



Grant Thornton

Financial Statements

Islamic Circle of North America (Canada)

December 31, 2018

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Independent Auditor's Report

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To the Directors of
Islamic Circle of North America (Canada)

Qualified opinion

We have audited the financial statements of Islamic Circle of North America (Canada) (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and 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* paragraph, 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 ("ASNPO").

Basis for qualified opinion

In common with many charitable organizations, the Organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the year ended December 31, 2018, assets at December 31, 2018, and fund balances as at December 31, 2018.

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

Emphasis of matter – Restated comparative information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information for the year ended December 31, 2017 has been restated. The financial statements for the year ended December 31, 2017, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed a qualified opinion on those financial statements on October 29, 2018. Our opinion is not modified in respect of the restatement.

As part of our audit of the financial statements for the year ended December 31, 2018, we also audited the adjustments applied to restate certain comparative information presented for the year ended December 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year

ended December 31, 2017. Accordingly, we do not express an opinion or any form of assurance on the financial statements for the year ended December 31, 2017 taken as a whole.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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 related to a 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.

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.

Grant Thornton LLP

Toronto, Canada
May 22, 2020

Chartered Professional Accountants
Licensed Public Accountants

Islamic Circle of North America (Canada)

Statement of Financial Position

As at December 31

2018

2017

Assets

Current

Cash (Notes 3 and 4)	\$ 9,730,624	\$ 9,811,274
Accounts receivable and advances	225,497	178,555
HST receivable (Note 3)	381,453	197,739
Investment (Note 5)	6,812	130,923
Inventory	220,450	200,500
Prepays	<u>197,500</u>	<u>-</u>

	10,762,336	10,518,991
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Capital assets (Notes 3 and 6)

	<u>7,440,827</u>	<u>6,768,355</u>
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	<u>\$ 18,203,163</u>	<u>\$ 17,287,346</u>
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Liabilities

Current

Accounts payable and accrued liabilities (Note 3)	\$ 758,786	\$ 366,573
Deferred contributions and tuition fee revenue (Note 7)	4,181,639	4,708,316
Current portion of loans payable (Note 8)	<u>557,848</u>	<u>259,016</u>

	5,498,273	5,333,905
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Loans payable (Note 8)

	<u>1,933,745</u>	<u>2,434,453</u>
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	<u>7,432,018</u>	<u>7,768,358</u>
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Fund Balances

Unrestricted (Note 3)	1,956,016	1,765,084
Invested in capital assets (Note 3)	7,440,827	6,768,355
Internally restricted reserve fund (Note 3)	<u>1,374,302</u>	<u>985,549</u>

	<u>10,771,145</u>	<u>9,518,988</u>
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	<u>\$ 18,203,163</u>	<u>\$ 17,287,346</u>
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On behalf of the Board of Directors

_____ Director

_____ Director

See accompanying notes to the financial statements.

Islamic Circle of North America (Canada)

Statement of Operations

For the year ended December 31

2018

2017

Revenue

Contributions (Note 3)	\$ 11,475,399	\$10,131,795
Donations in-kind	1,628,820	1,443,343
Tuition and other fees	1,378,913	1,409,348
Bookstore sales	173,448	113,544
Other income	7,170	32,258
Rental income	4,950	39,150

	<u>14,668,700</u>	<u>13,169,438</u>
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Expenses

Charitable activities	8,862,804	7,029,913
Management and administration (Note 3)	1,429,885	1,258,582
Program	1,272,929	880,792
School	999,025	981,227
Fundraising	476,854	458,703
Amortization (Note 3)	317,755	251,991
Bookstore	57,291	27,322

	<u>13,416,543</u>	<u>10,888,530</u>
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Excess of revenue over expenses before other item	1,252,157	2,280,908
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Gain on disposal of Milton property	<u>-</u>	<u>259,361</u>
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Excess of revenue over expenses	<u>\$ 1,252,157</u>	<u>\$ 2,540,269</u>
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See accompanying notes to the financial statements.

Islamic Circle of North America (Canada) Statement of Changes in Fund Balances

Year ended December 31, 2018

	2018			2017	
	Unrestricted	Invested in capital assets	Internally restricted reserve fund	Total	Total
Balance, beginning of year, as previously reported	\$ -	\$ -	\$ -	\$ -	\$ 7,885,149
Prior period errors (Note 3)	-	-	-	-	(906,430)
Balance, beginning of year, as restated	1,765,084	6,768,355	985,549	9,518,988	6,978,719
Excess of revenue over expenses	1,569,912	(317,755)	-	1,252,157	2,540,269
Transfer to internally restricted reserve	(388,753)	-	388,753	-	-
Purchase of capital assets	(990,227)	990,227	-	-	-
Balance, end of year	<u>\$ 1,956,016</u>	<u>\$ 7,440,827</u>	<u>\$ 1,374,302</u>	<u>\$10,771,145</u>	<u>\$ 9,518,988</u>

See accompanying notes to the financial statements.

Islamic Circle of North America (Canada) Statement of Cash Flows

Year ended December 31	2018	2017
Cash flows provided by (used in)		
Operating activities		
Excess of revenue over expenses (Note 3)	\$ 1,252,157	\$ 2,540,269
Items not affecting cash		
Amortization (Note 3)	<u>317,755</u>	<u>251,991</u>
	1,569,912	2,792,260
Change in non-cash working capital balances		
Accounts receivable and advances	(46,942)	(116,044)
HST receivable (Note 3)	(183,714)	(93,098)
Inventory	(19,950)	(30,625)
Prepays	(197,500)	-
Accounts payable and accrued liabilities	392,213	62,284
Deferred contributions	(533,696)	(72,950)
Deferred tuition fee revenue	<u>7,019</u>	<u>(11,648)</u>
	987,342	2,530,179
Investing activities		
Disposal (purchase) of investment, net	124,111	(71,066)
Purchase of capital assets	(990,227)	-
Disposal of capital assets	<u>-</u>	<u>38,706</u>
	(866,116)	(32,360)
Financing activities		
Repayment of loans payable	(201,876)	(521,487)
(Decrease) increase in cash	(80,650)	1,976,332
Cash, beginning of year (Note 3)	<u>9,811,274</u>	<u>7,834,942</u>
Cash, end of year (Note 3)	\$ 9,730,624	\$ 9,811,274

See accompanying notes to the financial statements.

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2018

1. Purpose of the organization

Islamic Circle of North America (Canada) (ICNA) is an organization dedicated to support the Islamic community by providing emergency relief and funding development project throughout the world, managing schools, places of worship, book stores and food banks, through which various programs are offered, providing counselling and support to those in need, and organizing local conferences and seminars to facilitate understanding and awareness of Islam and its message of peace and harmony.

ICNA is incorporated under the Canada Not-For-Profit Corporations Act as a not-for-profit organization, without share capital and is a registered charity within the meaning of the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and incorporate the following significant accounting policies.

Fund accounting

ICNA accounts are maintained in accordance with the principles of fund accounting. The unrestricted fund accounts relates to ICNA's core operations.

The investment in capital assets fund reports the assets, liabilities, revenue and expenses related to ICNA's capital assets.

The internally restricted reserve fund was created by the Board of Directors for the purpose of providing an internal source of funds in the case ICNA experiences temporary cash flow disruptions in the future due to unforeseen events. ICNA's policy is to contribute to the fund 5% of the externally restricted contributions it receives.

Transfers between funds are made when resources of one fund have been authorized by the Board of Directors to finance activities and acquisitions in another fund.

Revenue recognition

ICNA accounts for externally restricted contributions under the deferral method as follows. Unrestricted contributions are recorded as revenue when received. Externally restricted contributions are initially recorded as deferred contributions on the statement of financial position, and recognized in revenue in the year in which the related expense is incurred.

Donations-in-kind are recorded at fair market value at the date of contribution.

Tuition fees are recorded as revenue when the programs and courses are held. Tuition fees received prior to the related course are recorded as deferred tuition fees.

Sales and rental income are recorded as revenue when the good or service is provided.

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2018

2. Summary of significant accounting policies (continued)

Contributed services

Volunteers contribute time to assist ICNA in carrying out its activities. Because of the difficulty in determining their fair value, the value of contributed services is not recognized in the financial statements.

Financial instruments

ICNA considers any contract creating a financial asset, liability or equity instrument as a financial instrument. ICNA's financial instruments are comprised of cash, cash held for restricted purposes, accounts receivable and advances, HST receivable, investment, accounts payable, and loans payable.

ICNA initially measures its financial assets and financial liabilities at fair value. ICNA subsequently measures all its financial assets and financial liabilities at amortized cost, except for investment which is measured at fair value.

Cash held for restricted purposes relates to deferred contributions that will be disbursed in the near future when the related expenses are incurred or funds that have been internally restricted within the internally restricted reserve fund.

Inventory

The cost of inventory comprise the purchase price and other costs directly attributable to its acquisition. Inventory, consisting primarily of finished goods, are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price, in the ordinary course of business, less the estimated costs necessary to make the sale.

Inventories are adjusted to net realizable value when their cost is not estimated to be recoverable. The amount of any write-down of inventories to net realizable value and all losses are recognized as an expense in the period the write-down occurs.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization based on the estimated useful lives of the assets is calculated as follows:

Building	4%	declining balance basis
Furniture and equipment	20%	declining balance basis
Computers	45%	declining balance basis
Leasehold improvements	20%	declining balance basis

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess (deficiency) of revenue over expenditures as appropriate in the fiscal year they become known.

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2018

3. Prior period errors

During the year, ICNA identified the following:

- (a) it was not appropriately amortizing some of its capital assets;
- (b) it was mistakenly accounting for its contributions to the internally restricted reserve fund (formerly titled endowment reserve fund) twice in the statement of changes in fund balances and within assets; and
- (c) it had inappropriately deferred unrestricted revenue within accounts payable and accrued liabilities.
- (d) it had not included the assets, liabilities, revenue and expenses of 15 of its chapters within its financial statements.

ICNA has retrospectively restated its comparative figures to now appropriately amortize all of its capital assets, account for its contributions in the internally restricted reserve fund, defer externally restricted contributions and include all of its chapters' operations in accordance with ASNPO.

The impact on prior year's financial statements is as follows:

	Previously Reported	Adjustment (a)	Adjustment (b)	Adjustment (c)	Adjustment (d)	Restated
<i>Statement of Financial Position</i>						
Cash	\$ 9,462,203	\$ -	\$ -	\$ -	\$ 349,071	\$ 9,811,274
HST receivable	158,739	-	-	-	39,000	197,739
Capital assets	7,971,557	(1,203,202)	-	-	-	6,768,355
Accounts payable and accrued liabilities	718,699	-	-	(352,126)	-	366,573
Endowment reserve asset	985,549	-	(985,549)	-	-	-
Unrestricted	2,010,436	-	(985,549)	352,126	388,071	1,765,084
Invested in capital assets	7,971,557	(1,203,202)	-	-	-	6,768,355
<i>Statement of Operations</i>						
Contributions	9,824,717	-	-	-	307,078	10,131,795
Management and administration	1,013,918	-	-	-	244,664	1,258,582
Amortization	52,901	199,090	-	-	-	251,991
Excess of revenue over expenses	2,676,945	(199,090)	-	-	62,414	2,540,269
<i>Statement of Changes in Fund Balances</i>						
Balance, beginning of year (2017)	7,885,149	(1,004,112)	(580,101)	352,126	325,657	6,978,719
Endowment contributions	405,448	-	(405,448)	-	-	-
Balance, end of year (2017)	10,967,542	(1,203,202)	(985,549)	352,126	388,071	9,518,988
<i>Statement of Cash Flows</i>						
Excess of revenue over expenses	2,676,945	(199,090)	-	-	62,414	2,540,269
Amortization	52,901	199,090	-	-	-	251,991
HST receivable	(54,098)	-	-	-	(39,000)	(93,098)
Endowment reserve contributions	405,448	-	(405,448)	-	-	-
Cash, beginning of the year	7,509,285	-	-	-	325,657	7,834,942
Cash, end of the year	9,462,203	-	-	-	349,071	9,811,274

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2018

4. Cash

Cash includes cash available for general operations and cash held for restricted purposes

	<u>2019</u>	<u>2018</u>
Cash	\$ 4,277,158	\$ 4,212,865
Cash held for deferred contributions	4,079,164	4,612,860
Cash held for internally restricted reserve fund	<u>1,374,302</u>	<u>985,549</u>
	<u>\$ 9,730,624</u>	<u>\$ 9,811,274</u>

5. Investments

ICNA has invested \$6,812 (2017 - \$130,923) as equity securities with Noor Coop Adduha building investments.

6. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net Book Value</u>	<u>2017 Net Book Value</u>
Land	\$ 1,359,755	\$ -	\$ 1,359,755	\$ 1,359,755
Buildings	7,547,400	1,816,259	5,731,141	5,231,210
Computers	10,681	9,885	796	1,444
Leasehold improvements	263,136	134,923	128,213	115,388
Furniture and equipment	<u>323,347</u>	<u>102,425</u>	<u>220,922</u>	<u>60,558</u>
	<u>\$ 9,504,319</u>	<u>\$ 2,063,492</u>	<u>\$ 7,440,827</u>	<u>6,768,355</u>

7. Deferred contributions and tuition fee revenue

	<u>Opening Balance</u>	<u>Received</u>	<u>Recognized</u>	<u>Closing Balance</u>
Deferred contributions	<u>\$ 4,612,860</u>	<u>\$ 10,522,940</u>	<u>\$(11,056,636)</u>	<u>\$ 4,079,164</u>
Deferred tuition fees	<u>\$ 95,456</u>	<u>\$ 969,553</u>	<u>\$ (962,534)</u>	<u>\$ 102,475</u>

Islamic Circle of North America (Canada) Notes to the Financial Statements

December 31, 2018

8. Loans payable

	<u>2019</u>	<u>2018</u>
Loan payable with Moya Financial Credit Union, bearing a user fee of 4.60%, due December, 2020 payable by monthly instalments of principal plus user fee of \$21,912, subject to two larger principal payments in 2017 and 2019, and secured by a collateral charge on all ICNA properties.	\$ 2,134,058	\$ 2,295,755
Loan payable with Krek Slovenian Credit Union Ltd., bearing a user fee of 4.60%, due November, 2020, payable by monthly instalments of principal plus user fee of \$4,018, subject to three larger principal repayments in 2017 and 2019, and secured by a first collateral mortgage on the property of Unit 33, 6635 Kitimat Road in the amount of \$628,434.	<u>357,535</u>	<u>397,714</u>
	2,491,593	2,693,469
Current portion	<u>557,848</u>	<u>259,016</u>
	\$ 1,933,745	\$ 2,434,453

User fees incurred on the above loans in the amount of \$118,811 (2017 - \$158,818) was expensed in the statement of operations.

Minimum principal repayments over the next two fiscal years are as follows:

2019	\$ 557,848
2020	1,933,745

9. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

Liquidity risk

Liquidity risk is the risk that ICNA will encounter difficulty in raising funds to meet commitments associated to its financial liabilities. ICNA is exposed to liquidity risk mainly in respect to accounts payable and loans payable.

ICNA manages its liquidity risk by forecasting cash flows from operations, investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations.

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2018

9. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counterparty to a financial instrument failing to discharge an obligation or commitment that it has entered into with ICNA. ICNA's main credit risks relate to its accounts receivable and advances and HST receivable.

ICNA reduces its exposure to credit risk by assessing credit on a regular basis and providing for an allowance for doubtful accounts when applicable. At December 31, 2018, the allowance for doubtful accounts is \$Nil (2017 - \$Nil).

Interest rate risk

Interest rate price risk is the risk that the fair value of an interest bearing financial instrument will fluctuate due to changes in market interest rates. ICNA's exposure to interest rate risk is limited to its interest bearing investments.

Other price risk

ICNA is exposed to certain price risks which cause the fair value of its investments to fluctuate. To manage this risk, ICNA follows an investment policy which requires a diversified portfolio meeting specific requirements.

10. Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

11. Subsequent event

Since January 1, 2020, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and 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, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

ICNA has determined that this event is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2018 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of ICNA for future periods. As of the audit report date, while ICNA has seen a reduction in its revenue, it has been able to manage its expenses to ensure that the impact of the pandemic will not impact its ability to operate in the future.