

MANITOBA ISLAMIC ASSOCIATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

SCARROW & DONALD LLP
CHARTERED ACCOUNTANTS
100 – Five Donald Street
Winnipeg, Manitoba R3L 2T4
Business: (204) 982-9800
Fax: (204) 474-2886
www.scarrowdonald.mb.ca

July 8, 2011

AUDITORS' REPORT

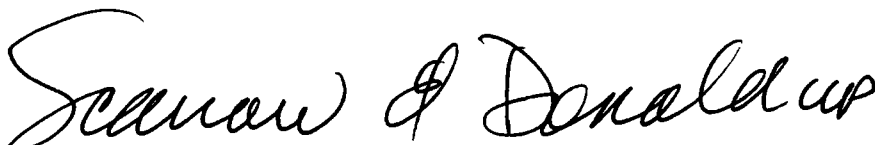
To the Board of Directors of the Manitoba Islamic Association:

We have audited the statement of financial position of Manitoba Islamic Association as at September 30, 2010 and the statements of operations, net assets and cash flow for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, the Association reports revenues from sources the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenues was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to the completeness or classification of revenues, difference between revenues and expenses, current assets and net assets. In addition, it was not possible to verify the occurrence, completeness and classification of expenses due to the status of the accounting records. Accordingly, our verification of expenses was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to expenses and the classification of expenses, difference between revenues and expenses, current liabilities and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the matters referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Association as at September 30, 2010, and the results of its operations and the cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for the opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

MANITOBA ISLAMIC ASSOCIATION
STATEMENT OF FINANCIAL POSITION

	September 30	
	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash	\$ 284,204	\$ 283,956
Cash - Weekend School	7,586	6,147
Cash - Building Fund	58,247	54,693
Cash - Social Assistance Fund	<u>45,673</u>	<u>93,210</u>
	395,710	438,006
 Capital assets: (Note 3)		
Land, building and equipment - at cost	2,847,458	2,813,139
Less: accumulated amortization	<u>(507,588)</u>	<u>(415,588)</u>
	<u>2,339,870</u>	<u>2,397,551</u>
	<u>\$2,735,580</u>	<u>\$2,835,557</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,071	\$ 1,455
 Deferred contributions: (Note 4)		
Specific purposes	18,885	25,885
Building completion grant	126,080	129,780
Building	2,376,925	2,452,244
Social Assistance Fund	<u>45,673</u>	<u>93,210</u>
	2,567,563	2,701,119
 Net assets	 <u>164,946</u>	 <u>132,983</u>
	<u>\$2,735,580</u>	<u>\$2,835,557</u>

APPROVED BY THE BOARD:

_____ Director

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF OPERATIONS

	<u>Year ended September 30</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Donations, fund-raising and other revenue	\$ 322,056	\$ 276,945
Contributions used for assistance	85,874	166,875
Contributions used for special purposes	7,000	134,048
Amortization of building completion grant	3,700	3,700
Amortization of deferred contributions	<u>92,000</u>	<u>83,300</u>
	510,630	664,868
Expenses:		
Amortization	92,000	83,300
Assistance	85,874	166,875
Special purpose expenses	7,000	134,048
General expenses	195,057	149,874
Wages and employee benefits	<u>98,736</u>	<u>76,464</u>
	<u>478,667</u>	<u>610,561</u>
Difference between revenues and expenses	<u>\$ 31,963</u>	<u>\$ 54,307</u>

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF NET ASSETS

	Year ended September 30	
	<u>2010</u>	<u>2009</u>
Opening balance	\$ 132,983	\$ 78,676
Difference between revenues and expenses	<u>31,963</u>	<u>54,307</u>
Closing balance	<u><u>\$ 164,946</u></u>	<u><u>\$ 132,983</u></u>

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CASH FLOW

	Year ended September 30	
	<u>2010</u>	<u>2009</u>
Cash flow from operating activities:		
Cash from donations fundraising and other	\$ 305,375	\$ 574,290
Cash from building donations	16,681	50,382
Cash paid to suppliers, employees and others	<u>(330,034)</u>	<u>(527,862)</u>
	(7,978)	96,810
Cash flow from financing activities:		
Acquisitions of building and equipment	<u>(34,318)</u>	<u>(62,714)</u>
Change in cash	(42,296)	34,096
Cash, beginning of year	<u>438,006</u>	<u>403,910</u>
Cash, end of year	<u>\$ 395,710</u>	<u>\$ 438,006</u>

MANITOBA ISLAMIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

1. Purpose of the organization:

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

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. An assumption underlying the preparations of financial statements in accordance with Canadian generally accepted accounting principles is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Accounting estimates-

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. Examples include the allowance for doubtful accounts, loss provisions and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Any changes in these estimates will be reflected in the period in which the changes become known.

b) Revenue recognition-

The Manitoba Islamic Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives on a straight line basis. Estimating the useful life requires estimation of the useful life of the asset and its salvage and residual value. Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

The building is being amortized on a straight line basis over 40 years. Equipment is being amortized a straight line basis over 5 years.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

2. Significant accounting policies (cont'd):

d) Financial instruments-

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transactions to purchase or sell financial assets are recorded on the settlement date. The Association has applied CICA Handbook Section 3861 - Financial Instruments-Disclosure and Presentation in place of Section 3862 - Financial Instruments-Disclosures and Section 3863 - Financial Instruments-Presentation.

Financial assets and financial liabilities classified as held-for-trading are subsequently measured at fair value with gains and losses recognized in net earnings. Financial assets classified as held-to-maturity, loans and receivables, and other liabilities are subsequently measured at their amortized cost, using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income until the financial asset is derecognized. Investments in equity instruments are classified as available-for-sale if they do not have a quoted market price in an active market and are measured at cost.

Net gains and losses arising from changes in fair value of loans and receivables, held-to-maturity investments, and other liabilities are recognized in net income upon derecognition or impairment. The Association does not reclassify a financial instrument into or out of the held-for-trading category while it is held or issued, except in rare circumstances.

Derivative instruments are recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net earnings, except for derivatives that are designated as cash flow hedges, in which case the fair value change for the effective portion of such hedging relationships are recognized in other comprehensive income. The Association presently does not have any derivative financial instruments.

The Association has classified financial instruments as follows:

<u>Financial statement item</u>	<u>Classification</u>	<u>Measurement</u>
Cash	Held-for-trading	Fair value
Accounts payable	Other liabilities	Amortized cost

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The Association assesses impairment of all its financial assets, except those classified as held for trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current earnings.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

3. Capital assets:

	2010		2009	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 20,000	\$ -	\$ 20,000	\$ -
Building - Hazelwood	180,000	163,100	180,000	158,100
Building - Waverley	2,526,791	302,488	2,496,663	239,488
Equipment	120,667	42,000	116,476	18,000
	<u>\$2,847,458</u>	<u>\$ 507,588</u>	<u>\$2,813,139</u>	<u>\$ 415,588</u>

4. Deferred contributions:

Deferred contributions represent unspent resources which are externally restricted for the purposes noted. Changes in deferred contributions are:

	<u>Building Completion</u>	<u>Specific purposes</u>	<u>Building</u>	<u>Social Assistance</u>	<u>Total 2010</u>
Opening Balance	\$ 129,780	\$ 25,885	\$2,452,244	\$ 93,210	\$2,701,119
Expenditures	-	(7,000)	-	(85,874)	(92,874)
Contributions	-	-	16,681	38,337	55,018
Amortization	<u>(3,700)</u>	<u>-</u>	<u>(92,000)</u>	<u>-</u>	<u>(95,700)</u>
	<u>\$ 126,080</u>	<u>\$ 18,885</u>	<u>\$2,376,925</u>	<u>\$ 45,673</u>	<u>\$2,567,563</u>

5. Capital management:

The Association's objectives when managing capital, which consists of net assets, is to safeguard its ability to continue as a going concern, so that it can continue to provide services to members and benefits for other stakeholders, and to price products and services commensurately with the level of risk and market forces and the Association's objectives.

The Association sets the amount of net assets in proportion to risk and its ability to obtain funding. The Association manages its assets and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the structure, the Association may seek additional sources of funding, sell assets to reduce debt or undertake other activities at its discretion.

The Association monitors net assets through direct personal involvement with employees and outside parties and from time-to-time using a variety of measures, depending on the circumstances. Monitoring procedures are typically performed as a part of the overall management of the Association's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

6. Risk management and fair values:

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

Interest rate risk-

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as interest rate cash flow risk, or on the fair value of other financial assets or liabilities, known as interest rate price risk.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Association has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Association also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

Fair values-

The fair values of the Association's current financial assets and liabilities, approximate their recorded values as at year-end due to their short-term nature. Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is also affected by the use of judgement and by uncertainty.