



Financial Statements

Islamic Circle of North America (Canada)

December 31, 2020

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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, 2020, 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, 2020, 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 contributions, 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 years ended December 31, 2020 and 2019, current assets at December 31, 2020 and 2019, and fund balances as at January 1, 2020 and 2019 and December 31, 2020 and 2019. Our audit opinion on the financial statements for the year ended December 31, 2019 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 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.

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

Mississauga, Canada
October 23, 2021

Chartered Professional Accountants
Licensed Public Accountants

Islamic Circle of North America (Canada)

Statement of Financial Position

As at December 31

2020

2019

Assets

Current

| | | |
|--|----------------------|----------------------|
| Cash (Note 3) | \$ 13,873,190 | \$ 11,735,400 |
| Accounts receivable, advances and prepaid expenses | 267,793 | 320,914 |
| HST receivable | 95,799 | 156,834 |
| Investment (Note 4) | 6,812 | 6,812 |
| Inventory | <u>225,389</u> | <u>249,934</u> |
| | 14,468,983 | 12,469,894 |
| Capital assets (Note 5) | <u>8,542,972</u> | <u>8,389,397</u> |
| | \$ 23,011,955 | \$ 20,859,291 |

Liabilities

Current

| | | |
|---|------------------|------------------|
| Accounts payable and accrued liabilities | \$ 324,441 | \$ 254,227 |
| Deferred contributions and tuition fee revenue (Note 6) | 7,716,360 | 5,680,709 |
| Loan payable – CEBA (Note 7) | 30,000 | - |
| Loans payable (Note 8) | <u>-</u> | <u>1,934,075</u> |
| | 8,070,801 | 7,869,011 |

Fund balances

| | | |
|------------------------------------|----------------------|----------------------|
| Unrestricted | 4,035,216 | 2,818,186 |
| Invested in capital assets | 8,542,972 | 8,389,397 |
| Internally restricted reserve fund | <u>2,362,966</u> | <u>1,782,697</u> |
| | 14,941,154 | 12,990,280 |
| | \$ 23,011,955 | \$ 20,859,291 |

Guarantee (Note 9)

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

Year ended December 31

2020

2019

Revenue

| | | |
|------------------------|---------------|---------------|
| Contributions | \$ 11,443,683 | \$ 11,242,838 |
| Tuition and other fees | 1,339,349 | 1,451,931 |
| Donations in-kind | 834,461 | 1,028,869 |
| Government funding | 319,605 | - |
| Government assistance | 151,598 | - |
| Bookstore sales | 78,861 | 129,885 |
| Other income | 41,126 | 52,360 |
| Rental income | 7,800 | 2,250 |

14,216,483 13,908,133

Expenses

| | | |
|-------------------------------|-----------|-----------|
| Charitable activities | 8,503,773 | 6,889,207 |
| Management and administration | 1,123,521 | 1,418,011 |
| School | 1,012,167 | 1,025,169 |
| Program | 664,655 | 1,371,435 |
| Amortization | 453,472 | 396,736 |
| Fundraising | 448,882 | 520,066 |
| Bookstore | 59,139 | 68,374 |

12,265,609 11,688,998

Excess of revenue over expenses \$ 1,950,874 \$ 2,219,135

See accompanying notes to the financial statements.

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

Year ended December 31, 2020

| | 2020 | | | 2019 | |
|---|----------------------------|----------------------------------|---|----------------------------|----------------------------|
| | Unrestricted | Invested in capital assets | Internally restricted reserve fund | Total | Total |
| Balance, beginning of year | \$ 2,818,186 | \$ 8,389,397 | \$ 1,782,697 | \$12,990,280 | \$10,771,145 |
| Excess (deficiency) of revenue over expenses | 2,404,346 | (453,472) | - | 1,950,874 | 2,219,135 |
| Transfer to internally restricted reserve | (580,269) | - | 580,269 | - | - |
| Purchase of capital assets | <u>(607,047)</u> | <u>607,047</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 4,035,216</u> | <u>\$ 8,542,972</u> | <u>\$ 2,362,966</u> | <u>\$14,941,154</u> | <u>\$12,990,280</u> |

See accompanying notes to the financial statements.

Islamic Circle of North America (Canada)

Statement of Cash Flows

Year ended December 31

2020

2019

Cash flows provided by (used in)

Operating activities

| | | |
|--|------------------|----------------|
| Excess of revenue over expenses | \$ 1,950,874 | \$ 2,219,135 |
| Items not affecting cash | | |
| Recognition of forgivable portion of loan payable – CEBA | (10,000) | - |
| Amortization | <u>453,472</u> | <u>396,736</u> |
| | 2,394,346 | 2,615,871 |

Change in non-cash working capital balances

| | | |
|--|------------------|------------------|
| Accounts receivable, advances and prepaid expenses | 53,121 | 102,083 |
| HST receivable | 61,035 | 224,619 |
| Inventory | 24,545 | (29,484) |
| Accounts payable and accrued liabilities | 70,214 | (504,559) |
| Deferred contributions and tuition fee revenue | <u>2,035,651</u> | <u>1,499,070</u> |
| | 4,638,912 | 3,907,600 |

Investing activities

| | | |
|----------------------------|------------------|--------------------|
| Purchase of capital assets | <u>(607,047)</u> | <u>(1,345,306)</u> |
|----------------------------|------------------|--------------------|

Financing activities

| | | |
|----------------------------|--------------------|------------------|
| Proceeds from CEBA loan | 40,000 | - |
| Repayment of loans payable | <u>(1,934,075)</u> | <u>(557,518)</u> |
| | (1,894,075) | (557,518) |

| | | |
|-------------------------|-----------------------------|-----------------------------|
| Increase in cash | 2,137,790 | 2,004,776 |
| Cash, beginning of year | <u>11,735,400</u> | <u>9,730,624</u> |
| Cash, end of year | <u>\$ 13,873,190</u> | <u>\$ 11,735,400</u> |

See accompanying notes to the financial statements.

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2020

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 projects 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 by management 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 relate 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 for ICNA Relief activities.

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.

Government assistance relates to the Canada Emergency Wage Subsidy (“CEWS”) and the forgivable portion of the loan payable – CEBA and is recognized in the statement of operations when received or receivable in the year to which it relates.

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2020

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, accounts receivable and advances, HST receivable, investment, accounts payable, loan payable – CEBA, 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.

Inventory

The cost of inventory comprises the purchase price and other costs directly attributable to its acquisition. Inventory, consisting 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.

Inventory is 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 |

Capital assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2020

2. Summary of significant accounting policies (continued)

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 of revenue over expenses as appropriate in the fiscal year they become known.

3. Cash

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

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Cash | \$ 3,891,318 | \$ 4,376,519 |
| Cash held for deferred contributions | 7,618,906 | 5,576,184 |
| Cash held for internally restricted reserve fund | <u>2,362,966</u> | <u>1,782,697</u> |
| | <u>\$ 13,873,190</u> | <u>\$ 11,735,400</u> |

4. Investment

ICNA has invested \$6,812 (2019 - \$6,812) as equity securities with Noor Coop Adduha building investments.

5. Capital assets

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>2020 Net Book Value</u> | <u>2019 Net Book Value</u> |
|-------------------------|----------------------|-------------------------------------|------------------------------------|------------------------------------|
| Land | \$ 1,818,384 | \$ - | \$ 1,818,384 | \$ 1,745,758 |
| Buildings | 8,869,455 | 2,354,213 | 6,515,242 | 6,374,221 |
| Computers | 45,182 | 26,793 | 18,389 | 4,048 |
| Leasehold improvements | 371,935 | 337,519 | 34,416 | 73,889 |
| Furniture and equipment | <u>351,716</u> | <u>195,175</u> | <u>156,541</u> | <u>191,481</u> |
| | <u>\$ 11,456,672</u> | <u>\$ 2,913,700</u> | <u>\$ 8,542,972</u> | <u>\$ 8,389,397</u> |

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2020

6. Deferred contributions and tuition fee revenue

| | Opening Balance | Received | Recognized | Closing Balance |
|---------------|---------------------|----------------------|------------------------|---------------------|
| Contributions | \$ 5,576,184 | \$ 13,536,405 | \$ (11,493,683) | \$ 7,618,906 |
| Tuition fees | <u>104,525</u> | <u>1,005,776</u> | <u>(1,012,847)</u> | <u>97,454</u> |
| | <u>\$ 5,680,709</u> | <u>\$ 14,542,181</u> | <u>\$ (12,506,530)</u> | <u>\$ 7,716,360</u> |

7. Loan payable – CEBA

The Canada Emergency Business Account (CEBA) loan has been provided to ICNA by the Federal Government on May 13, 2020. The interest rate is 0% per year, but is subject to the interest rate of 5% if it is converted into a long term loan. ICNA can only begin to repay the loan in whole or in part on or after July 1, 2020. 10,000 of the loan is eligible for complete forgiveness if \$30,000 is fully repaid on or before December 31, 2022. The loan forgiveness has been included in government assistance in statement of operations.

The loan was repaid in full subsequent to year end, in March 2021.

8. Loans payable

| | <u>2020</u> | <u>2019</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. | \$ - | \$ 1,713,902 |
| 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>220,173</u> |
| | - | 1,934,075 |
| Current portion | <u>-</u> | <u>1,934,075</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

User fees incurred on the above loans in the amount of \$65,515 (2019 - \$115,278) was expensed in the statement of operations.

In November 2020 and December 2020, the loan payable to Krek Slovenian Credit Unit Ltd. and Moya Financial Credit Union, respectively, were repaid in full.

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2020

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, loan payable – CEBA 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.

ICNA has provided to the Corporation of the Town of Oakville a standby letter of credit represented by an indemnity agreement relating to a construction project. The letters total \$124,818 (2019 - \$124,818). Security for the guarantee is provided in the form of ICNA's cash in the amount of \$124,818 (2019 - \$124,818).

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, 2020, the allowance for doubtful accounts is \$Nil (2019 - \$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 investment.

Other price risk

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

Islamic Circle of North America (Canada)

Notes to the Financial Statements

December 31, 2020

10. COVID-19

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long 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 businesses 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.

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. While overall revenue has increased, this is mainly driven from contributions; other revenue streams have experienced declines. This has been partially offset by the ability for ICNA to apply for government assistance in the form the forgivable portion of the loan payable – CEBA of \$10,000 and CEWS of \$141,598. ICNA remains committed to adjusting its expenditures as necessary to ensure its long-term sustainability.

11. Comparative figures

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation adopted in the current year.