

Financial Statements

ISLAMIC RELIEF – IR CANADA

Years ended December 31, 2011 and 2010

[and Independent Auditors' Report to the Directors]

Charity Registration Number –**821 896 875 RR0001**

ISLAMIC RELIEF – IR CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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CHARTERED ACCOUNTANTS

**DURWARD JONES BARKWELL
& COMPANY LLP**

6100 Thorold Stone Rd, Unit 1, P.O. Box 873
Niagara Falls, Ontario L2E 6V6

905.357.5711 866.223.8459 Fax 905.357.7932
nfalls@djb.com www.djb.com

INDEPENDENT AUDITORS' REPORT

To the Directors of
Islamic Relief – IR Canada:

We have audited the statement of financial position of Islamic Relief - IR Canada as at December 31, 2011 and 2010 and the statements of revenue and expenditures, changes in net assets and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 the entity'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 the entity'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 charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. We were unable to obtain sufficient appropriate audit evidence about these revenues. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Durward Jones Barkwell & Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

October 24, 2012

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Islamic Relief - IR Canada

Statements of Financial Position

[audited]
[see Basis of Presentation - note 2]

As at December 31

	2011	2010
	\$	\$
ASSETS		
Current assets		
Cash [note 4]	2,418,163	575,973
Investment	-	10,046
Accounts receivable	2,237	3,793
Prepaid expenses and other receivables	55,014	22,068
Total current assets	2,475,414	611,880
Capital assets [note 5]	5,584	12,930
TOTAL ASSETS	2,480,998	624,810
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities [note 6]	123,378	176,580
Due to affiliate [note 7]	52,854	52,854
Commitments [note 8]		
Total liabilities	176,232	229,434
Net assets		
Net investment in capital assets	5,584	12,930
Unrestricted fund	157,555	(7,183)
Restricted fund	2,141,627	389,629
Total net assets	2,304,766	395,376
TOTAL LIABILITIES AND NET ASSETS	2,480,998	624,810

See accompanying notes

On behalf of the Board:

El-Tantawy Attia

Director

Shaila Kibria

Director

Islamic Relief - IR Canada

STATEMENTS OF REVENUE AND EXPENDITURES

[audited]

Year ended December 31

	2011				2010			
	Investment in Capital Assets \$	Unrestricted \$	Restricted \$	Total \$	Investment in Capital Assets \$	Unrestricted \$	Restricted \$	Total \$
REVENUE								
Donations from the public	-	412,553	5,201,095	5,613,648	-	113,906	2,307,160	2,421,066
Donations from Canadian registered charities	-	9,885	1,304,768	1,314,653	-	7,830	870,346	878,176
Other revenue	-	1,389	5,256	6,645	-	153	7,278	7,431
Total revenue <i>[note 9]</i>	-	423,827	6,511,119	6,934,946	-	121,889	3,184,784	3,306,673
EXPENDITURES								
Charitable programs <i>[note 10]</i>	-	92,378	4,378,625	4,471,003	-	475	2,553,321	2,553,796
Support								
Fundraising	-	116,290	296,299	412,589	-	111,209	185,548	296,757
Administration	7,738	134,226		141,964	8,927	164,812	3,479	177,218
Inter-fund expense allocation <i>[note 12]</i>	-	(84,197)	84,197	-	-	(173,467)	173,467	-
Total expenditures	7,738	258,697	4,759,121	5,025,556	8,927	103,029	2,915,815	3,027,771
Excess (deficiency) of revenue over expenditures	(7,738)	165,130	1,751,998	1,909,390	(8,927)	18,860	268,969	278,902

See accompanying notes

STATEMENTS OF CHANGES IN NET ASSETS

[audited]

Year ended December 31

	2011				2010			
	Investment in capital assets \$	Unrestricted \$	Restricted \$	Total \$	Investment in capital assets \$	Unrestricted \$	Restricted \$	Total \$
Net assets, beginning of year	12,930	(7,183)	389,629	395,376	13,976	(18,162)	120,660	116,474
Excess (deficiency) of revenue over expenditures for the year	(7,738)	165,130	1,751,998	1,909,390	(8,927)	18,860	268,969	278,902
Amounts invested in capital assets	392	(392)	-	-	7,881	(7,881)	-	-
Net assets, end of year	5,584	157,555	2,141,627	2,304,766	12,930	(7,183)	389,629	395,376

See accompanying notes

Islamic Relief - IR Canada

STATEMENTS OF CASH FLOWS

[audited]

Year ended December 31

	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses		
Capital fund	(7,738)	(8,927)
Unrestricted fund	165,130	18,860
Restricted fund	1,751,998	268,969
	1,909,390	278,902
Non-cash items		
Amortization of capital assets	7,738	8,927
Unrealized foreign exchange	-	(456)
	1,917,128	287,373
Net change in non-cash working capital balances		
Accounts receivable	1,556	(2,542)
Prepaid expenses and other receivables	(32,946)	(12,994)
Accounts payable and accrued liabilities	(53,202)	28,469
Cash provided by operating activities	1,832,536	300,306
INVESTING ACTIVITIES		
Proceeds from redemption of investment	10,046	-
Purchase of capital assets	(392)	(7,881)
Cash provided by (used in) investing activities	9,654	(7,881)
Net increase in cash during the year	1,842,190	292,425
Cash, beginning of year	575,973	283,548
Cash, end of year	2,418,163	575,973

See accompanying notes

Islamic Relief - IR Canada

STATEMENTS OF FUNCTIONAL EXPENSES

[audited]

Year ended December 31

	2011	2010
	\$	\$
OPERATING EXPENDITURES		
Contracted charitable programs	4,454,826	2,540,155
Salaries and wages <i>[note 11]</i>	282,051	118,201
Payment processing charges	73,370	48,707
Conference/exhibition expenses	54,436	47,627
Professional fees	28,907	27,561
Meals and entertainment	28,143	2,715
Travel	25,591	36,262
Sponsorship marketing	24,462	43,533
Occupancy charges	22,271	21,120
Media, printing and publications	22,114	19,511
Amortization of capital assets	7,738	8,927
Telecommunications	5,750	5,988
Advertising and promotions	5,594	15,466
Information technology	3,133	3,126
Office	2,646	3,524
Hotel and lodging	1,343	9,535
Website	1,022	1,105
Courier and postage	1,006	21,826
Bank charges and interest expense	206	1,787
External fundraising	-	1,165
Foreign exchange (gain) loss	(19,053)	49,930
Total operating expenditures	5,025,556	3,027,771

See accompanying notes

Islamic Relief - IR Canada

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

1. 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 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 & sanitation, income generation, nutrition & 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, Aqiqah, Kiffara, Fidayah, etc.).

IRC was incorporated by Letters Patent in August 2005. The Organization initiated active operations in December 2007, when it held its first fundraising event in Toronto, Ontario. 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 12 countries ("IRW entities"). Islamic Relief Worldwide ("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.

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Islamic Relief Canada have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies are set forth to facilitate the understanding of these financial statements.

Basis of presentation

These financial statements have been prepared on a going concern basis, which presumes that the Organization will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

Revenue recognition

Unrestricted Fund

The Unrestricted fund consists of undesignated donations, 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 program revenue and expenses relating to a specific program are allocated accordingly.

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. Contributions externally restricted 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. Ancillary revenue is recognized at point of sale or when the service has been provided.

Islamic Relief - IR Canada

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

Volunteer services

The efforts of volunteer workers are not reflected in the accompanying financial statements as no objective basis is available to measure the 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:

Office furniture and equipment	5 years, straight line
Computer equipment	3 years, straight line
Computer software	3 years, straight line
Website development costs	2 years, straight line

Financial Instruments

The Organization classifies cash and investments as financial assets held for trading. Financial assets classified as held for trading are reported at fair value at each balance sheet date and any change in fair value is recognized in net income in the period during which the change occurs. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and due to affiliate are classified as other financial liabilities. Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method.

The following policies and assumptions were used to determine the fair value of each class of financial assets and liabilities.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to the relatively short-term nature of these instruments. The fair value of the amount due to an affiliate approximates its fair value as the settlement of the advance can be demanded by the affiliate without any notice. The investment in a term deposit is recorded at its fair value.

Islamic Relief - IR Canada

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. Significant estimates and assumptions are used when accounting for items such as impairment of capital assets, determination of useful lives of capital assets, revenue recognition, 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 benefitted 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 and IRW entities as charitable program expenditures.

Islamic Relief - IR Canada

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

3. FUTURE ACCOUNTING STANDARDS

The CICA's Accounting Standards Board has released new accounting standards for not-for-profit organizations which are effective for years beginning on or after January 1, 2012. Alternatively, not-for-profit organizations may choose International Financial Reporting Standards ("IFRS"). Management is currently evaluating the impact of the adoption of these new standards on its financial statements.

4. CASH

As at December 31, 2011, the Organization has total funds in the amount of \$5,919 [2010 - \$2,030] held as a security deposit in a reserve account with the Organization's credit card processor.

5. CAPITAL ASSETS

Capital assets consisted of the following as at December 31:

	2011			2010		
	Cost	Accum. Amort.	Net book value	Cost	Accum. Amort.	Net book value
	\$	\$	\$	\$	\$	\$
Office furniture and equipment	2,393	2,074	319	3,213	1,780	1,433
Computer equipment	13,815	10,221	3,594	12,603	6,738	5,865
Computer software	7,792	7,633	159	7,792	5,487	2,305
Website development	10,166	8654	1,512	10,166	6,839	3,327
	34,166	28,582	5,584	33,774	20,844	12,930

Amortization expense related to capital assets for the year ended December 31, 2011 was \$7,738 [2010 - \$8,927].

Islamic Relief - IR Canada

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable is \$23,820 (2010 - \$84,059) owing to IRW, a related party as described in note 13.

7. DUE TO AFFILIATE

The amount due to IRW, an affiliate as described in note 13, is non-interest bearing and is due on demand with no specific terms of repayment.

8. COMMITMENTS

Operating lease

The Organization's future minimum annual lease payments for operating lease in respect of premises are as follows:

	\$
2012	17,400
2013	2,900
	20,300

On March 30, 2012, the Organization cancelled the lease by way of purchasing the land and building comprising the premises for total consideration of \$160,000.

9. REVENUE

During 2011, the Organization collected restricted donations of \$2,303,650 for disaster relief efforts in Somalia that met the criteria for a matching donation to be made by the Government of Canada to Canadian International Development Agency's ("CIDA") *East Africa Drought 2011*.

During 2010, the Organization collected \$1,755,265 for disaster relief efforts in Pakistan that met the criteria for a matching donation to be made by the Government of Canada to Canadian International Development Agency's ("CIDA") *Pakistan Flood Relief Fund 2010*.

Islamic Relief - IR Canada

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

In addition, in 2010, the Organization also collected \$37,459 for disaster relief efforts in Haiti that met the criteria for a matching donation to be made by the Government of Canada to CIDA's *Haiti Earthquake Relief Fund*.

10. CHARITABLE PROGRAMS

The Organization conducted the following charitable programs during the year ended December 31:

	2011	2010
	\$	\$
Staff Time		
Salaries and wages	16,177	13,642
Total salaries and wages	16,177	13,642
Canadian Programs		
Health and Sanitation Awareness	89,987	—
Emergency assistance	80,000	1,530
Feed the needy	—	7,968
Community meals	2,000	5,000
Total Canadian Programs	171,987	14,498
International Programs		
Disaster relief	3,081,412	1,969,303
Feed the needy	679,104	108,733
Orphan sponsorship	280,376	147,257
Development projects	238,547	291,363
Children in need	3,400	9,000
Total International Programs <i>[note 13]</i>	4,282,839	2,525,656
Total Charitable Programs	4,471,003	2,553,796

Islamic Relief - IR Canada

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

11. SALARIES AND WAGES

The Organization's total salaries and wages expense of \$282,051 (2010 – \$118,201) has been distributed to the Unrestricted and Restricted fund accounts as follows:

	2011			2010		
	Unrestricted Fund \$	Restricted Fund \$	Total \$	Unrestricted Fund \$	Restricted Fund \$	Total \$
Charitable programs	391	15,786	16,177	75	13,567	13,642
Fundraising	14,960	164,843	179,803	2,373	61,989	64,362
Administration	86,071	–	86,071	40,197	–	40,197
	101,422	180,629	282,051	42,645	75,556	118,201

12. INTER-FUND EXPENSE ALLOCATION

Administration expenses were allocated from the Unrestricted fund to the Restricted fund based on a percentage as determined by management. For fiscal 2011, a percentage of 1.00% (2010 – 5.36%) was applied to the revenue for each of the programs within the Restricted fund to allocate expenses from the Unrestricted fund to the Restricted funds. For the Orphan programs within the Restricted fund, the expense allocation was 6.25% (2010 – 6.25%). Management believes this allocation best represents the expenditures incurred by the Unrestricted fund on behalf of the Restricted fund.

13. RELATED PARTY TRANSACTIONS

The Organization has agreements with IRW whereby IRC will provide IRW with funds for executing IRC's Programs. Although IRC is an independent organization, IRC and IRW are related due to the significant level of contractual agreements between them.

During 2011, IRC executed several international charitable programs through IRW with a value of \$4,232,978 [2010 - \$2,508,118]. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

14. RISK MANAGEMENT

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. 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. currency, British Pounds Sterling, and Euros and therefore is exposed to exchange rate fluctuations. At December 31, 2011, U.S. cash held was \$182,696 (2010 – \$85,195).

Interest rate, credit and liquidity risk

It is management's opinion that the Organization is not exposed to significant interest rate, credit or liquidity risks arising from its financial instruments.

15. CAPITAL MANAGEMENT

The Organization defined its capital as fund balances, specifically the Investment in Capital Assets account, the Unrestricted Fund and the Restricted Fund.

The Organization's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and its stakeholders.

A portion of the Organization's capital is restricted as described in note 2 to the financial statements. The Organization employs internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Organization sets the amount of fund balances in proportion to risk, manages the fund balances and makes adjustments to them in light of changes in economic conditions and the risk characteristics of the underlying assets.

NOTES TO FINANCIAL STATEMENTS

[audited]

December 31, 2011

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements for the year ended December 31, 2010 have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.