

Financial Statements

**ISLAMIC RELIEF – IR CANADA**

Year ended December 31, 2013

[and Independent Auditors' Report to the Directors]

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

**ISLAMIC RELIEF – IR CANADA**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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# CHARTERED ACCOUNTANTS

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**DURWARD JONES BARKWELL  
& COMPANY LLP**

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## INDEPENDENT AUDITORS' REPORT

**To the Directors of  
Islamic Relief – IR Canada:**

We have audited the financial statements of Islamic Relief - IR Canada, which comprise the statements of financial position as at December 31, 2013, and the statements of revenue and expenditures, changes in net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for 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.

### **Auditors' 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 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 in our audits 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, 2013, 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.

**Durward Jones Barkwell & Company LLP  
Licensed Public Accountants**

**October 8, 2014**

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## Islamic Relief - IR Canada

### Statement of Financial Position

As at December 31, 2013

	2013	2012
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash [note 3]	4,089,318	3,542,271
Accounts receivable	18,844	5,511
Prepaid expenses and other receivables [note 4]	86,192	47,638
Program Prepayments [note 5]	1,952,949	-
<b>Total current assets</b>	<b>6,147,303</b>	<b>3,395,420</b>
Capital assets [note 6]	164,913	171,002
<b>TOTAL ASSETS</b>	<b>6,312,216</b>	<b>3,766,422</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities [note 7]	252,068	229,827
Due to related party [note 8]	52,854	52,854
<b>Total liabilities</b>	<b>304,922</b>	<b>282,681</b>
<b>Net assets</b>		
Net investment in capital assets	164,913	171,002
Unrestricted fund [note 2]	869,534	329,589
Restricted fund [note 2]	4,972,847	2,983,150
<b>Total net assets</b>	<b>6,007,294</b>	<b>3,483,741</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>6,312,216</b>	<b>3,766,422</b>

*See accompanying notes*

On behalf of the Board:

El-Tantawy Attia

\_\_\_\_ Director

Fariha Khan

\_\_\_\_ Director

Islamic Relief - IR Canada

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2013

	2013				2012			
	Investment in Capital Assets \$	Unrestricted \$	Restricted \$	Total \$	Investment in Capital Assets \$	Unrestricted \$	Restricted \$	Total \$
<b>REVENUE</b>								
Donations from the public	-	968,030	6,506,959	7,474,989	-	660,703	4,428,888	5,089,591
Donations from Canadian registered charities	-	54,818	1,665,011	1,719,829	-	200,850	815,963	1,016,813
Donations from Government and other grants	-	-	-	-	-	-	1,500,000	1,500,000
Other revenue	-	15,982	53,936	69,918	-	1,346	7,051	8,397
<b>Total revenue</b> <i>[note 9]</i>	-	<b>1,038,830</b>	<b>8,225,906</b>	<b>9,264,736</b>	-	862,899	6,751,902	7,614,801
<b>EXPENDITURES</b>								
Charitable programs <i>[notes 10 and 13]</i>	-	-	5,903,390	5,903,390	-	117,491	5,679,371	5,796,862
Support								
Fundraising	-	267,188	332,808	599,996	-	204,506	232,617	437,123
Administration	15,511	222,274	11	237,796	12,267	188,718	856	201,841
Inter-fund expense allocation <i>[note 12]</i>	-	(143,132)	143,132	-	-	(102,860)	102,860	-
<b>Total expenditures</b>	<b>15,511</b>	<b>346,330</b>	<b>6,379,341</b>	<b>6,741,182</b>	<b>12,267</b>	<b>407,855</b>	<b>6,015,704</b>	<b>6,435,826</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(15,511)</b>	<b>692,500</b>	<b>1,846,565</b>	<b>2,523,554</b>	<b>(12,267)</b>	<b>455,044</b>	<b>736,198</b>	<b>1,178,975</b>

## STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2013

	2013				2012			
	Investment in capital assets	Unrestricted	Restricted	Total	Investment in capital assets	Unrestricted	Restricted	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	171,002	329,589	2,983,150	3,483,741	5,584	157,555	2,141,627	2,304,766
Excess (deficiency) of revenue over expenditures for the year	(15,511)	692,500	1,846,565	2,523,554	(12,267)	455,044	736,198	1,178,975
Amounts invested in capital assets	9,422	(9,422)	-	-	177,685	(177,685)	-	-
Amounts transferred to restricted fund	-	(143,132)	143,132	-	-	(105,325)	105,325	-
<b>Net assets, end of year</b>	<b>164,913</b>	<b>869,534</b>	<b>4,972,847</b>	<b>6,007,294</b>	<b>171,002</b>	<b>329,589</b>	<b>2,983,150</b>	<b>3,483,741</b>

*See accompanying notes*

Islamic Relief - IR Canada

## STATEMENT OF CASH FLOWS

Year ended December 31, 2013

	2013	2012
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses		
Capital fund	(15,511)	(12,267)
Unrestricted fund <i>[note 2]</i>	692,500	455,044
Restricted fund <i>[note 2]</i>	1,846,565	736,198
	<u>2,523,554</u>	<u>1,178,975</u>
<b>Non-cash items</b>		
Amortization of capital assets <i>[note 6]</i>	15,511	12,267
	<u>2,539,065</u>	<u>1,191,242</u>
<b>Net change in non-cash working capital balances</b>		
Accounts receivable	(13,333)	(3,274)
Prepayments, prepaid expenses and other receivables <i>[note 5]</i>	(1,991,503)	7,376
Accounts payable and accrued liabilities	22,241	106,449
<b>Cash provided by operating activities</b>	<u>556,470</u>	<u>1,301,793</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets <i>[note 6]</i>	(9,422)	(177,685)
<b>Cash provided by (used in) investing activities</b>	<u>(9,422)</u>	<u>(177,685)</u>
Net increase in cash during the year	547,047	1,124,108
Cash, beginning of year	3,542,271	2,418,163
<b>Cash, end of year</b>	<u>4,089,318</u>	<u>3,542,271</u>

*See accompanying notes*

Islamic Relief - IR Canada

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended December 31, 2013

	2013	2012
	\$	\$
<b>OPERATING EXPENDITURES</b>		
Contracted charitable programs <i>[notes 10 and 13]</i>	5,843,035	5,779,162
Salaries and wages <i>[note 11]</i>	310,941	270,678
Payment processing charges	133,258	86,138
Sponsorship marketing	70,811	64,457
Conference/exhibition expenses	139,943	59,443
Professional fees	15,245	39,727
Travel	48,678	33,873
Meals and entertainment	25,343	16,376
Courier and postage	3,372	14,144
Occupancy charges	13,616	12,547
Amortization of capital assets <i>[note 6]</i>	15,511	12,267
Media, printing and publications	28,825	11,106
Foreign exchange loss	2,056	8,990
Advertising and promotions	54,496	8,408
Telecommunications	5,432	5,322
Office	10,808	5,156
Hotel and lodging	6,963	4,527
Website	5,773	2,919
Information technology	7,076	586
<b>Total operating expenditures</b>	<b>6,741,182</b>	<b>6,435,826</b>

*See accompanying notes*



## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

### **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, Fidaya, 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 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**

December 31, 2013

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

The financial statements of Islamic Relief Canada have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following significant accounting policies are set forth to facilitate the understanding of these financial statements.

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.

Gift in Kind donations– "GIK" are valued at 100% of their estimated fair market 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.

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.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### 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:

Building	25 years, straight line
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

### Long-lived assets

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

### Financial instruments

#### (a) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and amounts due to related party.

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

### **(b) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of revenue and expenditures. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of revenue and expenditures up to the amount of the previously recognized impairment.

### **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. Significant estimates and assumptions are used when accounting for items such as prepaid expenses, other receivables, program prepayments, impairment 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.

## **Islamic Relief - IR Canada**

# **NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

### **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.

### **3. CASH**

As at December 31, 2013, the Organization has total funds in the amount of \$28,132 [2012 - \$40,015] held as a security deposit in a reserve account with the Organization's credit card processor.

### **4. PREPAID EXPENSES AND OTHER RECEIVABLES**

Included in prepaid expenses and other receivables is an amount of \$82,648 [2012 - \$48,651] related to the refund of Harmonized Sales Tax that has been paid by the Organization.

### **5. PROGRAM PREPAYMENTS**

As of December 31, 2013, The Organization has \$1,952,949 in program prepayments with Islamic Relief Worldwide. These prepayments represent funds advanced to Islamic Relief Worldwide for which there was not yet a direction or a signed contract. All prepayments were allocated to programs subsequent to year end.

## Islamic Relief - IR Canada

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 6. CAPITAL ASSETS

Capital assets consisted of the following as at December 31:

	2013			2012		
	Cost	Accum. Amort.	Net book value	Cost	Accum. Amort.	Net book value
	\$	\$	\$	\$	\$	\$
Building	163,733	11,461	152,272	167,733	4912	158,821
Office furniture and equipment	1,363	353	1,010	399	159	240
Computer equipment	19,184	15,474	3,711	17,237	12,809	4428
Computer software	9,195	8,727	467	9,195	8,260	935
Website development	25,802	18,349	7,453	19,291	12,713	6,578
	219,277	54,364	164,913	209,855	38,853	171,002

Amortization expense related to capital assets for the year ended December 31, 2013 was \$15,511 [2012 - \$12,267].

#### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable is \$151,116 (2012 - \$156,604) owing to IRW, a related party as described in note 13.

#### 8. DUE TO RELATED PARTY

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

#### 9. REVENUE

During 2013, the Organization collected donations of \$166,615.09 for disaster relief efforts in the Philippines that met the criteria for a matching donation to be made by the Government of Canada to Canadian International Development Agency's ("CIDA") *Typhoon Haiyan Relief Fund*. The total amount contributed to CIDA's *Typhoon Haiyan Relief Fund* in 2013 by all Canadians was \$85,000,000.

## Islamic Relief - IR Canada

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

During 2012, the Organization collected donations of \$477,453 for disaster relief efforts in the African Sahel region that met the criteria for a matching donation to be made by the Government of Canada to Canadian International Development Agency's ("CIDA") *Sahel Crisis Matching Fund*. The total amount contributed to CIDA's *Sahel Crisis Matching Fund* in 2012 by all Canadians was \$6.9 million. During 2012, donations from the public in the amount of \$105,325 were internally restricted to support the food, water and nutrition crisis in the Sahel region in West Africa. In 2012 CIDA provided a grant of \$1.5 million to the Organization restricted to supporting the appeal in the Sahel region.

#### 10. CHARITABLE PROGRAMS

The Organization conducted the following charitable programs during the year ended December 31 2013

	2013	2012
	\$	\$
<b>Staff Time</b>		
Salaries and wages	60,355	17,700
Total salaries and wages	60,355	17,700
<b>Canadian Programs</b>		
Community meals	0	30,000
Health and Sanitation	100,000	16,451
Emergency assistance	0	1,650
Total Canadian Programs	100,000	48,101
<b>International Programs</b>		
Disaster relief	1,380,052	4,248,745
Feed the needy	1,828,167	700,672
Orphan sponsorship	821,502	408,843
Development projects	1,680,567	334,842
Children in need and other orphan assistance	32,747	37,959
Total International Programs <i>[note 13]</i>	5,743,035	5,731,061
<b>Total Charitable Programs</b>	<b>5,903,390</b>	<b>5,796,862</b>

## Islamic Relief - IR Canada

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 11. SALARIES AND WAGES

The Organization's total salaries and wages expense of \$310,941 (2012 – \$270,678) has been distributed to the Unrestricted and Restricted fund accounts as follows:

	2013			2012		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
	\$	\$	\$	\$	\$	\$
Charitable programs	0	60,355	60,355	541	17,159	17,700
Fundraising	42,550	53,000	95,550	87,861	58,285	146,146
Administration	155,036	–	155,036	106,832	–	106,832
	197,586	113,355	310,941	195,234	75,444	270,678

#### 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 2013, a percentage of 1.00% (2012 – 1.00%) 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% (2012 – 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 including the shared usage of the "Islamic Relief" brand.

During 2013, IRC executed several international charitable programs through IRW with a net value of \$4,672,151 [2012 - \$5,681,011]. 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

December 31, 2013

### 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, Great Britain Pounds, and Euros and therefore is exposed to exchange rate fluctuations. At December 31, 2013, U.S. cash held was \$379,119 (2012 – \$372,490). Great Britain Pounds accounts payable and amounts due to related party amounted to £85,730 and £20,000 respectively (2012 - £117,478 and £20,000)

*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.