MANITOBA ISLAMIC ASSOCIATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

SCARROW & DONALD LLP
CHARTERED ACCOUNTANTS
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November 30, 2014

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, 2014, 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, 2014, current assets as at September 30, 2014 and net assets as at October 1, 2013 and September 30, 2014.

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, 2014, 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.

Scarrow & Donald LLP

Chartered Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for 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	
	2014	**2013**
ASSETS		
Current assets:		
Cash	$ 105,877	$ 313,459
Cash - Building Fund	13,883	9,763
Receivable - City of Winnipeg	8,923	40,000
GST receivable	4,848	7,263
Prepaid expenses	5,191	2,284
	138,722	372,769
Capital assets (Note 3)	2,107,271	2,180,943
	$ 2,245,993	$ 2,553,712
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ -	$ 20,401
Government remittances payable	471	-
	471	20,401
Deferred contributions (Note 4)**:**		
Building completion grant	111,280	114,980
Building and equipment	2,091,742	2,194,096
	2,203,022	2,309,076
	2,203,493	2,329,477
Net assets	42,500	224,235
	$ 2,245,993	$ 2,553,712

APPROVED BY THE BOARD:

_____**Director**

_____**Director**

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF OPERATIONS

	Year ended September 30	
	2014	**2013**
Revenues:		
Donations, fund-raising and other revenue	$ 330,293	$ 325,246
Contributions used for assistance	107,699	123,878
Amortization of building completion grant	3,700	3,700
Amortization of deferred contributions	102,354	127,527
Expropriation	2,688	40,000
	546,734	620,351
Expenses:		
Amortization	106,054	105,502
Assistance	219,630	109,156
General expenses	252,773	325,255
Wages and employee benefits	150,012	85,860
	728,469	625,773
Difference between revenues and expenses	$ (181,735)	$ (5,422)

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CHANGE IN NET ASSETS

	Year ended September 30	
	2014	**2013**
Opening balance	$ 224,235	$ 229,657
Difference between revenues and expenses	(181,735)	(5,422)
Closing balance	$ 42,500	$ 224,235

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CASH FLOW
(unaudited)

	Year ended September 30	
	2014	**2013**
Cash flow from operating activities:		
Cash from donations, fundraising and other	$ 483,095	$ 446,124
Cash paid to suppliers, employees and others	(654,175)	(487,451)
	(171,080)	(41,327)
Cash flow from financing activities:		
Purchase of capital assets	(32,382)	(127,900)
Change in cash	(203,462)	(169,227)
Cash, beginning of year	323,222	492,449
Cash, end of year	$ 119,760	$ 323,222

MANITOBA ISLAMIC ASSOCIAITON

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 (continued)**:**

c) Capital assets (continued)-

The buildings are being amortized on a straight line basis over 40 years. Equipment is being amortized a straight line basis over 5 years. Computer software is being amortized on a straight line basis over 3 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:

	September 30			
	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 20,000	$ -	$ 20,000	$ -
Building - Hazelwood	180,000	180,000	180,000	177,600
Building - Waverley	2,526,791	554,827	2,526,791	491,658
Equipment	145,778	142,700	127,077	115,415
Computer software	846	142	-	-
Building improvements	137,000	25,475	124,165	12,417
	$ 3,010,415	$ 903,144	$ 2,978,033	$ 797,090
Net book value	$ 2,107,271		$ 2,180,943	

4. Deferred contributions:

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

	Building completion	Building and equipment	Total 2014
Opening balance	$ 114,980	$ 2,194,096	$ 2,309,076
Amortization	(3,700)	(102,354)	(106,054)
	$ 111,280	$ 2,091,742	$ 2,203,022

	Building completion	Specific purposes	Building and equipment	Total 2013
Opening balance	$ 118,680	$ 7,140	$ 2,300,773	$ 2,426,593
Contributions	-	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.