MANITOBA ISLAMIC ASSOCIATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Manitoba Islamic Association:

We have audited the accompanying financial statements of the Manitoba Islamic Association, which comprise the statement of financial position as at September 30, 2013, and the statements of operations, change in net assets and cash flow 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 audit opinion.

Basis for Qualified Opinion
In common with many charitable organizations, the Manitoba Islamic Association derives revenues the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our examination of these items was limited to amounts recorded in the records of the Manitoba Islamic Association. Therefore, we were not able to determine whether any adjustment might be necessary to revenues, difference between revenues and expenses, and cash flow from operating activities for the year ended September 30, 2013, current assets as at September 30, 2013 and net assets as at October 1, 2012 and September 30, 2013.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Manitoba Islamic Association of Manitoba Inc. as at September 30, 2013, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information
Without modifying our opinion, we draw attention to Note 6 to the financial statements which describes that Manitoba Islamic Association adopted Canadian accounting standards for not-for-profit organizations on October 1, 2012 with a transition date of October 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at September 30, 2012 and October 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended September 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Scarrow & Donald LLP

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 2013	September 30 2012	October 1 2011
ASSETS			
Current assets:			
Cash	$ 313,459	$ 400,289	$ 298,309
Cash - Building Fund	9,763	92,160	72,553
Receivable - City of Winnipeg	40,000	-	-
GST receivable	7,263	4,263	-
Prepaid expense	2,284	1,000	-
	372,769	497,712	370,862
Capital assets (Note 3)	2,180,943	2,158,545	2,247,870
	$ 2,553,712	$ 2,656,257	$ 2,618,732
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	$ 20,401	$ 7	$ 12,248
Deferred contributions: (Note 4)			
Specific purposes	-	7,140	-
Building completion grant	114,980	118,680	122,380
Building	2,194,096	2,300,773	2,346,948
	2,309,076	2,426,593	2,469,328
Net assets	224,235	229,657	137,156
	$ 2,553,712	$ 2,656,257	$ 2,618,732

APPROVED BY THE BOARD:

_____ **Director**

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF OPERATIONS

	Year ended September 30	
	2013	**2012**
Revenues:		
Donations, fund-raising and other revenue	$ 325,246	$ 346,848
Contributions used for assistance	123,878	105,812
Amortization of building completion grant	3,700	3,700
Amortization of deferred contributions	127,527	93,175
Expropriation	40,000	60,000
	620,351	609,535
Expenses:		
Amortization	105,502	92,000
Assistance	109,156	59,103
General expenses	325,255	270,636
Wages and employee benefits	85,860	95,295
	625,773	517,034
Difference between revenues and expenses	$ (5,422)	$ 92,501

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CHANGE IN NET ASSETS

	Year ended September 30	
	2013	**2012**
Opening balance	$ 229,657	$ 137,156
Difference between revenues and expenses	(5,422)	92,501
Closing balance	$ 224,235	$ 229,657

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CASH FLOW

	Year ended September 30	
	2013	**2012**
Cash flow from operating activities:		
Cash from donations fundraising and other	$ 446,124	$ 448,397
Cash from City of Winnipeg	-	107,000
Cash paid to suppliers, employees and others	(487,451)	(431,135)
	(41,327)	124,262
Cash flow from financing activities:		
Purchase of capital assets	(127,900)	(2,675)
Change in cash	(169,227)	121,587
Cash, beginning of year	492,449	370,862
Cash, end of year	$ 323,222	$ 492,449

MANITOBA ISLAMIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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 accounting standards for not-for-profit organizations. An assumption underlying the preparations of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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) Critical accounting estimates-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

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. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

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.

2. Significant accounting policies (cont'd)**:**

c) Capital assets-

The building is being amortized on a straight line basis over 40 years. Equipment is being amortized a straight line basis over 5 years. Building improvements are being amortized on a straight line basis over 10 years.

d) Financial instruments-

Financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

Financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Association measures cash and accounts payable at amortized cost.

The Association assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest of principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

3. Capital assets:

	2013		2012	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 20,000	$ -	$ 20,000	$ -
Building - Hazelwood	180,000	177,600	180,000	173,100
Building - Waverley	2,526,791	491,658	2,526,791	428,488
Equipment	127,077	115,415	123,342	90,000
Building improvements	124,165	12,417	-	-
	$ 2,978,033	$ 797,090	$ 2,850,133	$ 691,588
Net book value	$2,180,943		$2,158,545	

4. Deferred contributions:

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

	Building completion	Specific purposes	Building	Total 2013
Opening balance	$ 118,680	$ 7,140	$ 2,300,773	$ 2,426,593
Contributions received	-	13,710	-	13,710
Amortization	(3,700)	(20,850)	(106,677)	(131,227)
	$ 114,980	$ -	$ 2,194,096	$ 2,309,076

5. Risk management:

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 operations, 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:

Liquidity risk-
Liquidity risk is the risk that the Association cannot meet its financial obligations associated with financial liabilities in full. The Association's main sources of liquidity are its operations and external contributions. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Association's financial obligations associated with financial liabilities.

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. No allowance for doubtful accounts has been recorded.

6. Explanation of transition to Canadian accounting standards for not-for-profit organizations:

These are the Association's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The accounting policies in Note 2 have been applied in preparing the financial statements for the year ended September 30, 2013, the comparative information presented in these financial statements for the year ended September 30, 2012 and in the preparation of an opening Canadian accounting standards for not-for-profit organizations statement of financial position as at October 1, 2011.

In preparing its opening Canadian accounting standards for not-for-profit organizations statement of financial position, no adjustments were required to the amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles.