

Islamic Relief - IR Canada
Financial Statements
For the year ended December 31, 2015

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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, 2015, 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 of revenue over expenditures and cash flows from operations for the year ended December 31, 2015, current assets as at December 31, 2015 and net assets as at January 1 and December 31, 2015. Our audit opinion on the financial statements for the year ended December 31, 2014 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, 2015, 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
May 15, 2016

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

December 31 **2015** **2014**

Assets

Current

Cash	\$ 9,310,974	\$ 7,312,361
Prepaid expenses and other receivables (Note 2)	298,761	142,574
Program prepayments (Note 3)	207,227	594,035
	9,816,962	8,048,970

Capital assets (Note 4)	852,456	160,811
	\$ 10,669,418	\$ 8,209,781

Liabilities and Net Assets

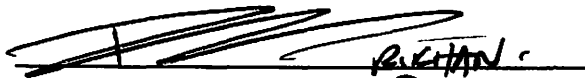
Current

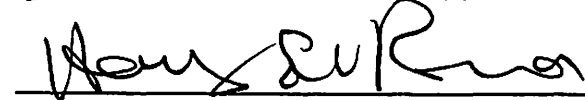
Accounts payable and accrued liabilities (Note 5)	\$ 2,390,293	\$ 481,458
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Net Assets

Investment in capital assets	852,456	160,811
Unrestricted fund	1,086,583	1,456,424
Restricted fund	6,340,086	6,111,088
	8,279,125	7,728,323
	\$ 10,669,418	\$ 8,209,781

On behalf of the Board:

 Director

 Director

Islamic Relief - IR Canada Statement of Revenue and Expenditures

For the year ended December 31

	2015				2014			
	Investment in Capital Assets	Unrestricted	Restricted	Total	Investment in Capital Assets	Unrestricted	Restricted	Total
Revenue								
Donations from the public	\$ -	\$ 1,108,531	\$ 15,361,723	\$ 16,470,254	\$ -	\$ 1,216,001	\$ 11,806,244	\$ 13,022,245
Donations from Canadian registered charities	-	103,148	1,196,182	1,299,330	-	49,089	2,958,576	3,007,665
Other revenue	-	21,949	60,540	82,489	-	53,318	86,146	139,464
	-	1,233,628	16,618,445	17,852,073	-	1,318,408	14,850,966	16,169,374
Expenditures								
Charitable programs (Note 6)	-	305,615	14,904,067	15,209,682	-	44,870	12,989,979	13,034,849
Support								
Fundraising	-	229,171	1,213,265	1,442,436	-	588,196	458,533	1,046,729
Administration	34,686	612,880	1,587	649,153	14,827	347,691	4,249	366,767
Administrative expense allocation (Note 7)	-	(570,528)	570,528	-	-	(116,832)	116,832	-
	\$ 34,686	\$ 577,138	\$ 16,689,447	\$ 17,301,271	14,827	863,925	13,569,593	14,448,345
Excess (deficiency) of revenue over expenditures	\$ (34,686)	\$ 656,490	\$ (71,002)	\$ 550,802	\$ (14,827)	\$ 454,483	\$ 1,281,373	\$ 1,721,029

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

	2015				2014			
	Investment in Capital Assets	Unrestricted	Restricted	Total	Investment in Capital Assets	Unrestricted	Restricted	Total
Net assets, beginning of year	\$ 160,811	\$ 1,456,424	\$ 6,111,088	\$ 7,728,323	\$ 164,913	\$ 1,012,666	\$ 4,829,715	\$ 6,007,294
Excess (deficiency) of revenue over expenditures	(34,686)	656,490	(71,002)	550,802	(14,827)	454,483	1,281,373	1,721,029
Amounts invested in capital assets	726,331	(726,331)	-	-	10,725	(10,725)	-	-
Fund transfers (Note 8)	-	(300,000)	300,000	-	-	-	-	-
Net assets, end of year	\$ 852,456	\$ 1,086,583	\$ 6,340,086	\$ 8,279,125	\$ 160,811	\$ 1,456,424	\$ 6,111,088	\$ 7,728,323

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	2015	2014
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 550,802	\$ 1,721,029
Adjustments to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Amortization of capital assets	34,686	14,827
Changes in non-cash working capital balances		
Prepaid expenses and other receivables	(156,187)	(56,382)
Program prepayments	386,808	1,358,914
Accounts payable and accrued liabilities	1,908,835	176,536
	2,724,944	3,214,924
Cash flows from investing activity		
Purchase of capital assets	(726,331)	(10,725)
Increase in cash during the year	1,998,613	3,204,199
Cash, beginning of year	7,312,361	4,108,162
Cash, end of year	\$ 9,310,974	\$ 7,312,361

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

Islamic Relief - IR Canada

Notes to Financial Statements

December 31, 2015

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 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, 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.

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.

Islamic Relief - IR Canada

Notes to Financial Statements

December 31, 2015

1. Significant Accounting Policies (Continued)

Revenue Recognition

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.

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. GIK revenue during the year was \$40,315 (2014 - \$1,368,430).

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. Other revenue is recognized at point of sale or when the service has been provided.

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	15 - 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	2 years, straight line

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.

Islamic Relief - IR Canada

Notes to Financial Statements

December 31, 2015

1. Significant Accounting Policies (Continued)

Financial Instruments (continued)

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and other receivables. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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, 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.

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 reimbursed to the Organization or are applied to another program.

Islamic Relief - IR Canada Notes to Financial Statements

December 31, 2015

2. Prepaid Expenses and Other Receivables

Included in prepaid expenses and other receivables is an amount of \$166,417 (2014 - \$94,959) related to the refund of Harmonized Sales Tax that has been paid by the Organization.

3. Program Prepayments

As of December 31, 2015, The Organization has \$207,227 (2014 - \$594,035) in program prepayments with Islamic Relief Worldwide. These prepayments represent funds advanced to Islamic Relief Worldwide for programs which were subsequently cancelled, as well as under spending on completed contracts which is receivable from IRW.

4. Capital Assets

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 866,227	\$ 42,935	\$ 163,733	\$ 18,011
Office furniture and equipment	9,018	1,609	1,813	622
Computer equipment	45,566	24,146	28,934	17,730
Computer software	9,720	9,385	9,720	9,209
Website development	25,802	25,802	25,802	23,619
	\$ 956,333	\$ 103,877	\$ 230,002	\$ 69,191
Net book value		\$ 852,456		\$ 160,811

Amortization expense related to capital assets for the year ended December 31, 2015 was \$34,686 (2014 - \$14,827).

5. Accounts Payable and Accrued Liabilities

Included in accounts payable is \$1,525,401 (2014 - \$399,833) owing to IRW, an affiliated organization as described in Note 6.

Islamic Relief - IR Canada Notes to Financial Statements

December 31, 2015

6. Charitable Programs

The Organization incurred the following charitable programs expenditures during the year:

	2015	2014
Staff Time		
Salaries and wages	\$ 151,578	\$ 53,720
Canadian Programs		
Health and sanitation	117,430	100,000
Community assistance	46,962	39,345
Total Canadian Programs	164,392	139,345
International Programs		
Disaster relief	6,392,773	4,116,422
Feed the needy	3,363,926	1,976,113
Orphan sponsorship	2,506,152	1,431,483
Development projects	1,516,438	4,539,216
Children in need and other orphan assistance	1,114,423	778,550
Total International programs	14,893,712	12,841,784
Total Charitable Programs	\$ 15,209,682	\$ 13,034,849

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 2015, IRC executed several international charitable programs through IRW with a net value of \$13,920,852 (2014 - \$7,741,250).

7. Administrative Expense Allocation

Administration expenses were allocated from the unrestricted fund to the restricted fund proportionately to the revenue received. Management believes this allocation best represents the expenditures incurred by the unrestricted fund on behalf of the restricted fund. For the 2014 year, administrative expenses were allocated on the same basis, with the exception of any specific donor restrictions.

8. Fund Transfers

The Board of Directors approved a \$300,000 transfer from the unrestricted fund to the restricted fund related to building water wells in excess of funds raised from donors.

Islamic Relief - IR Canada Notes to Financial Statements

December 31, 2015

9. Salaries and Wages

The Organization's total salaries and wages expense of \$856,567 (2014 - \$414,071) have been distributed to the unrestricted and restricted fund accounts as follows:

	2015			2014		
	Unrestricted Fund	Restricted Fund	Total	Unrestricted Fund	Restricted Fund	Total
Charitable programs (Note 6)	\$ 10,474	\$ 141,104	\$ 151,578	\$ 414	\$ 53,306	\$ 53,720
Fundraising	23,994	323,223	347,217	88,155	54,576	142,731
Administration	357,772	-	357,772	217,620	-	217,620
	\$ 392,240	\$ 464,327	\$ 856,567	\$ 306,189	\$ 107,882	\$ 414,071

10. Commitments

As at December 31, 2015, the Organization has entered into contracts for future charitable programs. These amounts, which have not been reflected as liabilities, total \$3,095,894 (2014 - \$Nil) and are expected to be granted and paid as follows:

	Unrestricted	Restricted	Total
2016	\$ 100,000	\$ 2,464,608	\$ 2,564,608
2017	74,710	456,576	531,286
	\$ 174,710	\$ 2,921,184	\$ 3,095,894

11. 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. 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, and Euros and therefore is exposed to exchange rate fluctuations. At December 31, 2015, U.S. cash held was \$516,833 (2014 - \$303,532).

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.

12. Comparative Amounts

Certain of the 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	2015	2014
Charitable programs	\$15,209,682	\$13,034,849
Salaries and wages	704,989	360,351
Payment processing charges	344,814	264,265
Advertising and promotion	206,625	91,572
Events	197,873	271,804
Professional fees	155,446	183,258
Sponsorship marketing	123,609	64,750
Travel	105,164	73,217
Media, printing and publications	93,180	19,689
Postage	56,079	10,664
Amortization of capital assets	34,686	14,827
Learning and development	29,291	14,287
Occupancy charges	26,454	8,409
Information technology	21,904	7,725
Office	21,761	12,290
Meals	14,540	6,839
Hotel and lodging	14,177	19,937
Telecommunications	11,608	6,224
Website	4,136	3,770
Foreign exchange loss (gain)	(74,747)	(20,382)
Total functional expenditures	\$17,301,271	\$14,448,345