

HALTON ISLAMIC ASSOCIATION

Financial Statements

Year Ended December 31, 2022

HALTON ISLAMIC ASSOCIATION

Index to Financial Statements

Year Ended December 31, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



R.A. MIRZA PROFESSIONAL CORPORATION

Chartered Professional Accountant
Licensed Public Accountant
6645 Kitimat Road Suite 15
Mississauga, ON L5N 6J3
Canada

Telephone (905) 276-4624
Fax (289) 298-5273
Email info@ramirza.ca
Internet www.ramirza.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Halton Islamic Association

Qualified Opinion

I have audited the financial statements of Halton Islamic Association (the organization), which comprise the statement of financial position as at December 31, 2022, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2022, and the results of its operations and 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 donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the organization in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Other Matter

The financial statements for the year ended December 31, 2021 were prepared by another practitioner and are unaudited.

Emphasis of Matter - Comparative Information

I draw attention to Note 4 to the financial statements which describes that Halton Islamic Association adopted ASNPO on January 1, 2022 with a transition date of January 1, 2021. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2021 and January 1, 2021, and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended December 31, 2021 and related disclosures. My opinion is not modified in respect of this matter.

I was not engaged to report on the comparative information, and as such, it is unaudited.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

(continues)

Independent Auditor's Report to the Members of Halton Islamic Association (*continued*)

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 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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

R. A. Mirza Professional Corporation, CPA.


Mississauga, Ontario
July 19, 2023

R.A. Mirza Professional Corporation
Chartered Professional Accountant
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

HALTON ISLAMIC ASSOCIATION**Statement of Financial Position****December 31, 2022**

	<i>December 31</i> 2022	<i>December 31</i> 2021	<i>January 1</i> 2021
ASSETS			
CURRENT			
Cash	\$ 3,541,468	\$ 2,550,415	\$ 2,176,415
Current portion of loans receivable (Qarze Hasna) (Note 7)	13,040	-	-
Harmonized sales tax recoverable	68,579	30,316	16,640
Deposits and prepaid expenses (Note 5)	284,412	286,179	9,680
	3,907,499	2,866,910	2,202,735
PROPERTY, PLANT AND EQUIPMENT (Note 6)	7,829,174	7,344,191	7,269,039
LOANS RECEIVABLE (QARZE HASNA) (Note 7)	2,490	-	-
LONG TERM INVESTMENTS (Note 8)	87,700	86,300	85,000
	\$ 11,826,863	\$ 10,297,401	\$ 9,556,774
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable	\$ 69,486	\$ 1,776	\$ -
Canada emergency bank account (Note 9)	40,000	40,000	40,000
	109,486	41,776	40,000
NET ASSETS			
General fund	6,629,075	6,489,289	7,533,149
Restricted fund	5,088,302	3,766,336	1,983,625
	11,717,377	10,255,625	9,516,774
	\$ 11,826,863	\$ 10,297,401	\$ 9,556,774

ON BEHALF OF THE BOARD



waseem aslam

Director

Director

Director

HALTON ISLAMIC ASSOCIATION
Statement of Revenues and Expenditures
Year Ended December 31, 2022

	2022	2021
REVENUES		
Funds	\$ 1,341,870	\$ 619,519
Zakat and sadaqah	417,290	273,655
Donations	306,127	186,958
School income	148,612	114,689
Other income	73,540	70,539
Community event income	11,635	17,021
Membership fee	5,330	4,600
	<u>2,304,404</u>	<u>1,286,981</u>
EXPENDITURES		
Salaries and wages	254,691	226,863
Financial assistance - zakat and sadaqah	201,092	170,130
Amortization	115,910	110,497
Community event expenses	78,160	47,820
Repairs and maintenance	65,179	38,608
Rental	67,028	50,924
Social and religious programs	58,620	42,453
Office	35,215	16,335
School expenses	30,396	29,905
Bank charges	15,107	12,530
Utilities	10,590	7,617
Property taxes	9,585	9,260
Professional fees	5,000	-
Insurance	7,668	4,480
Telephone	2,526	2,144
Advertising and promotion	180	-
	<u>956,947</u>	<u>769,566</u>
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	<u>1,347,457</u>	<u>517,415</u>
OTHER INCOME (EXPENSES)		
Dividend income	1,400	1,300
Gain on foreign exchange	4,215	-
Government assistance (Note 10)	108,680	220,137
	<u>114,295</u>	<u>221,437</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 1,461,752</u>	<u>\$ 738,852</u>

HALTON ISLAMIC ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2022

	General Fund	Restricted Fund	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 6,489,289	\$ 3,766,336	\$ 10,255,625	\$ 9,516,773
EXCESS OF REVENUES OVER EXPENDITURES	139,786	1,321,966	1,461,752	738,852
NET ASSETS - END OF YEAR	<u>\$ 6,629,075</u>	<u>\$ 5,088,302</u>	<u>\$ 11,717,377</u>	<u>\$ 10,255,625</u>

HALTON ISLAMIC ASSOCIATION**Statement of Cash Flows****Year Ended December 31, 2022**

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 1,461,752	\$ 738,852
Items not affecting cash:		
Amortization of property, plant and equipment	115,910	110,497
Dividend income	<u>(1,400)</u>	<u>(1,300)</u>
	<u>1,576,262</u>	<u>848,049</u>
Changes in non-cash working capital:		
Accounts payable	67,709	1,775
Deposits and prepaid expenses	1,767	(276,499)
Harmonized sales tax payable	<u>(38,263)</u>	<u>(13,676)</u>
	<u>31,213</u>	<u>(288,400)</u>
Cash flow from operating activities	<u>1,607,475</u>	<u>559,649</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(600,892)	(185,649)
Addition to loans and notes receivable	<u>(15,530)</u>	<u>-</u>
Cash flow used by investing activities	<u>(616,422)</u>	<u>(185,649)</u>
INCREASE IN CASH FLOW	991,053	374,000
Cash - beginning of year	<u>2,550,415</u>	<u>2,176,415</u>
CASH - END OF YEAR	<u>\$ 3,541,468</u>	<u>\$ 2,550,415</u>

HALTON ISLAMIC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

1. PURPOSE OF THE ORGANIZATION

Halton Islamic Association (the "organization") is a not-for-profit organization of Ontario. As a registered charity the organization is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The organization's mission is to provide a platform for the comprehensive development of the Muslim community in accordance to the Islamic values and principle enshrined in the Quran and the Sunnah (The Teachings of the Prophet Muhammad (PBUH)). And to offer relevant services to the Muslim community that include Counseling, Marriage services, Funeral services, Financial assistance, Social activities, Youth education and development, Senior support programs.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and short term investments

Short-term debt securities purchased with maturity of three months or less to are classified as cash equivalents.

Fund accounting

Halton Islamic Association follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

Zakat and Sadaqah are internally restricted fund and they have been established by resolution of board of directors from unrestricted funds.

Revenue recognition

Halton Islamic Association follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from donations is recognized on a cash basis, with no accrual being made for amounts pledged but not received.

Funds received for medical support and Zaakat and Sadaqah are recognized as revenue when received.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Investments

(continues)

HALTON ISLAMIC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The organization's long term investments consist of shares of a private companies, which are recorded using the cost method. The organization's investments holdings in all of the companies are less than 7%.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Land	N/A
Buildings	4% declining balance method
Office equipment	20% declining balance method
Furniture and fixtures	20% declining balance method
Work in progress	N/A

The organization regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Goods and services tax

Contributed materials and services are recoverable at 50% of General sales taxes ("GST") and 82% of Provincial sales taxes - Ontario ("PST-ON") as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the organization be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The organization's ability to continue as a going concern is dependent upon its ability to raise funds/donations and other revenue from other sources, and to meet current and future obligations and the existing payables. These financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the organization were unable to continue its operations.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

HALTON ISLAMIC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

4. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the organization adopted Canadian accounting standards for not-for-profit organizations (ASNPO). These financial statements are the first prepared in accordance with these standards. The adoption of ASNPO had no impact on retained earnings as at January 1, 2021 or income or cash flows for the year ended December 31, 2021 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

5. PREPAID EXPENSES AND DEPOSITS

Included in prepaid expenses and deposits is an amount of \$273,000 (\$273,000 - 2020) deposited with City of Burlington as a construction security.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 4,647,743	\$ -	\$ 4,647,743	\$ 4,647,743
Buildings	3,143,607	525,365	2,618,242	2,386,101
Office equipment	171,236	102,275	68,961	34,863
Furniture and fixtures	18,105	7,340	10,765	9,441
Work in progress	483,463	-	483,463	266,043
	<u>\$ 8,464,154</u>	<u>\$ 634,980</u>	<u>\$ 7,829,174</u>	<u>\$ 7,344,191</u>

7. LOANS RECEIVABLE (QARZE HASNA)

	2022	2021
Loans receivable (Qarze Hasna), Interest free loan	\$ 15,530	\$ -
Amounts receivable within one year	(13,040)	-
	<u>\$ 2,490</u>	<u>\$ -</u>

The organization provides short and medium term loans known as Qarze Hasna to needy families. These loan carries no interest and has a repayment terms which varies for each loan agreement.

Principal repayment terms are approximately:

2023	\$ 13,040
2024	2,490
	<u>\$ 15,530</u>

HALTON ISLAMIC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

8. LONG TERM INVESTMENTS

	2022	2021
Islamic Co-operative Housing Corporation Ltd.	\$ 37,700	\$ 30,094
8925011 Canada Inc.	50,000	50,000
	<u>\$ 87,700</u>	<u>\$ 80,094</u>

The organization has invested in common shares of Islamic Co-operative Housing Corporation Ltd. (ICHC). ICHC provides loans to purchase homes without any interest to eligible muslim home buyers . The organization owns 377 common shares. The organization's interest is less than 1% of the total outstanding common shares of ICHC. The investment is accounted for using the cost method under which the investment is carried at the cost thereof.

The organization also subscribed to 7% common shares of 8925011 Canada Inc. operating as Darul Ihsan. 8925011 Canada Inc. owns a commercial rental property. The investment in 8925011 Canada Inc. is accounted for using the cost method under which the investment is carried at the cost thereof.

9. CANADA EMERGENCY BUSINESS ACCOUNT

The company received assistance under the Canada Emergency Business Account ("CEBA") program in 2020. CEBA is a government sponsored program administered by commercial banks in Canada. Followings are the terms and conditions of the loan:

1. The facility amounts to \$60,000
2. It carries 0% interest until December 31, 2023
3. \$20,000 loan forgiveness is available, provided \$40,000 is paid back prior to December 31, 2023.
4. If the balance is not paid by December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid in monthly interest only payments, effective January 1, 2024.
5. The full balance must be repaid by no later than December 31, 2026.

Due to high level of un-certainty and unprecedented times in view of COVID-19, the company has not yet determined if company would be able to repay the loan by December 31, 2023; earlier than date or convert it into 3-year term loan. As neither the timing of payment nor the amount can be readily estimated. Therefore, the loan has been recorded at its face value due to uncertainties, the company cannot determine the value to be disclosed as commitments for the next five years. As such the loan has been disclosed as a current liability.

The facility is unsecured and fully guaranteed by the Government of Canada.

According to CRA's technical interpretation regarding the tax treatment of forgiveness of loan under CEBA program, forgivable portion of the loan must be included into income under paragraph 12(1)(X) of the income tax Act in the year of the receipt of CEBA loan. \$20,000 loan reserve was set up by recognizing \$20,000 as income in 2020. As at year end CEBA balance is \$60,000, which is netted off by \$20,000 loan forgiveness reserve.

10. GOVERNMENT ASSISTANCE

Canada Community Revitalization Fund (CCRF)

During the year organization received assistance from Federal Economic Development Agency for Southern Ontario under Canada Community Revitalization Fund (CCRF) program. The purpose of the funding was to improve outdoor landscape of the organization (Masjid Halton).

According to the terms of the assistance, 75% of the total cost incurred on the outdoor landscape improvements, was reimbursed by the government. Included in the statement of revenue and expenditure for the year are funds received under the CCRF program of \$75,000 (2021 - Nil)

(continues)

HALTON ISLAMIC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

10. GOVERNMENT ASSISTANCE *(continued)*

Canada Emergency Wage Subsidy (CEWS)

The organization applied for and received assistance under the Canada Emergency Wage Subsidy (CEWS) program. Included in the statements of revenue and expenditure for the year are subsidies received under the CEWS program of \$9,853 (2021 - \$).

Canada Emergency Rent Subsidy (CERS)

The organization applied for and received assistance under the Canada Emergency Rent Subsidy (CERS) program. Included in the statements of revenue and expenditure for the year are subsidies received under the CERS program of \$2,950 (2021 - \$).

COVID-19 Funding

During the year the organization received \$20,000 in respect of COVID-19 grant from the Government of Ontario (2021 - Nil)

11. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2022.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. The organization is not exposed to credit risk. There has been no change in the risk assessment from prior year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its donors and other related sources and accounts payable. There has been no change in the risk assessment from prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is not exposed to market risk.

Currency risk

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is not exposed to credit risk. There has been no change in the risk assessment from prior year.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The organization is not exposed to credit risk. There has been no change in the risk assessment from prior year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

(continues)

HALTON ISLAMIC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

11. FINANCIAL INSTRUMENTS (continued)

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments. There has been no change in the risk assessment from prior year.

12. LEASE COMMITMENTS

The organization's total obligations, under operating leases for occupied premises, exclusive of realty taxes and other occupancy charges, are as follows:

Contractual obligation repayment schedule:

2023	\$	48,000
2024		<u>48,000</u>
	\$	<u>96,000</u>
