NORTH AMERICAN MUSLIM FOUNDATION

Financial Statements

December 31, 2016

NORTH AMERICAN MUSLIM FOUNDATION

Year ended - December 31, 2016

CONTENTS

PARACHA Professional Corporation

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INDEPENDENT AUDITORS' REPORT

To the Members of
North American Muslim Foundation

I have audited the accompanying financial statements of North American Muslim Foundation, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes 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 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

My responsibility is to express an opinion of these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 organization'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 organization'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, North American Muslim Foundation derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amount recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and net assets.

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Opinion

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of North American Muslim Foundation as at December 31, 2016 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.

Paracha Professional Corporation
Licensed Public Accountant

Milton, Ontario
May 19, 2017

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

Statement of Financial Position
December 31, 2016

	NOTES	2016	2015
ASSETS			
CURRENT			
Cash		**$23,744**	$4,393
Prepaid Expenses		**-**	800
Harmonized Sales Tax Refundable		**53,198**	41,366
		$76,942	$46,559
PROPERTY AND EQUIPMENT	2	**4,298,903**	4,156,521
		$4,375,845	$4,203,080
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities		**36,122**	106,769
Qarz-e-Hasna		**60,000**	60,000
Government remittances payables		**6,476**	4,491
Obligation under capital leases - current portion	3	**5,036**	3,169
Long term debt - current portion	4	**112,674**	117,654
		220,308	292,083
LONG-TERM			
Obligation under Capital Leases	3	**13,283**	2,020
Long term debt	4	**2,598,593**	2,379,978
		2,611,876	2,381,998
		2,832,184	2,674,081
NET ASSETS			
Externally restricted for Fitra and Zakat	8	**-**	118
Unrestricted		**1,543,661**	1,528,881
		1,543,661	1,528,999
		$4,375,845	$4,203,080

Approved By:

Approved on behalf of the North American Muslim Foundation by:

Director: ______________________ Director: ______________________

see accompanying notes

North American Muslim Foundation

Statement of Operations

Year Ended - December 31, 2016

	2016	2015
REVENUES		
Donations	**$664,388**	$669,691
Fitra and Zakat income	**$36,673**	$29,152
Program fees	**291,259**	202,827
Grants	**55,314**	43,509
	$1,047,634	$945,179
EXPENSES		
Amortization	**102,651**	99,628
Payroll	**349,450**	263,463
Fundraising expenses	**83,290**	61,787
Office and general	**20,988**	19,114
Bank charges and borrowing cost	**88,268**	101,818
Insurance expenses	**11,358**	10,676
Professional fees	**28,771**	47,083
Repairs and maintenance	**19,276**	9,004
Programs	**166,869**	84,251
School Expenses	**112,561**	77,528
Telecommunications	**7,417**	5,783
Travel and Automtive	**5,975**	14,329
Utilities and Common Expenses	**36,098**	36,782
Total Expenses	**1,032,972**	831,246
Excess revenues over expenses for year	**$14,662**	$113,933

NorthAmericanMuslimFoundation

Statement of Cash Flows
Year Ended - December 31, 2016

	2016	2015
Cash Provided by (Used in):		
Operating activities		
Excess of revenues over expenses for year	**$14,662**	$113,933
Less: Non-cash item - Amortization	**102,651**	99,628
	117,313	213,404
Changes in non-cash operating working capital:		
Funds held in trust	**-**	10,221
Prepaid Expenses	**800**	-
Harmonized Sales Tax Refundable	**(11,832)**	(20,664)
Accounts Payable & Accrued Liabilities	**(70,647)**	86,172
Government Remittances Payables	**1,985**	(3,349)
Cash Provided from Operations	**37,619**	285,941
Investing Activities		
Purchase of Property, Plant and Equipment	**(245,033)**	(174,301)
Cash Used for Investing	**(245.033)**	(174,301)
Financing Activities		
Bank indebtedness	**-**	(53,132)
Qurze Hasna	**-**	60,000
Obligation under Capital Leases	**13,130**	(3,378)
Long - term debt	**213,635**	(113,619)
Cash Provided from (Used for) Financing	**226,765**	(110,129)
Increase in Cash	**19,351**	1,511
Cash - Beginning of Year	**4,393**	2,882
Cash - End of Year	**$23,744**	$4,393

see accompanying notes

North American Muslim Foundation

Statement of Changes in Net Assets

Year Ended - December 31, 2016

	Externally restricted for Fitra and Zakat (note 8)	Unrestricted	Total
Net Assets - Beginning of year	$118	$1,528,881	$1,528,999
Excess of revenues over expenses (expenses over revenues) for year	(118)	14,780	14,662
Net Assets - End of Year	-	$1,543,661	$1,543,661

Year Ended - December 31, 2015

	Externally restricted for Fitra and Zakat (note 8)	Unrestricted	Total
Net Assets - Beginning of year	$2,159	$1,412,907	$1,415,066
Excess of revenues over expenses (expenses over revenues) for year	(2,041)	115,974	113,933
Net Assets - End of Year	$118	$1,528,881	$1,528,999

see accompanying notes

NorthAmericanMuslimFoundation

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

STATUS AND PURPOSE OF ORGANIZATION

North American Muslim Foundation (referred to in these statements as the "Organization") is a not-for-profit corporation incorporated under the Canada Corporations Act on March 10, 1979 with the following objectives:

It is determined to help children become productive members of the global village by providing them with educational opportunities.

It strongly believes in promotion of self-sufficiency amongst the underprivileged; providing them with facilities to acquire knowledge and skills to enable them to lead respectable and successful lives.

It is devoted to sound management by being innovative in creating new ways to serve, striving always to improve its efficiency as a foundation and to deploy resources to maximum effect in eradicating illiteracy and poverty.

It is committed to formation of alliances with other community-based Organizations at the national and international levels, to facilitate the creation of an environment of mutual cooperation; an environment in which a visionary and a just leadership can emerge.

As a charity registered under the Income Tax Act, the Organization is not subject to income taxes and is authorized to issue tax receipts for donation received.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit Organizations, using the deferral method. The significant accounting policies are as follows:

(a) Revenue Recognition

Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions (donations, bequests and program fees) are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated materials are recorded at fair value at the time of receipt if fair value can be reasonably estimated and the material is used in the normal course of the Organization's operation.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Donated Services

Volunteers contribute time to assist the Organization in carrying out various activities. The value of contributed services is not recognized in the financial statement due to difficulty in determining their fair value.

(c) Property and Equipments

The costs of property and equipment are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. The cost of property and equipment comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Property and equipment is measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided for, upon commencement of the utilization of the assets, on a declining balance basis at rates designed to amortize the cost of property and equipments over their estimated useful lives. The annual amortization rates are as follows:

Building	4%
Computer equipment	30%
Computer under capital leases	30%
Furniture and equipment	20%

Property and equipment is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, then the amount of the impairment is quantified by comparing the carrying value of the property and equipment to its fair value. Any impairment of the property and equipment is charged to income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

(d) Qarz-e-hasana

Qarz-e-Hasna represents interest free unsecured loans from donors to support the activities of the organization. These loans are due on demand and are recorded as current liability.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments

(i) **Measurement of financial assets and liabilities**

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by transaction cost directly attributable to the instrument.

The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus, the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment

Financial asset measured at amortized cost include cash.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, obligation under capital leases, and long term debt.

ii) **Impairment**

At the end of each reporting period, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Organization, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Organization determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Organization identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and

- the amount that could be realized by selling the financial asset at the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

ii) **Impairment (Cont'd)**

Any impairment of the financial asset is charged to income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year the reversal occurs.

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit Organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results may differ from these estimates, the impact of which would be recorded in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Land	2,099,400	-	**2,099,400**	2,099,400
Building	2,742,502	625,712	**2,116,790**	1,981,429
Computer Equipment	62,550	56,858	**5,692**	8,132
Furniture and Equipment	181,692	120,447	**61,245**	63,313
Subtotal	$5,086,144	$803,017	**$4,283,127**	$4,152,274
Computer Under Capital lease	25,260	9,484	**15,776**	4,247
Total	$5,111,404	$812,501	**$4,298,903**	$4,156,521

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

3. OBLIGATIONS UNDER CAPITAL LEASES

Included in property and equipment are computer equipment under capital leases. The related obligations are as follow:

	2016	2015
Dell Financial Service lease bearing interest at 11.32% per annum, repayable in monthly blended payments, principal and interest, of $299.57. The lease matures in July 2017 and is secured by the specific asset with a purchase option of $1 at the end of lease	**2,020**	5,189
Dell Financial Service lease bearing interest at 6.69% per annum, repayable in monthly blended payments, principal and interest, of $334.56. The lease matures in September 2021 and is secured by the specific asset with a purchase option of $1 at the end of lease	**16,299**	-
	18,319	5,189
Less: Current Portion	**5,036**	3,169
	13,283	2,020

Principal repayment of obligations under capital leases due in each of the next five years are as follows:

2017	5,036
2018	3,224
2019	3,446
2020	3,684
2021	2,929

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

4. LONG TERM DEBT

	2016	2015
Mortgage bearing fixed interest at 2.60% (2015 - 3.76%) repayable in monthly blended payment of principal plus interest of $15,220.40 (2015 - $17,425.25) maturing Feb 12, 2021. The mortgage is secured by the land and building.	**2,758,294**	2,497,632
Less : Current Portion	**112,674**	117,654
	2,645,620	
Less: Transaction costs and financing fees	**(47,027)**	
	2,598,593	2,379,978

The aggregate amount of principal repayments required in each of the next five years is as follows:

2017	112,674
2018	115,621
2019	118,646
2020	121,749
2021	2,164,670

In 2016, the Organization renegotiated the terms of its long term debt to secure a better interest rate. The term of the loan is five years from the date of the advance to the Organization and is amortized over twenty years. The Organization incurred transaction costs and financing fees in the amount of $49,502 which is being amortized respectively.

Interest is compounded monthly on the amount outstanding at a rate of 2.6% per annum. Interest and principal are payable monthly until the expiration of the five year term at which time the balance is due and payable immediately.

Interest on long term debt for the year is $73,330 (2015 - $95,484). Amortization of transaction costs and financing fees for the year is $2,475 (2015- nil).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

5. CREDIT FACILITIES

In addition to the Long term debt (per note 4), the Organization has credit facilities available in the amount of $300,000. An operating loan facility (overdraft) in the amount of $250,000 bearing interest at the Toronto-Dominion Bank's prime rate plus 1.25%. VISA business cards are available to a combined limit of $50,000 at prevailing VISA account rates. Security for the facility is as follows:

(i) Continuing collateral mortgage representing a first charge on real property located at 4140 Finch Avenue East, Toronto, Ontario
(ii) General security agreement representing a first charge on NAMF present and after acquired personal property
(iii) Business insurance in the amount of $5 million
(ii) Assignment of fire insurance in the minimum amount of $4.1 million

Under the terms of the facility, the Organization must maintain a debt service coverage ratio of no less than 1.10:1.

6. COMMITMENTS AND CONTINGENCIES

(a) The Organization has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Organization.

The nature of the indemnity prevents the Organization from reasonably estimating the maximum exposure. The Organization has purchased directors' and officers' liability insurance with respect to this indemnification. Historically, the Organization has not made any payments under such or similar indemnification agreements. At this time, the Organization is not aware of any claims under these guarantees and, therefore, no amount has been accrued in the financial statements with respect to these guarantees.

7. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at the statement of financial position date.

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there 1is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Organization could incur a financial loss. The Organization does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposure of the Organization to credit risk is related to its cash balance of $23,744 (2015 - $4,393).

The Organization reduces its exposure to the credit risk of cash by maintaining balances with a Canadian financial institution.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due.

The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and financing activities.

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 is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The Organization is not exposed to currency risk.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

7. FINANCIAL INSTRUMENTS (Cont'd)

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Organization is exposed to interest rate risk on its cash, obligation under capital leases and long term debt.

The Organization does not use derivative financial instruments to manage its exposure to interest rate risk.

Other price risk

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

The company is not exposed to other price risk.

Changes in risk

There have been no significant changes in the Organization's risk exposures from the prior year.

8. NET ASSETS EXTERNALLY RESTRICTED FOR FITRA AND ZAKAT

The organization has externally restricted net assets for donations received as Zakat and Fitra. It is used to fund program expenses targeted to help the poor and cover administrative cost for such activities.