

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

FINANCIAL STATEMENTS
(Unaudited)

YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Board of Directors of Muslim Social Services Kitchener Waterloo

I have reviewed the statement of financial position of Muslim Social Services Kitchener Waterloo at December 31, 2020 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended.

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.

Practitioner's Responsibility

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagements, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements in a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

Basis for Qualified Opinion

In common with many non-profit organizations, Muslim Social Services Kitchener Waterloo derives revenue from donations and various fundraising activities the completeness of which is not susceptible of satisfactory review analysis. Accordingly, my analysis of these revenues was limited to the amounts recorded in the records of the Muslim Social Services Kitchener Waterloo and I was not able to

(continued)

(Independent Practitioner's Review Engagement Report – Continued)

determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenditures, assets and net assets.

Qualified Opinion

Based on my review, except for the effects of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of donations and fund raising revenue, as referred to in the preceding paragraph, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of Muslim Social Services Kitchener Waterloo as at December 31, 2020 in accordance with Canadian accounting standards for not-for-profit organizations.

R.A. Mirza Professional Corporation, CPA.

Mississauga, Ontario

June 2, 2021


Authorized to Practice Public Accounting by the

Chartered Professional Accountants of Ontario

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

STATEMENT OF FINANCIAL POSITION (Unaudited)

DECEMBER 31, 2020

	ASSETS	
	2020	2019
CURRENT ASSETS		
Cash	\$ 199,218	\$ 149,392
Harmonized sales tax recoverable	420	726
Prepaid expenses	<u>369</u>	<u>345</u>
	200,007	150,463
PROPERTY AND EQUIPMENT (note 2)	<u>349</u>	<u>122</u>
	<u>\$ 200,356</u>	<u>\$ 150,585</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 3)	\$ 4,393	\$ 3,742
Deferred grants (note 4)	<u>144,190</u>	<u>94,260</u>
	148,583	98,002
NET ASSETS	<u>51,773</u>	<u>52,583</u>
 _____, Director	<u>\$ 200,356</u>	<u>\$ 150,585</u>

The attached notes are an integral part of these financial statements.

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

STATEMENT OF REVENUE AND EXPENSES (Unaudited)

YEAR ENDED
DECEMBER 31, 2020

	2020	2019
REVENUE		
Grants	\$ 132,170	\$ 151,688
Social assistance	7,269	12,993
General donations	1,205	1,696
Other revenue	<u>10</u>	<u>120</u>
	<u>140,654</u>	<u>166,497</u>
EXPENSES		
Programs costs	49,453	42,052
Salaries and benefits - programs	49,020	75,965
Salaries and benefits - administration	20,214	4,502
Legal and professional fees	7,283	6,100
Social assistance	7,100	10,583
Occupancy costs	4,841	4,019
Insurance Expense	1,543	1,767
Fees and dues	791	583
Office and general expenses	568	1,178
Amortization of property and equipment	432	52
Bank charges	<u>219</u>	<u>151</u>
	<u>141,464</u>	<u>146,952</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		
FOR THE YEAR	<u>\$ (810)</u>	<u>\$ 19,545</u>

The attached notes are an integral part of these financial statements.

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

YEAR ENDED
DECEMBER 31, 2020

	2020	2019
NET ASSETS, BEGINNING OF YEAR	\$ 52,583	\$ 33,038
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	<u>(810)</u>	<u>19,545</u>
NET ASSETS, END OF YEAR	<u>\$ 51,773</u>	<u>\$ 52,583</u>

The attached notes are an integral part of these financial statements.

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

STATEMENT OF CASH FLOWS (Unaudited)

YEAR ENDED
DECEMBER 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	\$ (810)	\$ 19,545
Items not affecting cash		
Amortization of property and equipment	432	52
Net change in non-cash working capital components related to operations		
Decrease in grants receivable	-	45
Decrease (increase) in harmonized sales taxes recoverable	306	(194)
Increase in prepaid expenses	(24)	-
Increase in accounts payable and accrued liabilities	651	278
Increase (decrease) in deferred grants	<u>49,930</u>	<u>(14,343)</u>
	<u>50,485</u>	<u>5,383</u>
Acquisition of property and equipment	<u>(659)</u>	<u>-</u>
FINANCING ACTIVITIES		
(Decrease) increase amounts held in trust	<u>-</u>	<u>(45,000)</u>
INCREASE (DECREASE) IN CASH	49,826	(39,617)
CASH, BEGINNING OF YEAR	<u>149,392</u>	<u>189,009</u>
CASH, END OF YEAR	<u>\$ 199,218</u>	<u>\$ 149,392</u>

The attached notes are an integral part of these financial statements.

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

DECEMBER 31, 2020

NATURE OF BUSINESS

Muslim Social Services Kitchener-Waterloo (the "Charity") is a charitable organization and a registered charity under the Income Tax Act(Canada).The Charity's income is not taxable and the Charity is eligible to issue official income tax receipts for charitable donations. The Charity provides culturally and spiritually sensitive humanitarian and social services to the Muslims and non-Muslims communities of the Waterloo Region.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements present, in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook, the assets, liabilities, fund balances, revenue, expenses and cash flows of the Charity.

Significant accounting policies are summarized as follows:

(a) Cash and cash equivalents

The Charity considers deposits in bank and short term investments with a short maturity of approximately three months or less from the date of acquisitions and which are primarily held for for operating purposes as cash.

(b) Property and equipment

Purchased property and equipment are valued at cost. Contributed property and equipment are recorded at fair value at the date of contribution.

Amortization is calculated on the diminishing balance method at the following annual rates:

Computer equipment	30%
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(c) Revenue recognition

The Charity follows deferral method of accounting for its contributions.

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. External restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Core funding grants from government and other institutions are recorded as revenue as the services are rendered.

(d) Contributed goods and services

Contributed goods are recorded at fair market value at the date of contribution. The value of services provided by the Charity's many volunteers are not reflected in these financial statements due to difficulty in determining the fair value of the services.

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Unaudited)

(e) **Financial instruments**

Financial instruments are recorded at fair value on initial recognition and measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Charity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the company expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Financial assets measured at amortized cost on straight-line basis include cash.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities.

(f) **Impairment of property and equipment**

Property and equipment subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a writedown of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

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DECEMBER 31, 2020

(g) Impact of COVID-19 pandemic on the financial statements

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a global pandemic. Various programs were cancelled as a result of the order by the Government of Ontario (Ontario) to close all non-essential service businesses on April 4, 2020. Effective May 4, 2020, following an order by Ontario, events were either cancelled or changed to online format. At this stage, the impact on the Charity's business and result has not been significant and based on its experience to date, the Charity expects this to remain the case. The Charity continues to follow the various government policies and advice and, in a parallel, the Charity will do its utmost to continue its operations in the best and safest way possible without jeopardizing the health of its employees and patrons.

A further outbreak of COVID-19 is underway, and Ontario has issued an emergency order, effective from April 8, 2021, placing restrictions on businesses, including a stay home order for residents. The Charity is planning to go ahead with their normal activities; however, there can be no assurance that the Charity's ability to conduct the events and funders' ability to provide continued support to the Charity as being corporate members will not be impacted by the current circumstances. The Charity will continue to monitor the ongoing impacts or potential impacts of the COVID-19 outbreak on assets and liabilities. Uncertainty about assumptions and estimates related to these items could result in a material adjustment to the carrying value of the assets and liability affected.

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Adjustments are reported in earnings in the period in which they become known. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment and accrued liabilities. Actual results could differ from those estimates.

2. PROPERTY AND EQUIPMENT

	2020			2019
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 1,677	\$ 1,328	\$ 349	\$ 122
	<u>\$ 1,677</u>	<u>\$ 1,328</u>	<u>\$ 349</u>	<u>\$ 122</u>

Amortization expense for the year amounted to \$432 (2019 - \$52).

MUSLIM SOCIAL SERVICES KITCHENER WATERLOO

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

DECEMBER 31, 2020

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include payroll taxes in the amount of \$1,237 (2019 - \$924).

4. DEFERRED GRANTS

	2020	2019
Deferred Grants, beginning of year	\$ 94,260	\$ 108,603
Grants received during the year	<u>144,190</u>	<u>137,345</u>
	238,450	245,948
Amount recognized in grants revenue during the year	<u>94,260</u>	<u>151,688</u>
Deferred grant, end of year	<u>\$ 144,190</u>	<u>\$ 94,260</u>

Lyle S. Hallman Foundation approved total grant of \$214,654 for the Charity in 2018. The purpose of the grant is to organize programs for newcomers & refugees' children ages 6 and under. This program will assist newcomers in adjusting to the Canadian society, connecting with peers, and becoming active participants in the community. The grant will be provided in three installments over three years period, first installment of \$84,602 was received in November of 2018, second installment of \$94,260 was received in December of 2019 and the last installment of \$35,791 was received in December of 2020. The unspent grant of \$35,791 has been deferred and will be recognized as revenue as the related programs are delivered in the next fiscal year.

Also included in the deferred grants is unrestricted emergency grant of \$108,399 received from Lyle S. Hallman Foundation during 2020. None of this grant money was spent during the year. The unspent grant has been deferred and will be recognized as revenue in 2021.

5. FINANCIAL INSTRUMENTS

Risks and concentration of risk

The Charity is exposed to various risks through its financial instruments. The Charity's risk exposure and concentrations as at December 31, 2020 are as follows:

Credit risk

Credit risk is the risk that one party to financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Charity is not exposed to any significant credit risk. There has been no change in the risk assessment from 2019.

Liquidity risk

Liquidity risk is the risk that the Charity will encounter difficulty in meeting its obligations associated with financial liabilities. The Charity is exposed to risk mainly in respect of its accounts payable. There has been no change in the risk assessment from 2019.

Market Risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Charity is not exposed to any significant currency risk. There has been no change in the risk assessment from 2019.

Interest rate risk

Interest rate risk is the risk that the Charity's future cash flows associated with its financial instruments, will fluctuate with the changes in the market rate of interest. The Charity is not exposed to any significant interest rate risks since it does not use interest bearing financial instruments. There has been no change in the risk assessment from 2019.

Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments 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 factor affecting all similar financial instruments traded in the market. The company is not exposed to other price risk. There has been no change in the risk assessment from 2019.