	\$ 2,191,544
Item not affecting cash:		
Inkind transfer of Jami Mosque property <i>(Note 8)</i>	<u>(410,740)</u>	<u>(468,000)</u>
	<u>752,333</u>	<u>1,723,544</u>
Changes in non-cash working capital:		
Rent receivable - ISNA School Board	-	350,000
Grave inventory	293,015	(689,397)
Accounts payable and accrued liabilities	440,128	14,586
Harmonized sales tax receivable	90,757	(46,457)
Grave deposits	-	(23,150)
	<u>823,900</u>	<u>(394,418)</u>
Cash flow from operating activities	<u>1,576,233</u>	<u>1,329,126</u>
<b>INVESTING ACTIVITIES</b>		
Investments in Interest Free Housing Co-operative	-	27,800
Purchase of property and equipment	<u>(24,369)</u>	<u>(300,000)</u>
Cash flow used by investing activities	<u>(24,369)</u>	<u>(272,200)</u>
<b>FINANCING ACTIVITY</b>		
Repayment of loan	<u>(400,000)</u>	<u>(2,200,000)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>1,151,864</b>	<b>(1,143,074)</b>
Cash - beginning of year	<u>1,012,988</u>	<u>2,156,062</u>
<b>CASH - END OF YEAR</b>	<b>\$ 2,164,852</b>	<b>\$ 1,012,988</b>

See notes to financial statements



# ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

## Notes to Financial Statements Year Ended December 31, 2018

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### 1. DESCRIPTION OF BUSINESS

Islamic Society of North America Canada (ISNA - Canada) (the "organization" or ISNA - Canada) is a not-for-profit organization incorporated on September 26, 1983 under the Corporations Act of Ontario. The organization is a registered charity under the Income Tax Act and its income is exempt from income tax.

The organization's principal purpose is to build Islamic Centres, Mosque and Islamic Schools, hold Annual Conventions/Conferences, Seminars and Workshops propagating Islam for better understanding between Muslims & Non-Muslims in Canada and also providing community social assistance to relieve poverty.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. These financial statements are prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities in the normal course of operations.

#### Inventory

Inventory consists of graves purchased from cemeteries and is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

#### Property, plant and equipment -

Property, plant and equipment - are stated at net book value. It is the policy of the Management not to depreciate the organization's capital assets. Since depreciation is a non-cash expense and has no impact on the cash flow and income tax being a charity, the organization decided not to include the depreciation expense in the income statement.

#### Impairment of Long Lived Assets

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

#### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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# ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

## Notes to Financial Statements Year Ended December 31, 2018

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. The significant areas requiring management's judgment related to the estimated useful lives of the property and equipment, estimates of fair value for donation-in-kind, estimated net realizable value of other assets and the recording of accrued liabilities. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

#### Revenue recognition

Islamic Society of North America Canada (ISNA - Canada) follows the restricted fund 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. Endowment contributions are recognized as direct increases in net assets.

Revenue from general donations is recognized when received. Charitable donation receipts are provided when cash is received.

Revenue from all other sources is recognized when significant risks and rewards of ownership have been transferred and there are no significant obligations remaining, the sales price is fixed and determinable, persuasive evidence of an arrangement exists and collectibility is reasonably assured.

There is no revenue recognized in relation to voluntary services due to the difficulty in valuation

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### 3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of December 31, 2018.

#### ***(a) Credit risk***

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from tenants for its commercial activities. In order to reduce its credit risk, the organization reviews a new tenant's credit history before extending credit and conducts regular reviews of its existing tenants' credit performance.

#### ***(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 receipt of funds from its donors, customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

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ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)

Notes to Financial Statements  
Year Ended December 31, 2018

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3. FINANCIAL INSTRUMENTS *(continued)*

*(c) Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

*(d) Currency risk*

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates.

*(e) Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The organization does not deal with interest and thus does not have any interest rate risk exposure.

*(f) Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments.

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4. PROPERTY, PLANT AND EQUIPMENT -

	2018	2017
Land	\$ 1,752,544	\$ 1,700,000
Buildings	9,561,982	9,203,786
Furniture and fixtures	49,942	49,942
Motor vehicles	24,369	-
	<u>\$ 11,388,837</u>	<u>\$ 10,953,728</u>

Please note that all assets are presented at their net book value.

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**ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

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5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In November 2011, the Canada Revenue Agency (CRA) conducted an audit of the books and records of the organization for the period from January 1, 2007 to December 31, 2009. As a result of the audit, the organization appointed a new management team who took immediate steps providing a detailed response and steps that would be taken to rectify the deficiencies outlined in the proposal.

In September 2018, the Canada Revenue Agency (CRA) reached its decision with regards to the audit for the period from January 1, 2007 to December 31, 2009. The CRA acknowledged significant improvement and that there were controls put in place by the management and decided not to impact the current operations by revoking the charitable status of the organization, instead the decision was as follows: the CRA determined sufficient grounds for the suspension of the Society's charitable registration status for the period from September 12, 2018 to September 11, 2019, and a penalty fee totalling \$548,872. The implications of the suspension of the charitable status are as follows: during the said period ISNA - Canada cannot issue any charitable donation receipts to any donors.

Per the terms of the CRA the penalty of \$548,872 may be paid to an eligible donee - a registered charity - or to the CRA. ISNA - Canada has decided to pay the penalty to a registered charity. In 2018 a \$100,000 payment of the penalty was made to a qualified donee.

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6. LOAN PAYABLE

Islamic Co-operative Housing Corporation Ltd. (ICHC) and ISNA - Canada jointly acquired and renovated the land and building situated at 2200 South Sheridan Way, Mississauga, L5J 2M4. As of May 2015, the total amount of \$7,157,000 was advanced by ICHC toward the purchase and construction of the property. Advances from ICHC are non-interest bearing. ISNA - Canada is required to repay ICHC quarterly installments of \$100,000 on March 1, June 1, September 1 and December 1 of each year until such time as the amount of \$7,157,000 is fully paid. ISNA - Canada agrees, where capable, to make more frequent payments or payments of larger amounts than the agreed quarterly installment, to reduce the length of payment of the indebtedness. In 2017, the organization paid an extra \$1,800,000 towards the repayment of this loan.

	<u>2018</u>	<u>2017</u>
Due to ICHC - current	\$ 400,000	\$ 400,000
Due to ICHC - long term	<u>2,957,000</u>	<u>3,357,000</u>
	<u>\$ 3,357,000</u>	<u>\$ 3,757,000</u>

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7. OTHER REVENUE

Other revenue includes investments that were made in ICHC which were previously unrecorded in ISNA - Canada's records. These investments totaled \$ 436,800. These investments were redeemed in the 2017 fiscal year.

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**ISLAMIC SOCIETY OF NORTH AMERICA CANADA (ISNA - CANADA)**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

8. INKIND TRANSFER OF JAMI MOSQUE AND YELLOWKNIFE PROPERTY

In 2017, a property was purchased by Canadian Islamic Trust Foundation (CITF) in Yellowknife for \$568,000, with a balance owing of \$100,000. This was transferred at cost to ISNA - Canada. ISNA - Canada also paid the remaining \$100,000 balance on the property during the 2017 fiscal year. As a result, the inkind transfer on the statement of revenues and expenditures has been recorded only at \$468,000 (\$568,000-\$100,000).

In 2017 Jami Mosque became an ISNA - Canada property, at the time the title for the property was under CITF, where it was recorded at the purchase price of \$410,740. This property was transferred at cost to ISNA - Canada in the 2018 fiscal year.

9. ADOPTION OF THE RESTRICTED FUND METHOD

As of December 30, 2017, the board accepted management's proposal to designate a portion of net assets to the capital fund. Accordingly, \$4,228,729 of the net assets balance was allocated to the capital asset fund as noted below. Further, the board approved an interfund transfer of \$2,500,000 to the capital fund in order to reduce the property loan during the year and fund the acquisition of capital assets.

	2017	2016
<u>Calculation of Capital Asset Fund Balance</u>		
Total Capital Assets	\$ 10,953,729	\$ 10,185,729
Less: loan on building	(3,757,000)	(5,957,000)
	-	-
Ending capital asset fund balance	7,196,729	4,228,729
Ending general fund balance	3,066,799	3,843,255
Ending total net assets	\$ 10,263,528	\$ 8,071,984

10. CONTINGENCIES

The accompanying financial statements have been prepared on the going concern assumption that the Organization will be able to realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned, as described above, will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these financial statements.

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.