

Islamic Relief- IR Canada
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Directors of Islamic Relief- IR Canada

Qualified Opinion

We have audited the accompanying financial statements Islamic Relief- IR Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2018, 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, 2018, 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 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 donation revenue, excess (deficiency) of revenues over expenditures, and cash flows from operating activities for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 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
June 23, 2019

Islamic Relief - IR Canada Statement of Financial Position

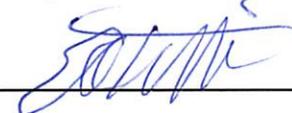
December 31	2018	2017
Assets		
Current		
Cash	\$ 13,480,595	\$ 7,674,178
Prepaid expenses and other receivables	512,227	204,563
	13,992,822	7,878,741
Long-term investments (Note 2)	1,685,691	707,458
Capital assets (Note 3)	1,072,456	980,674
	\$ 16,750,969	\$ 9,566,873

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 4)	\$ 1,225,761	\$ 790,666
Net Assets		
Endowment fund	878,852	761,586
Investment in capital assets	1,073,581	980,674
Unrestricted fund	2,658,569	1,394,585
Restricted fund	10,914,206	5,639,362
	15,525,208	8,776,207
	\$ 16,750,969	\$ 9,566,873

On behalf of the Board:


 _____ Director


 _____ Director

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

Islamic Relief- IR Canada Statement of Revenue and Expenditures

For the year ended December 31

	Endowment	Investment in Capital Assets	Unrestricted	Restricted	2018 Total	2017 Total
Revenue						
Donations from the public	\$ 84,758	\$ -	\$ 2,909,247	\$ 29,565,196	\$ 32,559,201	\$ 29,777,294
Donations from Canadian registered charities	571	-	237,201	1,801,901	2,039,673	2,853,262
Gift in kind donations (Note 1)	40,000	-	483	24,148,854	24,189,337	12,993,523
Government grants	-	-	7,506	4,000,283	4,007,789	2,800,000
Other revenue	-	-	1,332	127,859	129,191	326,275
	125,329	-	3,155,769	59,644,093	62,925,191	48,750,354
Expenditures						
Charitable programs (Note 6)	587	-	870,332	49,238,923	50,109,842	42,951,385
Support						
Fundraising	4,285	-	905,892	3,607,689	4,517,866	3,318,026
Administration	-	95,182	1,448,943	4,357	1,548,482	1,281,274
Administrative expense allocation (Note 7)	3,191	-	(1,521,471)	1,518,280	-	-
	8,063	95,182	1,703,696	54,369,249	56,176,190	47,550,685
Excess (deficiency) of revenue over expenditures	\$ 117,266	\$ (95,182)	\$ 1,452,073	\$ 5,274,844	\$ 6,749,001	\$ 1,199,669

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	2018 Total	2017 Total
Net assets, beginning of year	\$ 761,586	\$ 980,674	\$ 1,394,585	\$ 5,639,362	\$ 8,776,207	\$ 7,576,538
Excess (deficiency) of revenue over expenditures	117,266	(95,182)	1,452,073	5,274,844	6,749,001	1,199,669
Amounts invested in capital assets	-	186,964	(186,964)	-	-	-
Net assets, end of year	\$ 878,852	\$ 1,072,456	\$ 2,659,694	\$ 10,914,206	\$ 15,525,208	\$ 8,776,207

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	2018	2017
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 6,749,001	\$ 1,199,669
Adjustments to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Amortization of capital assets	94,057	78,453
Contributed investments	(1,043,810)	(63,467)
Unrealized loss (gain) on investments	65,577	(23,434)
Loss on disposal of capital assets	1,125	-
Changes in non-cash working capital balances		
Prepaid expenses and other receivables	(307,664)	66,065
Accounts payable and accrued liabilities	435,095	440,207
	5,993,381	1,697,493
Cash flows from investing activity		
Purchase of capital assets	(186,964)	(40,356)
	5,806,417	1,657,137
Increase in cash during the year		
Cash, beginning of year	7,674,178	6,017,041
Cash, end of year	\$13,480,595	\$ 7,674,178

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

Islamic Relief- IR Canada

Notes to Financial Statements

December 31, 2018

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.

Islamic Relief- IR Canada

Notes to Financial Statements

December 31, 2018

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 \$24,189,337 (2017 - \$12,993,523), 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, 2018

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, 2018

2. Long-term Investments at fair value

	2018		2017	
	Fair Value	Cost	Fair value	Cost
Equities	\$ 850,373	\$ 915,950	\$ 122,581	\$ 99,147
Cash	213,718	213,718	3,277	3,277
	\$ 1,064,091	\$ 1,129,668	\$ 125,858	\$ 102,424

3. Long-term Investments at cost

Long-term investments recorded at cost include an investment in 5,816 (2017 - 5,816) shares of Ansar Co-operative Housing Corporation Ltd. at \$100 per share, and an investment in 40,000 (2017 - Nil) shares of Takaful Canada Inc. at \$1 per share.

5,057 (2017 - 5,057) shares of Ansar Co-Operating Housing Corporation Ltd. and 40,000 (2017 - Nil) shares of Takaful Canada Inc. represent donor restricted endowments.

4. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building and building improvements	\$ 1,125,451	\$ 187,514	\$ 1,045,709	\$ 136,496
Office furniture and equipment	45,176	19,959	41,278	14,128
Computer equipment	130,679	89,263	105,913	61,602
Computer software	83,252	15,366	9,195	9,195
Website development	25,802	25,802	25,802	25,802
	\$ 1,410,360	\$ 337,904	\$ 1,227,897	\$ 247,223
Net book value		\$ 1,072,456		\$ 980,674

Islamic Relief- IR Canada Notes to Financial Statements

December 31, 2018

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$667,563 (2017 - \$297,728) owing to IRW, an affiliated organization as described in Note 6.

6. 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 2018, IRC executed several international charitable programs through IRW with a net value of \$24,106,965 (2017 - \$27,831,823).

7. 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.

8. Commitments

As at December 31, 2018, 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
2019	\$ 236,339	\$10,172,643	\$10,408,982
2020	-	1,101,124	1,101,124
2021	-	12,500	12,500
2022	-	15,001	15,001
2023	-	203,413	203,413
	<u>\$ 236,339</u>	<u>\$11,504,681</u>	<u>\$11,741,020</u>

Islamic Relief- IR Canada Notes to Financial Statements

December 31, 2018

9. 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, 2018, cash of \$42,500 (2017 – \$93,759) and investments of \$404,161 (2017 - \$Nil) 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.

10. 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	2018	2017
Charitable programs (Note 6)	\$ 49,815,158	\$ 42,699,730
Salaries and wages	2,014,977	1,572,850
Advertising and promotion	1,026,605	513,607
Events	893,479	795,372
Payment processing charges	639,324	616,697
Professional fees	308,050	158,847
Travel	251,878	236,883
Sponsorship marketing	245,971	228,882
Media, printing and publications	241,138	187,874
Postage	191,181	84,611
Hotel and lodging	112,323	77,296
Information technology	97,295	50,402
Amortization of capital assets	94,056	78,453
Occupancy charges	81,594	65,008
Office	80,655	63,145
Meals	46,168	38,740
Learning and development	29,761	21,114
Telecommunications	18,918	16,840
Website	14,592	15,604
Foreign exchange loss (gain)	(26,933)	28,730
Total functional expenditures	\$ 56,176,190	\$ 47,550,685