

**Islamic Relief- IR Canada**  
**Financial Statements**  
For the year ended December 31, 2019

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For the year ended December 31, 2019

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## Independent Auditor's Report

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### To the Directors of Islamic Relief- IR Canada

#### Qualified Opinion

We have audited the accompanying financial statements of Islamic Relief- IR Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of revenue 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 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, 2019, and its results of 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 cash 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 cash donation revenue, excess (deficiency) of revenues over expenditures, and cash flows from operating activities for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 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.

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**

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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Burlington, Ontario  
September 13, 2020

**Islamic Relief- IR Canada**  
**Statement of Financial Position**

**December 31** **2019** **2018**

**Assets**

**Current**

Cash	<b>\$ 11,733,348</b>	\$ 13,480,595
Prepaid expenses and other receivables	<b>338,052</b>	512,227
	<b>12,071,400</b>	13,992,822

Long-term investments (Notes 2 and 3)	<b>1,908,426</b>	1,685,691
Capital assets (Note 4)	<b>1,076,621</b>	1,072,456

**\$ 15,056,447** **\$ 16,750,969**

**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities (Note 5)	<b>\$ 2,108,458</b>	\$ 1,225,761
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**Net Assets**

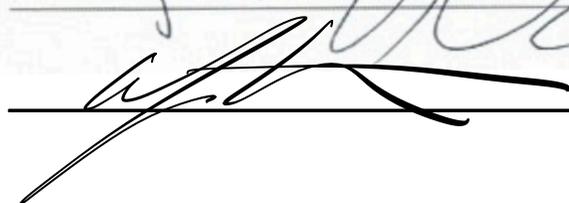
Endowment fund	<b>889,495</b>	878,852
Investment in capital assets	<b>1,076,621</b>	1,072,456
Unrestricted fund	<b>4,550,518</b>	2,659,694
Restricted fund	<b>6,431,355</b>	10,914,206

**12,947,989** 15,525,208

**\$ 15,056,447** **\$ 16,750,969**

On behalf of the Board:

Dr. Hany Soliman  Director

 Director

## Islamic Relief- IR Canada Statement of Revenue and Expenditures

For the year ended December 31

	Endowment	Investment in Capital Assets	Unrestricted	Restricted	2019 Total	2018 Total
<b>Revenue</b>						
Donations from the public	\$ 8,294	\$ -	\$ 3,102,682	\$ 32,480,143	\$ 35,591,119	\$ 32,559,201
Donations from Canadian registered charities	4,000	-	764,630	2,832,569	3,601,199	2,039,673
Gift in kind donations (Note 1)	-	-	47,789	24,993,546	25,041,335	24,189,337
Government grants	-	-	-	1,000,000	1,000,000	4,007,789
Other revenue	-	-	229,671	153,828	383,499	129,191
	<b>12,294</b>	<b>-</b>	<b>4,144,772</b>	<b>61,460,086</b>	<b>65,617,152</b>	<b>62,925,191</b>
<b>Expenditures</b>						
Charitable programs (Note 1)	114	-	810,131	59,838,279	60,648,524	50,109,842
Support						
Fundraising	974	-	1,252,958	4,429,919	5,683,851	4,517,866
Administration	-	123,552	1,733,085	5,359	1,861,996	1,548,482
Administrative expense allocation (Note 6)	563	-	(1,669,943)	1,669,380	-	-
	<b>1,651</b>	<b>123,552</b>	<b>2,126,231</b>	<b>65,942,937</b>	<b>68,194,371</b>	<b>56,176,190</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>\$ 10,643</b>	<b>\$ (123,552)</b>	<b>\$ 2,018,541</b>	<b>\$ (4,482,851)</b>	<b>\$ (2,577,219)</b>	<b>\$ 6,749,001</b>

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

## Islamic Relief- IR Canada Statement of Changes in Net Assets

For the year ended December 31

	Endowment	Investment in Capital Assets	Unrestricted	Restricted	2019 Total	2018 Total
<b>Net assets, beginning of year</b>	\$ 878,852	\$ 1,072,456	\$ 2,659,694	\$ 10,914,206	\$ 15,525,208	\$ 8,776,207
<b>Excess (deficiency) of revenue over expenditures</b>	10,643	(123,553)	2,018,542	(4,482,851)	(2,577,219)	6,749,001
<b>Amounts invested in capital assets</b>	-	127,718	(127,718)	-	-	-
<b>Net assets, end of year</b>	\$ 889,495	\$ 1,076,621	\$ 4,550,518	\$ 6,431,355	\$ 12,947,989	\$ 15,525,208

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

## Islamic Relief- IR Canada Statement of Cash Flows

For the year ended December 31	2019	2018
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenditures	<b>\$(2,577,219)</b>	\$ 6,749,001
Adjustments to reconcile excess (deficiency) of revenue over expenditures to net cash provided by (used in) operating activities		
Amortization of capital assets	<b>123,553</b>	94,057
Contributed investments	<b>(47,790)</b>	(1,043,810)
Unrealized (gain) loss on investments	<b>(174,945)</b>	65,577
Loss on disposal of capital assets	-	1,125
Changes in non-cash working capital balances		
Prepaid expenses and other receivables	<b>174,175</b>	(307,664)
Accounts payable and accrued liabilities	<b>882,697</b>	435,095
	<b>(1,619,529)</b>	5,993,381
<b>Cash flows from investing activity</b>		
Purchase of capital assets	<b>(127,718)</b>	(186,964)
	<b>(1,747,247)</b>	5,806,417
<b>Increase (decrease) in cash during the year</b>	<b>(1,747,247)</b>	5,806,417
<b>Cash, beginning of year</b>	<b>13,480,595</b>	7,674,178
<b>Cash, end of year</b>	<b>\$11,733,348</b>	\$13,480,595

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

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# Islamic Relief- IR Canada

## Notes to Financial Statements

**December 31, 2019**

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### 1. Significant Accounting Policies

#### Description and Purpose of the Organization

Islamic Relief - IR Canada ("Islamic Relief Canada" or "IRC" or the "Organization") is a relief, development and advocacy organization dedicated to working with children, families and communities to overcome poverty and injustice.

Islamic Relief Canada is a charitable organization, inspired by Islamic values and motivated by compassion and empathy, that conducts programs to alleviate hunger, poverty, and suffering among people worldwide regardless of religion, race, gender, or ethnicity. IRC works independently and in partnership with Islamic Relief Worldwide ("IRW") and other local and international partners to fund ongoing programs for:

- Emergency relief, delivering food, medicine, and shelter to the victims of human made and natural disasters;
- Development in the areas of water and sanitation, income generation, nutrition and health, and fighting hunger, poverty, and disease;
- General funding for the needs of orphans and one-to-one orphan sponsorship;
- Feeding needy people and reducing poverty; and
- Enabling Muslim donors to make their obligatory and voluntary donations in accordance with their faith (such as Zakat, Qurbani, Zakat-ul-Fitr, Sadaqa, Aqiqa, Kiffara, Fidya, etc.).

IRC was incorporated by Letters Patent in August 2005. The Organization initiated active operations in December 2007. The Organization commenced its first charitable programs in 2008, using the funds it generated from its first fundraising event in December 2007.

Islamic Relief Worldwide is an international affiliation with offices in more than 30 countries ("IRW entities"). IRW assists the Organization by facilitating the coordination, implementation and monitoring of certain overseas programs to ensure that goods and projects funded by Islamic Relief donors are used directly to benefit the people in need.

IRC is a registered charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes under Registration Number 821-896-875-RR0001.

#### Basis of Presentation

The financial statements of Islamic Relief Canada have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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# Islamic Relief- IR Canada

## Notes to Financial Statements

**December 31, 2019**

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### 1. Significant Accounting Policies (Continued)

#### **Revenue Recognition**

The Organization follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue of the unrestricted fund when the contributions are received or become receivable, if collection of the amount to be received is reasonably assured. Externally restricted contributions are recognized as revenue of the respective restricted fund when the contributions are received or become receivable, if collection of the amount to be received is reasonably assured. Contributions specified that they are to be maintained permanently are recognized as revenue of the endowment fund. Other revenue is recognized as earned or when the service has been provided.

#### *Unrestricted Fund*

The unrestricted fund consists of undesignated donations and fundraising revenue less expenses in the operating fund. This fund primarily reflects the activities associated with the operations of the Organization's administrative activities.

#### *Restricted Fund*

The externally restricted fund accumulates contributions which must be used for the purpose specified by the donors. The restricted fund is segregated into programs as determined by the Organization's Board of Directors. Donations, fundraising and administrative expenses relating to specific programs are allocated accordingly.

#### *Endowment Fund*

The endowment fund accumulates resources that are required to be maintained by the Organization on a permanent basis.

Gift in Kind donations ("GIK") are valued at their estimated fair value. The recognition of revenue is based on when the Organization takes possession or title of the GIK where the Organization was the original recipient of the GIK, or was involved in a partnership with an agency. GIK revenue during the year was \$25,041,335 (2018 - \$24,189,337), and was comprised of program supplies expenditures and long-term investments.

#### **Volunteer Services**

The efforts of volunteer workers are not reflected in the accompanying financial statements as no objective basis is available to reasonably estimate the fair value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

#### **Capital Assets**

Capital assets are carried at cost and are amortized over their estimated useful lives on a straight-line basis as follows:

Building and building improvements	15 - 25 years, straight-line
Office furniture and equipment	3 - 5 years, straight-line
Computer equipment	3 years, straight-line
Computer software	3 years, straight-line
Website development	2 years, straight-line

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# Islamic Relief- IR Canada

## Notes to Financial Statements

**December 31, 2019**

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### 1. Significant Accounting Policies (Continued)

#### **Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

#### **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 the 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. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Estimates and assumptions are used when accounting for items such as prepaid expenses and other receivables, write-down of capital assets, determination of useful lives of capital assets, revenue recognition, allocation of restricted and unrestricted donations and other revenue, accrued liabilities and contingent liabilities.

#### **Allocation of Costs**

Certain employees perform a combination of programs, fundraising and administrative functions; as a result, salaries have been allocated based on functional activity. Other expenses have been allocated between the program and support expenditures benefited as applicable. Such allocations were reviewed, updated and applied on a prospective basis.

#### **Translation of Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Non-monetary assets and liabilities are translated at the rate prevailing at the dates the assets were acquired or the liabilities incurred. Revenues and expenditures have been translated using exchange rates prevailing on the transaction date. Gains and losses arising from these translation policies have been included in the statement of revenue and expenditures.

#### **International Operations**

The Organization treats all funds remitted to IRW as charitable program expenditures once the contract is signed and the payment is made. Subsequent to receiving the final report, underspent programs are treated as an expense reduction, and recorded in other receivable. The amounts are either reimbursed to the Organization or applied to another program.

The Organization has agreements with IRW to implement programs as directed by IRC. During 2019, IRC executed several international charitable programs through IRW with a net value of \$33,383,004 (2018 - \$24,106,965).

## Islamic Relief- IR Canada Notes to Financial Statements

**December 31, 2019**

### 2. Long-term Investments at fair value

	2019		2018	
	Fair Value	Cost	Fair value	Cost
Equities	\$ 1,121,861	\$ 988,481	\$ 850,373	\$ 915,950
Cash	164,965	164,965	213,718	213,718
	<b>\$ 1,286,826</b>	<b>\$ 1,153,446</b>	<b>\$ 1,064,091</b>	<b>\$ 1,129,668</b>

### 3. Long-term Investments at cost

Long-term investments recorded at cost include an investment in 5,816 (2018 - 5,816) shares of Ansar Co-operative Housing Corporation Ltd. at \$100 per share, and an investment in 40,000 (2018 - 40,000) shares of Takaful Canada Inc. at \$1 per share.

5,057 (2018 - 5,057) shares of Ansar Co-Operating Housing Corporation Ltd. and 40,000 (2018 - 40,000) shares of Takaful Canada Inc. represent donor restricted endowments.

### 4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building and building improvements	\$ 1,125,451	\$ 239,895	\$ 1,125,451	\$ 187,514
Office furniture and equipment	65,246	31,810	45,176	19,959
Computer equipment	183,511	123,248	130,679	89,263
Computer software	138,068	40,702	83,252	15,366
Website development	25,802	25,802	25,802	25,802
	<b>\$ 1,538,078</b>	<b>\$ 461,457</b>	<b>\$ 1,410,360</b>	<b>\$ 337,904</b>
Net book value		<b>\$ 1,076,621</b>		<b>\$ 1,072,456</b>

Subsequent to year end, the Organization purchased building and building improvements in the amount of \$1,036,400.

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## Islamic Relief- IR Canada Notes to Financial Statements

**December 31, 2019**

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### 5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$1,658,443 (2018 - \$667,563) owing to IRW, an affiliated organization as described in Note 1.

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### 6. Administrative Expense Allocation

Administration expenses are allocated between the unrestricted fund, the restricted fund and the endowment fund proportionately to the revenue received. Management believes this allocation best represents the economic reality of the related benefit received for each fund.

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### 7. Commitments

As at December 31, 2019, the Organization has entered into contracts for future charitable programs. These amounts, which have not been reflected as liabilities, are expected to be granted and paid as follows:

	Unrestricted	Restricted	Total
2020	\$ 116,315	\$ 6,220,883	\$ 6,337,198
2021	22,994	1,824,437	1,847,431
2022	-	1,420,596	1,420,596
2023	-	288,174	288,174
2024	-	21,191	21,191
	<hr/> \$ 139,309	<hr/> \$ 9,775,281	<hr/> \$ 9,914,590 <hr/>

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## Islamic Relief- IR Canada Notes to Financial Statements

**December 31, 2019**

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### **8. Financial Instruments**

In the normal course of operations, the Organization is exposed to financial risks that may potentially impact its operating results. The Organization employs risk management strategies with a view to mitigating these risks on a cost effective basis. These risks have not changed from prior year.

The Organization has exposure to the following risks associated with its financial instruments:

#### ***Currency risk***

The Organization is exposed to currency risk as the Organization has payments, receipts and investments which are transacted in U.S. Dollars, British Pounds, and Euros and therefore is exposed to exchange rate fluctuations. At December 31, 2019, cash of \$58,334 (2018 – \$42,500) and investments of \$468,020 (2018 - \$404,161) were held in U.S Dollars.

#### ***Market risk***

Market risk arises from the possibility that changes in market prices will affect the level of investments held by the Organization. The Organization is exposed to market risk through its investments in equities.

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### **9. Subsequent Event**

On March 11, 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus pandemic resulting in governments worldwide enacting emergency measures to combat the spread of the virus. As a result, economic uncertainties have arisen which may impact the nature or volume of revenues for the year ended December 31, 2020. Other financial impact could occur though such potential impact is unknown at this time.

## Islamic Relief- IR Canada Schedule of Functional Expenditures

<b>For the year ended December 31</b>	<b>2019</b>	<b>2018</b>
Charitable programs (Note 1)	<b>\$ 60,271,329</b>	\$ 49,815,158
Salaries and wages	<b>2,373,466</b>	2,014,977
Advertising and promotion	<b>1,521,799</b>	1,026,605
Events	<b>1,238,674</b>	893,479
Payment processing charges	<b>624,809</b>	639,324
Professional fees	<b>524,694</b>	308,050
Travel	<b>380,168</b>	251,878
Sponsorship marketing	<b>373,619</b>	245,971
Media, printing and publications	<b>264,960</b>	241,138
Amortization of capital assets	<b>123,552</b>	94,056
Hotel and lodging	<b>116,017</b>	112,323
Occupancy charges	<b>87,677</b>	81,594
Information technology	<b>78,191</b>	97,295
Office	<b>69,392</b>	80,655
Meals	<b>49,085</b>	46,168
Postage	<b>34,565</b>	191,181
Learning and development	<b>26,069</b>	29,761
Telecommunications	<b>21,144</b>	18,918
Website	<b>10,178</b>	14,592
Foreign exchange loss (gain)	<b>4,983</b>	(26,933)
<b>Total functional expenditures</b>	<b>\$ 68,194,371</b>	<b>\$ 56,176,190</b>