

National Zakat Foundation
Financial Statements
December 31, 2023

National Zakat Foundation
Contents

For the year ended December 31, 2023

	Page
Independent Auditor's Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations and Changes in Net Assets.....	2
Statement of Cash Flows.....	3
Notes to the Financial Statements	4
Schedules	
Schedule 1 - Schedule of Revenue.....	9
Schedule 2 - Schedule of Charitable Expenses.....	10
Schedule 3 - Schedule of Administrative and Fundraising Costs	11

To the Members of the Board of National Zakat Foundation:

Qualified Opinion

We have audited the financial statements of National Zakat Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and 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 our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2023 and 2022; current assets and net assets as at December 31, 2023 and 2022, and opening net assets as at January 1, 2022.

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

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 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.

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation 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.

We 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 we identify during our audit.

Mississauga, Ontario

June 24, 2024

MNP LLP



Chartered Professional Accountants

Licensed Public Accountants

National Zakat Foundation

Statement of Financial Position

As at December 31, 2023

	2023	2022
Assets		
Current		
Cash	1,813,677	5,077,083
Accounts receivable (Note 3)	128,780	231,032
Prepaid expenses and other assets (Note 4)	115,392	154,926
	2,057,849	5,463,041
Capital assets (Note 5)	2,484,838	198,120
	4,542,687	5,661,161
Liabilities		
Current		
Accounts payable and accrued liabilities	331,898	302,906
Deferred contributions (Note 6)	317,672	653,218
	649,570	956,124
Deferred contribution related to capital assets	125,000	-
	774,570	956,124
Net Assets	3,768,117	4,705,037
	4,542,687	5,661,161
Approved on behalf of the Board		
 e-Signed by Qazi Karim 2024-06-24 22:53:25:25 GMT	 e-Signed by Alaa Jaradat 2024-06-24 17:24:51:51 GMT	
President	Treasurer	

The accompanying notes are an integral part of these financial statements

National Zakat Foundation

Statement of Operations and Changes in Net Assets

For the year ended December 31, 2023

	2023	2022
Revenue		
Nisa Homes revenue (Schedule 1)	4,893,403	4,383,336
NZF programs (Schedule 1)	5,037,543	4,275,676
Other revenue	-	136,826
	9,930,946	8,795,838
Expenses		
NISA Homes charitable expenses (Note 8) (Schedule 2)	4,779,708	3,045,838
Zakat charitable expenses (Schedule 2)	4,582,130	4,236,503
Administrative costs (Schedule 3)	384,230	240,095
Fundraising costs (Schedule 3)	1,121,798	764,857
Qualified donees	-	28,250
	10,867,866	8,315,543
(Deficiency) excess of revenue over expenses	(936,920)	480,295
Net assets, beginning of year	4,705,037	4,224,742
Net assets, end of year	3,768,117	4,705,037

The accompanying notes are an integral part of these financial statements

National Zakat Foundation

Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
Cash provided by (used for) the following activities		
Operating		
(Deficiency) excess of revenue over expenses	(936,920)	480,295
Amortization	97,281	25,873
	(839,639)	506,168
Changes in working capital accounts		
Accounts receivable	102,252	(74,674)
Prepaid expenses and other assets	39,534	(16,853)
Accounts payable and accrued liabilities	28,991	23,894
Deferred contributions	(335,546)	454,422
	(1,004,408)	892,957
Financing		
Receipt of contribution restricted for capital assets	125,000	-
Investing		
Purchase of capital assets	(2,383,998)	(57,232)
(Decrease) increase in cash	(3,263,406)	835,725
Cash, beginning of year	5,077,083	4,241,358
Cash, end of year	1,813,677	5,077,083

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

National Zakat Foundation (the "Foundation") was incorporated on August 22, 2014 under the Canada Corporations Act as a corporation without share capital. The Foundation is exempt from income taxes under section 149(1)(f) of the Income Tax Act.

On March 8, 2017, the Foundation was granted a registered charity status by the Canada Revenue Agency (CRA).

The Foundation is a groundbreaking initiative which aims to utilize Zakat funds collected in Canada in order to provide a lifeline for local, deserving recipients. This group consists of some of the most vulnerable members of the Muslim community, including new converts, widows, orphans, refugees, the elderly and the homeless.

In addition to the distribution of Zakat Funds, the Foundation provides funding to Nisa Homes, which is a transitional home for Muslim women and children. During the year, the Foundation commenced transferring operation of the Nisa Homes program to Nisa Foundation, as discussed further in Note 8.

The mission of the Foundation is to strengthen and enhance the Canadian Muslim community's engagement with Zakat and to improve its impact on the most vulnerable members of the Muslim community nationwide.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions which includes grants and donations. 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. Endowment contributions are recognized as direct increases in net assets.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

In some cases, the Foundation receives services provided by volunteers. Due to the difficulty in determining a fair value for these services, the contributions are not recognized in the financial statements.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition if fair value can be reasonably determined.

Amortization is provided using the following method and rates intended to amortize the cost of assets over their estimated useful lives. Amortization commences when an asset is available for use. Properties under renovation are not amortized until the property is available for use.

	Method	Rate
Windsor NISA Home	declining balance	4 %
Computer equipment	straight-line	3 years
Computer software	straight-line	3 years

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Foundation recognizes financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Foundation may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Foundation has not made such an election during the year.

All financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Foundation assesses impairment of all its financial assets measured at cost or amortized cost. The Foundation groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; and no asset is individually significant. Management considers whether the issuer is having significant financial difficulty and whether there has been a breach in contract, such as a default or delinquency in interest or principal payments; in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment that is not considered temporary, is included in current year excess of revenues over expenses.

The Foundation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenues over expenses in the year the reversal occurs.

Allocation of expenses

The Foundation engages in Nisa Homes and Zakat charitable programs. The costs of each program include expenses that are directly related to providing the program. The Foundation also incurs a number of general support expenses that are common to the administration of the Foundation and each of its programs.

The Foundation allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. Marketing and general support expenses are allocated on the following bases:

Office rent	Shared equally
Finance; human resources; information technology; marketing and fund development; and general management and administration	Based on the estimated staff time supporting each function

National Zakat Foundation
Notes to the Financial Statements
For the year ended December 31, 2023

2. Significant accounting policies (Continued from previous page)

Measurement uncertainty (use of estimates)

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

3. Accounts receivable

	2023	2022
Other receivable	71,040	103,429
Sales taxes recoverable	57,740	127,603
	128,780	231,032

4. Prepaid expenses and other assets

	2023	2022
Gift cards for distribution	60,576	88,173
Prepaid rent and deposit	33,228	51,668
Prepaid insurance	12,748	10,013
Other prepaid expenses	8,840	5,072
	115,392	154,926

5. Capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Windsor NISA Home	149,099	37,059	112,040	116,709
Computer equipment	71,144	71,144	-	52,618
Computer software	68,240	51,740	16,500	28,793
Properties under renovation	2,356,298	-	2,356,298	-
	2,644,781	159,943	2,484,838	198,120

Amortization of capital assets expensed during the year is \$97,281 (2022 (\$25,873). Properties under renovation were not available for use during the year and no amortization of these assets have been recorded.

National Zakat Foundation
Notes to the Financial Statements
For the year ended December 31, 2023

6. Deferred contributions

Deferred contributions consist of unspent grant contributions externally restricted for projects or expenditures that are to be provided in future years. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2023	2022
Balance, beginning of year	653,218	198,796
Amount received during the year	1,130,872	2,059,095
Less: Amount recognized as revenue during the year	(1,466,418)	(1,599,674)
Less: Repayment of unused grants during the year	-	(4,999)
	317,672	653,218

Amount recognized as revenue during the year consists of \$751,124 (2022 - \$1,269,322) in government grants and \$715,294 (2022 - \$330,352) in grants provided by other charitable organizations.

7. Allocation of expenses

The costs incurred by support services are allocated to the Organizations charitable functions. The nature of the costs include staff, supplies, rent, amortization, financial processing and other general costs. The departmental costs being allocated as support services in NISA Homes and NZF programs are as follows:

	2023	2022
General management and administration	288,957	264,684
Finance	142,706	56,005
Human resources	200,578	140,615
Information technology	278,932	194,768
Marketing and fund development	371,021	198,773
	1,282,194	854,845

8. Nisa Homes

On June 30, 2023, the Foundation and Nisa Foundation ("Nisa") signed a Memorandum of Understanding ("MOU") regarding the transfer of the Nisa Homes program (the "Program"), along with its assets, liabilities, and related resources. The transition period for this transfer spans from January 1, 2023, to September 1, 2024. The Foundation has committed to supporting the Nisa in managing project operations during this transition. As of December 31, 2023, the process of Nisa assuming operational responsibilities for 7 out of the 10 homes had begun, with plans to fully transfer full operations for all homes by the conclusion of the upcoming fiscal year.

As part of the transition, the Foundation contributed \$750,000 to Nisa. The contribution is included in Nisa Homes charitable expenses for the year.

9. Commitments

The Foundation has entered into various lease agreements for its head office space and NISA Home location with estimated minimum annual payments as follows:

2024	160,680
2025	40,800
2026	13,600
	<hr/>
	215,080

Under the memorandum of understanding with Nisa, the Foundation has committed to completing the transfer of the Nisa Homes program by September 2024 and supporting the program operations during the transition.

10. Financial instruments

The Foundation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Foundation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Foreign currency risk

The Foundation is exposed to currency fluctuations between the Canadian and U.S. dollar as certain amounts of cash are denominated in U.S. dollars. As at December 31, 2023, the cash denominated in U.S. dollars is \$111,328 (2022 - \$105,478).

National Zakat Foundation
Schedule 1 - Schedule of Revenue
For the year ended December 31, 2023

	2023	2022
NISA Homes		
Zakat revenue	2,072,937	1,670,122
Grants	977,490	1,375,980
Sadaqah	816,016	611,297
City specific revenue	687,108	525,870
Other income	303,833	161,398
In-kind donations	36,019	38,669
	4,893,403	4,383,336
NZF Programs		
Zakat revenue	4,031,664	3,365,832
In-kind donations	104,042	352,444
Sadaqah	209,122	213,805
Food program	200,464	188,207
Grants	76,364	93,395
Other income	43,650	61,993
Special project	372,237	-
	5,037,543	4,275,676

National Zakat Foundation
Schedule 2 - Schedule of Charitable Expenses
For the year ended December 31, 2023

	2023	2022
NISA Homes		
National	820,912	421,251
Calgary	315,496	312,261
Edmonton	241,843	232,612
Halifax	108,717	47,165
Hamilton	300,471	67,493
Mississauga	291,446	249,202
Montreal	173,041	260,342
Ottawa	194,689	214,517
Scarborough	243,642	254,387
Vancouver	300,490	244,534
Windsor	163,579	154,878
Support services	862,813	587,196
Qualified disbursements (Note 8.)	762,569	-
	4,779,708	3,045,838
NZF Programs		
Zakat	2,359,439	2,427,150
Food program	1,353,538	1,408,908
Other	79,668	132,795
Support services	419,380	267,649
Special project	370,105	-
	4,582,130	4,236,502

National Zakat Foundation

Schedule 3 - Schedule of Administrative and Fundraising Costs

For the year ended December 31, 2023

	2023	2022
Administrative costs		
Fund development	116,987	109,498
Head office	139,341	62,179
Finance	62,983	29,559
IT	39,847	27,824
Human resource	25,072	11,035
	384,230	240,095
Fundraising costs		
Fund development	767,187	488,349
Transaction costs	166,839	127,577
Head office	83,005	82,247
IT	79,695	55,648
Human resource	25,072	11,036
	1,121,798	764,857