Financial Statements

MUSLIM SOCIAL SERVICES OF WATERLOO REGION

December 31, 2025

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December 31, 2025

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SRCO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Muslim Social Services of Waterloo Region

Qualified Opinion

We have audited the financial statements of Muslim Social Services of Waterloo Region (the "Organization"), which comprise the statement of financial position as at December 31, 2025, 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 possible 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 Organization as at December 31, 2025, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenditures, and cash flows from operations for the years ended December 31, 2025, and 2024, current assets as at December 31, 2025, and 2024, and net assets as at January 1 and December 31 for both the 2025 and 2024 years. Our audit opinion on the financial statements for the year ended December 31, 2024, was modified accordingly because of the possible effects of this scope limitation.

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 Organization 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 audit 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 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.

(continues)

Independent Auditor's Report to the Board of Directors of Muslim Social Services of Waterloo Region *(continued)*

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 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 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 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.

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.

SRCO Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Richmond Hill, Ontario
June 9, 2026

MUSLIM SOCIAL SERVICES OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

	2025 $	2024 $
ASSETS		
CURRENT		
Cash	**427,987**	1,076,514
Investments *[Note 3]*	**720,451**	—
Harmonized sales tax recoverable	**16,323**	9,039
Prepaid expenses	**2,222**	3,889
	1,166,983	1,089,442
Investments *[Note 3]*	**204,469**	—
Capital assets *[Note 4]*	**4,772**	6,817
Credit union shares - cost	**25**	25
	1,376,249	1,096,284
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	**21,778**	16,633
Government remittances payable	**9,766**	6,584
Deferred contributions *[Note 5]*	**259,258**	246,833
Current portion of deferred capital contributions *[Note 6]*	**2,250**	1,589
	293,052	271,639
DEFERRED CAPITAL CONTRIBUTIONS *[Note 6]*	**5,248**	3,708
	298,300	275,347
Net assets		
Unrestricted	**448,231**	691,219
Internally restricted reserve fund *[Note 7]*	**129,718**	129,718
Internally restricted community hub reserve fund *[Note 8]*	**500,000**	—
	1,077,949	820,937
	1,376,249	1,096,284

Commitment *[Note 11]*

See accompanying notes

On behalf of the Board

____________________________ Director

QadirA
SIGNED
2026.06.09
____________________________ Director

MUSLIM SOCIAL SERVICES OF WATERLOO REGION

STATEMENT OF OPERATIONS

Year ended December 31, 2025

	2025 $	2024 $
REVENUE		
Operating grants *[Note 5]*	**526,111**	709,595
Other services	**169,972**	22,577
Social assistance	**38,383**	9,000
Donations *[Note 9]*	**27,877**	43,445
Interest income	**25,488**	1,311
Counselling	**7,053**	27,290
Amortization of deferred capital contribution *[Note 6]*	**3,214**	2,270
	798,098	815,488
EXPENDITURES		
Salaries and benefits	**401,021**	267,856
Program cost	**98,212**	55,591
Legal and professional fees	**13,771**	20,401
Occupancy costs	**13,704**	15,008
Office and general expenses	**7,529**	13,428
Insurance	**3,777**	2,134
Amortization	**2,045**	2,922
Bank charges	**1,027**	2,402
	541,086	379,742
Excess of revenue over expenditures	**257,012**	435,746

See accompanying notes

MUSLIM SOCIAL SERVICES OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2025

	Unrestricted fund	Internally restricted reserve fund *[Note 7]*	Internally restricted community hub reserve fund *[Note 8]*	**2025**	**2024**
	$	$	$	**$**	**$**
NET ASSETS - BEGINNING OF YEAR	691,219	129,718	—	**820,937**	385,191
Excess of revenue over expenditures	257,012	—	—	**257,012**	435,746
Transfer *[Note 8]*	(500,000)	—	500,000	**—**	—
NET ASSETS - END OF YEAR	448,231	129,718	500,000	**1,077,949**	820,937

See accompanying notes

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MUSLIM SOCIAL SERVICES OF WATERLOO REGION

STATEMENT OF CASH FLOWS

Year ended December 31, 2025

	2025 $	2024 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**257,012**	435,746
Item not affecting cash:		
Amortization	**2,045**	2,922
	259,057	438,668
Change in non-cash working capital items		
Accounts receivable	**—**	7,060
Harmonized sales tax recoverable	**(7,284)**	(6,374)
Prepaid expenses	**1,667**	(3,889)
Accounts payable and accrued liabilities	**5,145**	396
Deferred contributions	**12,425**	(148,332)
Government remittances payable	**3,182**	1,404
Deferred capital contributions	**2,201**	5,297
Cash provided by operating activities	**276,393**	294,230
INVESTING ACTIVITIES		
Purchase of capital assets	**—**	(7,569)
Acquisition of investments	**(924,920)**	—
Cash used in investing activities	**(924,920)**	(7,569)
CHANGE IN CASH	**(648,527)**	286,661
CASH - BEGINNING OF YEAR	**1,076,514**	789,853
CASH - END OF YEAR	**427,987**	1,076,514

See accompanying notes

MUSLIM SOCIAL SERVICES OF WATERLOO REGION

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

1. PURPOSE OF THE ORGANIZATION

Muslim Social Services of Waterloo Region (the "Organization") is a not-for-profit organization incorporated under the laws of Ontario on October 19, 2021.

The Organization operates to provide culturally and spiritually sensitive humanitarian and social services to the Muslims and non-Muslims communities of the Waterloo Region.

The Organization is a registered Canadian charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook - Accounting* to present the assets, liabilities, net assets, revenue, expenses and cash flows of the Organization.

Revenue recognition

The Organization follows the deferral method of accounting for 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. Unrestricted donations are recognized as revenue when received since pledges are not legally enforceable claims. Externally restricted contributions are recognized as revenue in the period that the related expenses are incurred.

Counselling, other services, and social assistance are recognized once the services are provided and collection is reasonably assured. Other services consist of summer camp fees. Interest income is recognized in the period in which it is earned.

Deferred capital contributions

Capital contributions for the purpose of acquiring depreciable capital assets are deferred and amortized on the same basis, and over the same periods, as the related capital assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

The Organization’s policy is to present bank balances under cash.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives using the declining balance method at the following rate:

Computer equipment	30% declining balance

Impairment of long-lived assets

The Organization reviews long-lived assets such as capital assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Contributed materials and services

Contributions of materials are recognized at fair market value only to the extent that they would normally be purchased and the fair value can be reasonably estimated. Contributions of services are not recognized in these financial statements.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value.

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

Financial assets measured at cost or amortized cost include cash and investments.

Financial liabilities measured at cost or amortized cost includes accounts payable and accrued liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial instruments

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

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 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 reporting period. Management reviews these estimates periodically and includes useful lives of capital assets and accruals. As adjustments become necessary, they are reported in the period that they become known. Actual results may vary from the current estimates.

Net assets

a) Unrestricted net assets comprise the cumulative excess of revenues over expenses accumulated by the Organization, net of transfers to and from internally restricted funds, and are available for general operating purposes at the discretion of the Organization.

b) Internally restricted reserve funds represent amounts designated by the Board of Directors for specific purposes. These amounts are not externally restricted and may be amended or removed at the discretion of the Board of Directors.

c) The Organization maintains an internally restricted community hub reserve fund established by the Board of Directors to support long-term sustainability and planning for the development of a permanent community hub that provides culturally responsive services to the community. The reserve is funded from unrestricted operating surpluses and may only be utilized for purposes authorized by the Board of Directors.

3. INVESTMENTS

The Organization invested in guaranteed investment certificates with annual interest ranging from 2.65% to 3.9% per annum and maturing from March 5, 2026 to May 12, 2027. Interest income from these investments is unrestricted and is used to support program operations.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
	$	$	$	$
Computer equipment	12,895	8,123	**4,772**	6,817

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent externally restricted funding received for expenses in subsequent periods. These amounts relate to funding extending into 2026, of which a portion was utilized in 2025, and the remaining balance will be used in future periods to support activities and programs in accordance with the funder agreements.

	2025	2024
	$	$
Grants:		
The Regional Municipality of Waterloo	**112,751**	106,480
Family and Children's Services of the Regional Municipality of Waterloo Foundation	**33,709**	—
Bell Let's Talk	**25,000**	—
Waterloo Region Community Foundation	**23,336**	26,533
Canadian Tire Jumpstart Charities	**19,131**	—
Astley Family Foundation	**15,560**	67,473
Kindred Foundation	**13,262**	—
The Corporation of the City of Kitchener	**10,437**	3,373
Ontario Seniors Community Grant Program	**3,572**	19,480
Cambridge Community Connections	**2,500**	—
Co-operators Community Funds	**—**	20,000
Ontario Trillium Foundation	**—**	3,494
	259,258	246,833

5. DEFERRED CONTRIBUTIONS (continued)

Changes in the deferred revenues balance are as follows:

	2025 $	2024 $
Balance - beginning of year	**246,833**	395,165
Add: Contributions received during the year	**538,536**	561,263
Less: Contributions recognized as revenue in the year	**(526,111)**	(709,595)
	259,258	246,833

These contributions are subject to fulfillment of certain conditions and commitments and eligibility criteria either explicitly or by implicit restrictions in the agreement.

Sources of operating grants comprise the following:

	2025 $	2024 $
Municipal government funding	**227,783**	89,373
Foundations	**192,529**	449,998
Provincial government funding	**60,578**	134,946
Corporate	**24,837**	14,813
Federal government funding	**20,384**	20,465
	526,111	709,595

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions relates to the unamortized portions of restricted contributions that were used to purchase computer equipment:

	2025 $	2024 $
Balance - beginning of year	**5,297**	—
Add: Funds received for capital expenditures	**5,415**	7,567
Less: Amount amortized to revenue	**(3,214)**	(2,270)
Deferred capital contributions, end of year	**7,498**	5,297
Less: current portion	**(2,250)**	(1,589)
Deferred capital contributions, end of year	**5,248**	3,708

7. INTERNALLY RESTRICTED RESERVE FUND

During the year ended December 31, 2024, the Board of Directors (the "Board") established an internally restricted reserve fund supported by unrestricted operating surpluses held in cash. The purpose of the fund is to support the Organization's future day-to-day operations and to limit unforeseen cash flow difficulties. During the year ended December 31, 2025, the Board approved a transfer of $nil (2024 - $129,718) from the unrestricted fund. The balance of the internally restricted reserve fund as at December 31, 2025 is $129,718 (2024 - $129,718).

8. INTERNALLY RESTRICTED COMMUNITY HUB RESERVE FUND

During the year ended December 31, 2025, the Board of Directors approved the establishment of an internally restricted reserve fund designated as the Community Hub Reserve Fund in the amount of $500,000. This reserve has been internally designated by the Board of Directors to support the long-term sustainability and planning for the development of a permanent community hub that will provide culturally responsive services to the community, including counselling services, community programs, and other support services aligned with the Organization’s mission and strategic objectives.

The Community Hub Reserve Fund is funded from unrestricted operating surpluses and represents an internal appropriation of net assets by the Board of Directors. The reserve is supported by guaranteed investment certificates held by the Organization and is not available for general operating purposes. As the restriction is internally imposed, the Board retains the authority to amend or remove the designation at its discretion. Amounts may only be utilized for purposes authorized by the Board of Directors.

During the year, the Board of Directors approved the transfer of $500,000 (2024 – $nil) from the unrestricted fund to the internally restricted community hub reserve fund. The balance of the Community Hub Reserve Fund as at December 31, 2025 was $500,000 (2024 – $nil).

9. DONATIONS

The Organization receives donations and contributions from the following sources:

	2025	**2024**
	$	**$**
Foundations	**2,058**	7,941
Individual donations	**25,819**	35,504
	27,877	43,445

10. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. Unless otherwise noted, there was no significant change in exposure to risks from the prior year. The following analysis provides a measure of the Organization’s risk exposure at the balance sheet date, December 31, 2025:

Credit Risk

Credit risk is the risk of a loss if counterparty to a financial instrument fails to meet its contractual obligations. The Organization is exposed to credit risk primarily from its cash balances and investments. The Organization manages its risk from cash balances and investments by maintaining its accounts with credit worthy financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with the settlement of its financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Organization manages its risk by regularly monitoring its cash flow requirements.

Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument might be adversely affected by a change in the interest rates. The Organization is primarily exposed to interest rate risk in respect of its fixed-rate guaranteed investment certificates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and investing activities.

11. COMMITMENT

The Organization entered into an operating lease agreement with Camino Wellbeing + Mental Health for rental of premises for a two years term commencing July 1, 2025 and expiring June 30, 2027. Future minimum lease payments over the remaining lease term are as follows:

	$
2026	14,079
2027	7,141

12. CAPITAL MANAGEMENT

In managing capital, the Organization focuses on liquid resources available for operations. The Organization’s objective is to have sufficient liquid resources to continue operating despite adverse financial events. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2025, the Organization has met its objective of having sufficient liquid resources to meet its current obligations.

13. ECONOMIC DEPENDENCE

The Organization is dependent on government and foundation fundings to sustain its operations. The Organization's continuing operations are dependent on the continuance of these grants. Program grants are assessed by these funders for renewal annually and although the Organization applies for grants, past approval does not guarantee future grant renewals.

14. COMPARATIVE FIGURES

Certain figures for 2024 have been reclassified to conform to the presentation adopted in 2025.