

**ISLAMIC SOCIETY OF NORTH AMERICA - CANADA**

**Financial Statements**

**Year Ended December 31, 2017**

**ISLAMIC SOCIETY OF NORTH AMERICA - CANADA**  
**Index to Financial Statements**  
**Year Ended December 31, 2017**

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**Syed K. Pervez**  
B.Comm., CPA, CA, LPA

**S. Bano Noor**  
B.Comm., CPA, CA, LPA  
CPA (Colorado), CMA (us), CFP

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Islamic Society of North America - Canada

We have audited the accompanying financial statements of Islamic Society of North America - Canada (ISNA), which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

In common with many charitable organizations, ISNA derives a portion of its revenues from cash donations, the completion of which are not susceptible to complete audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in ISNA records and we were not able to determine whether any adjustment might be necessary to this revenue, excess of revenue (deficiency) over expenses, current assets and net assets.

ISNA does not amortize its assets which is a departure from Canadian accounting standards for not-for profit organizations.

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Independent Auditor's Report to the Members of Islamic Society of North America - Canada *(continued)*

Qualified Opinion

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Islamic Society of North America - Canada as at December 31, 2017 and result of its operations and fund balances and cash flows then ended in accordance with Canadian accounting standards for Not-for-Profit organizations.

Other Matter

The title of the property occupied by the organization is held by the Canadian Islamic Trust Foundation (CITF). CITF is the trustee and holds the property in trust for the Islamic Co-operative Housing Corporation Ltd. and the organization. Steps have been taken to register the property to the organization and this process is expected to be completed in 2018 as further outlined in note 14.

A handwritten signature in black ink that reads "Rosenthal Pervez & Noor LLP". The signature is written in a cursive, flowing style.

ROSENTHAL PERVEZ & NOOR LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Oakville , Ontario  
May 16, 2018

**ISLAMIC SOCIETY OF NORTH AMERICA - CANADA**  
**Statement of Financial Position**  
**December 31, 2017**

	<b>Total 2017</b>	<b>Total 2016</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash in bank	\$ 1,012,988	\$ 2,156,062
Investments in IFHC	-	27,800
Rent receivable - ISNA School Board (Notes 4, 11)	-	350,000
Harmonized sales tax receivable	<u>174,323</u>	<u>127,866</u>
	<b>1,187,311</b>	<b>2,661,728</b>
<b>GRAVE INVENTORY</b>	<b>1,908,764</b>	<b>1,219,367</b>
<b>PROPERTY AND EQUIPMENT (Note 5)</b>	<b><u>10,953,728</u></b>	<b><u>10,185,728</u></b>
	<b>\$ 14,049,803</b>	<b>\$ 14,066,823</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 29,275	\$ 14,689
Grave deposits	-	23,150
Property loan payable - current portion (Note 7)	<u>400,000</u>	<u>400,000</u>
	<b>429,275</b>	<b>437,839</b>
<b>PROPERTY LOAN PAYABLE (Note 7)</b>	<b><u>3,357,000</u></b>	<b><u>5,557,000</u></b>
	<b><u>3,786,275</u></b>	<b><u>5,994,839</u></b>
<b>NET ASSETS</b>		
General Fund	<b>3,066,799</b>	<b>3,843,255</b>
Capital Fund	<u>7,196,729</u>	<u>4,228,729</u>
	<b><u>10,263,528</u></b>	<b><u>8,071,984</u></b>
	<b>\$ 14,049,803</b>	<b>\$ 14,066,823</b>

**ON BEHALF OF THE BOARD**

 \_\_\_\_\_ Director

The accompanying summary of significant accounting policies and notes are an integral part of these statements

**ISLAMIC SOCIETY OF NORTH AMERICA - CANADA**

**Statement of Revenues and Expenditures**

**Year Ended December 31, 2017**

	General Fund 2017	Capital Fund 2017	Total 2017	Total 2016
<b>REVENUES</b>				
General donations	\$ 2,673,240	\$ -	\$ 2,673,240	\$ 2,125,285
Rental income <i>(Note 11)</i>	391,899	-	391,899	370,523
Convention income	53,957	-	53,957	52,378
Other revenues <i>(Note 8)</i>	1,045,771	-	1,045,771	500,288
Inkind transfer of Yellowknife property <i>(Note 9)</i>	-	468,000	468,000	-
	<u>4,164,867</u>	<u>468,000</u>	<u>4,632,867</u>	<u>3,048,474</u>
<b>EXPENDITURES</b>				
Program and services	886,064	-	886,064	817,991
Salaries and wages	747,464	-	747,464	695,111
Office and general	440,298	-	440,298	404,951
Utilities	86,565	-	86,565	84,204
Repairs and maintenance	85,296	-	85,296	76,276
ISNA annual convention	84,368	-	84,368	91,275
Professional fees	53,994	-	53,994	58,739
Travel	21,087	-	21,087	21,892
Insurance	13,342	-	13,342	14,350
Telephone and communication	12,165	-	12,165	13,487
Property taxes	10,680	-	10,680	10,109
	<u>2,441,323</u>	<u>-</u>	<u>2,441,323</u>	<u>2,288,385</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 1,723,544</b>	<b>\$ 468,000</b>	<b>\$ 2,191,544</b>	<b>\$ 760,089</b>

The accompanying summary of significant accounting policies and notes are an integral part of these statements

**ISLAMIC SOCIETY OF NORTH AMERICA - CANADA**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2017**

	General Fund	Capital Fund	2017	2016
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 3,843,255	\$ 4,228,729	\$ 8,071,984	\$ 7,368,457
Excess of revenues over expenditures	1,723,544	468,000	<b>2,191,544</b>	760,089
Interfund transfers <i>(Note 10)</i>	(2,500,000)	2,500,000	-	-
Prior period adjustments <i>(Note 11)</i>	-	-	-	(56,562)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,066,799</b>	<b>\$ 7,196,729</b>	<b>\$ 10,263,528</b>	<b>\$ 8,071,984</b>

The accompanying summary of significant accounting policies and notes are an integral part of these statements

**ISLAMIC SOCIETY OF NORTH AMERICA - CANADA****Statement of Cash Flows****Year Ended December 31, 2017**

	<b>Total 2017</b>	<b>Total 2016</b>
<b>OPERATING ACTIVITIES</b>		
Excess Of Revenues Over Expenditures	\$ 2,191,544	\$ 760,089
Items not affecting cash:		
Prior period adjustments <i>(Note 11)</i>	-	(56,562)
Inkind transfer of Yellowknife property <i>(Note 9)</i>	<u>(468,000)</u>	<u>-</u>
	<u>1,723,544</u>	<u>703,527</u>
Changes in non-cash working capital:		
Rent receivable - ISNA School Board	350,000	746,780
Accounts payable and accrued liabilities	14,586	(23,478)
Harmonized sales tax receivable	(46,457)	(64,355)
Grave deposits	<u>(23,150)</u>	<u>(59,027)</u>
	<u>294,979</u>	<u>599,920</u>
Cash flow from operating activities	<u>2,018,523</u>	<u>1,303,447</u>
<b>INVESTING ACTIVITIES</b>		
Investments in IFHC	27,800	102,500
Purchase of grave inventory	(689,397)	(325,168)
Purchase of property and equipment	<u>(300,000)</u>	<u>(32,000)</u>
Cash flow used by investing activities	<u>(961,597)</u>	<u>(254,668)</u>
<b>FINANCING ACTIVITY</b>		
Repayment of loan	<u>(2,200,000)</u>	<u>(1,200,000)</u>
<b>DECREASE IN CASH FLOW</b>	<b>(1,143,074)</b>	<b>(151,221)</b>
Cash - beginning of year	<u>2,156,062</u>	<u>2,307,283</u>
<b>CASH - END OF YEAR</b>	<b>\$ 1,012,988</b>	<b>\$ 2,156,062</b>

The accompanying summary of significant accounting policies and notes are an integral part of these statements



# ISLAMIC SOCIETY OF NORTH AMERICA - CANADA

## Notes to Financial Statements

Year Ended December 31, 2017

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### 1. DESCRIPTION OF BUSINESS

Islamic Society of North America - Canada (the "organization" or ISNA) 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 cost or deemed cost less accumulated amortization. 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 company 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

### Notes to Financial Statements

Year Ended December 31, 2017

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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 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 company's risk exposure and concentration as of December 31, 2017.

##### *(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**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

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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 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. The company is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

*(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 company 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.

Unless otherwise noted, it is management's opinion that the company is not exposed to significant other price risks arising from these financial instruments.

4. DUE FROM ISNA SCHOOL BOARD

The organization had a rent receivable from the ISNA School Board (ISB) in the amount of \$350,000 as of December 31, 2016. In 2017, ISNA and ISB had settled a rental agreement that ISB paid \$175,000 as rent payment per year for 2015, 2016 and 2017 period. ISB had paid the total rent owing for 2015 - 2017 period in 2017 (total of \$525,000).

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 1,700,000	\$ -	\$ 1,700,000	\$ 1,700,000
Buildings	9,203,786	-	9,203,786	8,435,786
Furniture and fixtures	145,305	95,363	49,942	49,942
	<u>\$ 11,049,091</u>	<u>\$ 95,363</u>	<u>\$ 10,953,728</u>	<u>\$ 10,185,728</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

All amounts included in this account are in the regular course of operations

**ISLAMIC SOCIETY OF NORTH AMERICA - CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2017**

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7. LOAN PAYABLE

Islamic Co-operative Housing Corporation Ltd. (ICHC) and ISNA 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 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 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>2017</u>	<u>2016</u>
Due to ICHC - current	\$ 400,000	\$ 400,000
Due to ICHC - long term	<u>3,357,000</u>	<u>5,557,000</u>
	<u>\$ 3,757,000</u>	<u>\$ 5,957,000</u>

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8. OTHER REVENUE

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

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9. INKIND TRANSFER OF YELLOWKNIFE PROPERTY

A property was purchased by CITF in Yellowknife for \$568,000, with a balance owing of 100,000. This was transferred at cost to ISNA. ISNA also paid the remaining 100,000 balance on the property during the 2017 fiscal year.

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10. INTERFUND TRANSFERS

These funds were transferred from the general fund to the capital fund to pay the remaining balance due to complete the full acquisition of the Yellowknife property

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11. PRIOR PERIOD ADJUSTMENTS

1) A final agreement was reached with tenants regarding the collection of rent from prior years. As a result, a previously accrued rent receivable was reduced by 113,125.24 to be 350,000 (originally 463,125.24). This resulted in a downward adjustment in rent revenue in 2016 and a prior period adjustment in 2016 for the rent portion related to 2015.

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**ISLAMIC SOCIETY OF NORTH AMERICA - CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2017**

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12. 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 a 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.

	<u>2017</u>	<u>2016</u>
<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)
	<u>-</u>	<u>-</u>
Ending capital asset fund balance	7,196,729	4,228,729
Ending general fund balance	<u>3,066,799</u>	<u>3,843,255</u>
Ending total net assets	<u>\$ 10,263,528</u>	<u>\$ 8,071,984</u>

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13. CONTINGENCIES

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

In November 2011, Canada Revenue Agency (CRA) conducted 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 subsequent years, ISNA has been subject to routine audits regarding harmonized sales tax returns and its issuance of donation receipts. CRA has not found any deficiencies and has accepted the filed returns and receipts issued.)

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.

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14. SUBSEQUENT EVENT

The title of the property which is occupied by the organization was transferred as of March 31st 2018 from CITF to ISNA.

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15. COMPARATIVE FIGURES

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

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