

Islamic Relief - IR Canada
Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

To the Directors of Islamic Relief - IR Canada

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, 2017, and the statements of revenue and expenditures, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many non-for-profit organizations, Islamic Relief - IR Canada derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of Islamic Relief - IR Canada. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016 and net assets as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Islamic Relief - IR Canada as at December 31, 2017, 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.

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
June 24, 2018

Islamic Relief - IR Canada
Statement of Financial Position

December 31	2017	2016
Assets		
Current		
Cash	\$ 7,674,178	\$ 6,017,041
Prepaid expenses and other receivables	204,563	270,628
	7,878,741	6,287,669
Long-term investments (Note 2)	707,458	620,557
Capital assets (Note 3)	980,674	1,018,771
	\$ 9,566,873	\$ 7,926,997

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 4)	\$ 790,666	\$ 350,459
Net Assets		
Endowment fund	761,586	510,174
Investment in capital assets	980,674	1,018,771
Unrestricted fund	1,394,585	765,463
Restricted fund	5,639,362	5,282,130
	8,776,207	7,576,538
	\$ 9,566,873	\$ 7,926,997

On behalf of the Board:

_____ Director

_____ Director

Islamic Relief - IR Canada Statement of Revenue and Expenditures

For the year ended December 31

	Endowment	Investment in Capital Assets	Unrestricted	Restricted	2017 Total	2016 Total
Revenue						
Donations from the public	\$ 217,568	\$ -	\$ 2,276,482	\$ 27,283,244	\$ 29,777,294	\$ 19,162,052
Donations from Canadian registered charities	-	-	275,232	2,578,030	2,853,262	1,112,386
Gift in kind donations (Note 1)	47,500	-	13,813	12,932,210	12,993,523	8,294,172
Government grants	-	-	-	2,800,000	2,800,000	-
Other revenue	-	-	108,028	194,813	302,841	100,502
Unrealized gain on investment	-	-	23,434	-	23,434	-
	265,068	-	2,696,989	45,788,297	48,750,354	28,669,112
Expenditures						
Charitable programs (Note 5)	1,471	-	722,971	42,226,943	42,951,385	26,467,370
Support						
Fundraising	4,693	-	924,385	2,388,948	3,318,026	2,010,481
Administration	-	78,453	1,202,821	-	1,281,274	893,848
Administrative expense allocation (Note 6)	7,492	-	(822,666)	815,174	-	-
	13,656	78,453	2,027,511	45,431,065	47,550,685	29,371,699
Excess (deficiency) of revenue over expenditures	\$ 251,412	\$ (78,453)	\$ 669,478	\$ 357,232	\$ 1,199,669	\$ (702,587)

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	2017 Total	2016 Total
Net assets, beginning of year	\$ 510,174	\$ 1,018,771	\$ 765,463	\$ 5,282,130	\$ 7,576,538	\$ 8,279,125
Excess (deficiency) of revenue over expenditures	251,412	(78,453)	669,478	357,232	1,199,669	(702,587)
Amounts invested in capital assets	-	40,356	(40,356)	-	-	-
Net assets, end of year	\$ 761,586	\$ 980,674	\$ 1,394,585	\$ 5,639,362	\$ 8,776,207	\$ 7,576,538

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	2017	2016
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	\$ 1,199,669	\$ (702,587)
Adjustments to reconcile excess (deficiency) of revenue over expenditures to net cash provided by operating activities		
Amortization of capital assets	78,453	64,893
Contributed investments	(63,467)	(581,600)
Unrealized gain on investment	(23,434)	-
Changes in non-cash working capital balances		
Prepaid expenses and other receivables	66,065	196,403
Accounts payable and accrued liabilities	440,207	(2,039,834)
	1,697,493	(3,062,725)
Cash flows from investing activity		
Purchase of capital assets	(40,356)	(231,208)
	1,657,137	(3,293,933)
Increase (decrease) in cash during the year		
Cash, beginning of year	6,017,041	9,310,974
Cash, end of year	\$ 7,674,178	\$ 6,017,041

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

Islamic Relief - IR Canada

Notes to Financial Statements

December 31, 2017

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 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.

Islamic Relief - IR Canada

Notes to Financial Statements

December 31, 2017

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 at point of sale 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 \$12,993,523 (2016 - \$8,294,172), 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

Islamic Relief - IR Canada

Notes to Financial Statements

December 31, 2017

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, under spent 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.

Islamic Relief - IR Canada Notes to Financial Statements

December 31, 2017

2. Long-term Investments

	2017		2016	
	Fair Value	Cost	Fair value	Cost
Ansar Co-operative Housing Corporation Ltd.	\$ 581,600	\$ 581,600	\$ 581,600	\$ 581,600
Equities	122,581	99,147	37,247	24,865
Cash	3,277	3,277	1,710	1,710
	\$ 707,458	\$ 684,024	\$ 620,557	\$ 608,175

The investment in Ansar Co-operative Housing Corporation Ltd. consists of 5,816 (2016 - 5,816) shares, of which 5,057 (2016 - 5,057) represent a donor restricted endowment.

3. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building and building improvements	\$ 1,045,709	\$ 136,496	\$ 1,045,709	\$ 89,433
Office furniture and equipment	41,278	14,128	30,853	5,873
Computer equipment	105,913	61,602	75,982	38,467
Computer software	9,195	9,195	9,195	9,195
Website development	25,802	25,802	25,802	25,802
	\$ 1,227,897	\$ 247,223	\$ 1,187,541	\$ 168,770
Net book value		\$ 980,674		\$ 1,018,771

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$297,728 (2016 - \$41,348) owing to IRW, an affiliated organization as described in Note 5.

5. Charitable Programs

The Organization has agreements with IRW to implement programs as directed by IRC. Although IRC is an independent organization, IRC is economically dependant on IRW due to the significant level of contractual agreements between them including the shared usage of the "Islamic Relief" brand.

During 2017, IRC executed several international charitable programs through IRW with a net value of \$27,831,823 (2016 - \$16,177,520).

Islamic Relief - IR Canada Notes to Financial Statements

December 31, 2017

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 expenditures incurred by the unrestricted fund on behalf of the restricted and endowment funds.

7. Commitments

As at December 31, 2017, 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
2018	\$ 77,271	\$ 5,367,063	\$ 5,444,334
2019	-	2,221,613	2,221,613
2020	-	903,626	903,626
Thereafter	-	203,413	203,413
	<u>\$ 77,271</u>	<u>\$ 8,695,715</u>	<u>\$ 8,772,986</u>

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.

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 and receipts which are transacted in U.S. Dollars, British Pounds, and Euros and therefore is exposed to exchange rate fluctuations. At December 31, 2017, cash held in U.S Dollars was \$93,759 (2016 – \$68,156).

Market risk

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

9. Comparative Amounts

Certain comparative amounts presented in the financial statements have been reclassified to conform with the current year's presentation.

Islamic Relief - IR Canada Schedule of Functional Expenditures

For the year ended December 31	2017	2016
Charitable programs (Note 5)	\$ 42,951,385	\$ 26,467,370
Salaries and wages	1,321,195	973,508
Events	795,372	302,884
Payment processing charges	616,697	434,125
Advertising and promotion	513,607	291,926
Travel	236,883	122,600
Sponsorship marketing	228,882	243,576
Media, printing and publications	187,874	116,126
Professional fees	158,847	86,020
Postage	84,611	75,132
Amortization of capital assets	78,453	64,893
Hotel and lodging	77,296	18,620
Occupancy charges	65,008	49,042
Office	63,145	26,909
Information technology	50,402	26,073
Meals	38,740	16,770
Foreign exchange loss (gain)	28,730	(626)
Learning and development	21,114	36,644
Telecommunications	16,840	15,023
Website	15,604	5,084
Total functional expenditures	\$ 47,550,685	\$ 29,371,699