MANITOBA ISLAMIC ASSOCIATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

November 10, 2018

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, 2018, and the statements of operations, change in net assets and cash flows 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 flows from operating activities for the years ended September 30, 2018 and 2017, current assets as at September 30, 2018 and 2017 and net assets as at October 1, 2016 and September 30, 2018 and 2017. Our audit opinion on the financial statements for the year ended September 30, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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, 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.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Canada

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF FINANCIAL POSITION

	September 30	
	2018	**2017**
ASSETS		
Current assets:		
Cash	$ 217,312	$ 168,779
Cash - Capital Projects	160,281	127,582
Accounts receivable	64,991	30,326
GST receivable	26,701	12,813
Prepaid expenses	39,575	56,164
	508,860	395,664
Capital assets (Note 3)	2,186,368	1,933,094
	$ 2,695,228	$ 2,328,758
LIABILITIES AND NET ASSETS		
Current liabilities:		
Government remittances	$ 3,997	$ 3,598
Accounts payable	63,772	-
	67,769	3,598
Deferred contributions (Note 4)**:**		
Building completion	96,480	100,180
Building and equipment	1,901,618	1,852,537
	1,998,098	1,952,717
	2,065,867	1,956,315
Net assets	629,361	372,443
	$ 2,695,228	$ 2,328,758

APPROVED BY THE BOARD:

_____ **Director**

_____ **Director**

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF OPERATIONS

	Year ended September 30	
	2018	**2017**
Revenues:		
Donations, fund-raising and other revenue	$ 1,038,837	$ 905,782
Contributions used for assistance	115,435	46,501
Amortization of building completion grant	3,700	3,700
Amortization of deferred contributions	97,679	81,403
	1,255,651	1,037,386
Expenses:		
Amortization	107,647	85,103
Assistance	114,800	223,330
General expenses	477,816	436,093
Wages and employee benefits	298,470	257,871
	998,733	1,002,397
Difference between revenues and expenses	$ 256,918	$ 34,989

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CHANGE IN NET ASSETS

	Year ended September 30	
	2018	**2017**
Opening balance	$ 372,443	$ 337,454
Difference between revenues and expenses	256,918	34,989
Closing balance	$ 629,361	$ 372,443

MANITOBA ISLAMIC ASSOCIATION

STATEMENT OF CASH FLOWS

	Year ended September 30	
	2018	**2017**
Cash flow from operating activities:		
Cash from donations, fundraising and other	$ 1,252,479	$ 916,007
Cash paid to suppliers, employees and others	(810,326)	(951,022)
	442,153	(35,015)
Cash flow from investing activities:		
Purchase of capital assets	(360,921)	(11,017)
Change in cash	81,232	(46,032)
Cash, beginning of year	296,361	342,393
Cash, end of year	$ 377,593	$ 296,361

MANITOBA ISLAMIC ASSOCIAITON

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 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) Contributed materials and services-

Contributed materials are not recognized in the financial statements. Volunteers contribute an indeterminate number of hours supporting the various fundraising activities and operating programs of the Association. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

2. Significant accounting policies (continued)**:**

d) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for donated assets which are recorded at fair market value at the time of the donation. This requires estimation of the useful life of the asset and residual value. When a capital asset no longer has any long-term service potential, the excess of its net carrying amount over any residual value is recognized as an expense. 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 buildings are being amortized on a straight line basis over 40 years. Equipment is being amortized on 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.

e) 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 all financial instruments 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			
	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 20,000	$ -	$ 20,000	$ -
Building - Hazelwood	180,000	180,000	180,000	180,000
Building - Waverley	2,526,791	807,507	2,526,791	744,337
Equipment	208,725	161,304	180,144	155,369
Computer software	2,163	1,596	1,171	1,041
Camera	75,226	7,523	-	-
Building improvements	434,559	103,166	178,437	72,702
	$ 3,447,464	$ 1,261,096	$ 3,086,543	$ 1,153,449
Net book value	$ 2,186,368		$ 1,933,094	

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 2017
Opening balance	$ 103,880	$ 1,933,940	$ 2,037,820
Amortization	(3,700)	(81,403)	(85,103)
	$ 100,180	$ 1,852,537	$ 1,952,717

	Building completion	Building and equipment	Total 2018
Opening balance	$ 100,180	$ 1,852,537	$ 1,952,717
Contributions received	-	146,760	146,760
Amortization	(3,700)	(97,679)	(101,379)
	$ 96,480	$ 1,901,618	$ 1,998,098

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.