

Financial Statements

Islamic Family and Social Services
Association

July 31, 2024

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Independent Auditor's Report

To the Board of Directors of
Islamic Family and Social Services Association

Qualified opinion

We have audited the financial statements of Islamic Family and Social Services Association (the "Association"), which comprise the statement of financial position as at July 31, 2024, and the statements of operations, 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.

Except as noted in the following paragraph, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at July 31, 2024 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.

Basis for qualified opinion

In common with many not-for-profit organizations, the Association derives revenue from donations and fundraising activities, 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 Association. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, deficiency of revenues over expenditures, and cash flows from operations for the years ended July 31, 2024 and 2023, current assets as at July 31, 2024 and 2023, and net assets as at August 1, 2023 and 2022 and July 31, 2024 and 2023. Our audit opinion on the financial statements for the year ended July 31, 2023 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 Association 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 opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

Independent Auditor's Report (continued)

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

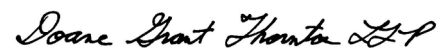
Auditor's responsibilities for the audit of the financial statements

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 Association'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 Association'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 Association 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.

Edmonton, Canada
November 27, 2024



Chartered Professional Accountants

Islamic Family and Social Services Association

Statement of Operations

Year ended July 31	2024	2023
Revenues		
Grant revenue (Note 12)	\$ 2,799,538	\$ 2,336,584
Zakat donations	406,448	576,043
General donations	465,482	205,493
Other revenue	81,142	54,054
Amortization of deferred capital contributions (Note 11)	49,842	47,516
	<u>3,802,452</u>	<u>3,219,690</u>
Expenditures		
Wages and benefits	2,329,609	1,731,777
Direct charity expenses	635,702	560,545
Research and development (Note 12)	383,444	307,021
Amortization	271,706	266,310
Professional fees	250,803	279,020
Office and administration	149,047	101,148
Travel and accommodation	90,058	43,822
Repairs and maintenance	82,364	30,357
Rent	80,768	119,349
Advertising and promotion	59,041	27,970
Telephone and utilities	50,112	37,092
Bank charges and transaction fees	31,726	24,446
Conference, memberships and training	17,546	27,762
Insurance	14,677	11,710
Fundraising expenses	3,872	1,066
	<u>4,450,475</u>	<u>3,569,395</u>
Deficiency of revenues over expenditures before other item	(648,023)	(349,705)
Other item		
Loss from investment in subsidiary	(188,063)	-
Deficiency of revenues over expenditures	<u>\$ (836,086)</u>	<u>\$ (349,705)</u>

Islamic Family and Social Services Association

Statement of Changes in Net Assets

Year ended July 31

	Unrestricted	Invested in capital assets	Internally restricted - Maintenance reserve	Total 2024	Total 2023
Balance, beginning of year	\$ 600,744	\$ 1,023,947	\$ 318,000	\$ 1,942,691	\$ 2,292,396
Deficiency of revenues over expenditures	(614,222)	(221,864)	-	(836,086)	(349,705)
Purchase of capital assets	(621,290)	621,290	-	-	-
Capital contributions	35,142	(35,142)	-	-	-
Transfer from internally restricted fund	<u>318,000</u>	<u>-</u>	<u>(318,000)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (281,626)</u>	<u>\$ 1,388,231</u>	<u>\$ -</u>	<u>\$ 1,106,605</u>	<u>\$ 1,942,691</u>

Islamic Family and Social Services Association

Statement of Financial Position

July 31

2024

2023

Assets

Current

Cash	\$ 1,359,197	\$ 3,380,070
Receivables (Note 3)	601,259	42,155
Prepays and deposits	<u>103,999</u>	<u>29,092</u>
	2,064,455	3,451,317

Long-lived asset held for sale (Note 4)	33,580	33,580
Investments (Note 5)	71,640	71,640
Capital assets (Note 6)	<u>1,598,874</u>	<u>1,249,291</u>
	<u>\$ 3,768,549</u>	<u>\$ 4,805,828</u>

Liabilities

Current

Payables and accruals	\$ 74,351	\$ 44,337
Tenant allowance liability (Note 7)	52,000	52,000
Deferred contributions (Note 8)	606,360	778,240
Refugee sponsorship funding (Note 9)	<u>1,650,342</u>	<u>1,642,969</u>
	2,383,053	2,517,546

Tenant allowance liability (Note 6)	34,667	86,667
Deferred capital contributions (Note 11)	<u>244,224</u>	<u>258,924</u>
	<u>2,661,944</u>	<u>2,863,137</u>

Net assets

Unrestricted	(281,626)	600,744
Invested in capital assets	1,388,231	1,023,947
Internally restricted - Maintenance reserve	<u>-</u>	<u>318,000</u>
	<u>1,106,605</u>	<u>1,942,691</u>
	<u>\$ 3,768,549</u>	<u>\$ 4,805,828</u>

Commitments (Note 10)

On behalf of the Board

Director

Director

Islamic Family and Social Services Association

Statement of Cash Flows

Year ended July 31

2024

2023

Increase (decrease) in cash

Operating

Deficiency of revenues over expenditures	\$ (836,086)	\$ (349,705)
Items not affecting cash		
Amortization	271,706	266,310
Amortization of deferred capital contributions	(49,842)	(47,516)
Tenant allowance (Note 7)	(52,000)	(52,000)
Equity investment loss (Note 5)	188,063	-
	(478,159)	(182,911)
Change in non-cash working capital items		
Receivables	(559,103)	28,681
Prepays and deposits	(74,907)	(2,198)
Payables and accruals	30,013	(10,702)
Deferred contributions	(171,880)	174,479
Refugee sponsorship funding	7,373	225,867
	(1,246,663)	233,216

Financing

Decrease in loan payable	-	(40,000)
Deferred capital contributions received	35,142	-
	35,142	(40,000)

Investing

Advances to related party (Note 5)	(188,063)	-
Purchase of capital assets	(621,289)	(98,136)
	(809,352)	(98,136)

(Decrease) increase in cash (2,020,873) 95,080

Cash

Beginning of year	3,380,070	3,284,990
End of year	\$ 1,359,197	\$ 3,380,070

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

1. Nature of operations

Islamic Family and Social Services Association (the "Association") is a Treaty 6, Edmonton, Alberta based non-profit organization, incorporated under the Societies Act of Alberta and a registered charity under the Income Tax Act and as such is not subject to either Federal or Provincial income taxes.

The Association is a holistic service provider running a broad range of programs to support people looking for safety, security and growth. The Association's services are rooted in the Islamic tradition and accessible to all. The Association focuses on disrupting systemic inequity through innovation, tradition and service.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

Revenue recognition

The Association follows the deferral method of accounting for contributions. Externally restricted operating grants and contributions are recognized as revenue at the time that the relevant expenditures are incurred.

Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions may include amounts raised through fundraising activities, donations and tithes (zakat/sadaqa).

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and general expenditures during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant estimates in these financial statements are the collectibility of receivables and the useful lives of capital assets.

Contributed services

Volunteers contribute many hours of service to the Association. Because of the difficulty in determining the fair value of these contributed services, they are not recognized in these financial statements.

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

2. Significant accounting policies (continued)

Donated materials and services

Certain goods and supplies are received from the community without cost to the Association and, consequently, are not recognized in these financial statements.

Allocation of expenditures

The costs of each program include the costs of personnel, premises and other expenditures that are directly related to providing the program. The Association also incurs a number of general support expenses that are common to the administration of the Association and each of its programs.

Expenses are allocated to the various programs based on review and assessment made by management. The allocation of these costs is performed according to the underlying resources used by each program. Certain overhead costs are allocated to different programs based on the size of the program and allowable distributions under their respective grants.

Cash

Cash includes cash on hand and bank balances, net of outstanding cheques and deposits.

Investments

Investments in co-operatives are recorded at original cost plus undistributed patronage allocations.

Investments in controlled for-profit organizations are recorded using the equity method from the date of control.

Capital assets

Capital assets are recorded at cost. The Association provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods for the remaining capital assets are as follows:

Buildings	4% declining balance
Furniture and fixtures	5 years straight-line
Computer equipment	5 years straight-line
Computer software	2 years straight-line

Leasehold improvements are amortized using the straight-line method over the remaining term of the lease.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that their carrying value exceeds the sum of undiscounted cash flows expected from their use and eventual disposal. An impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value. No impairment loss has been recognized in the current year.

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

2. Significant accounting policies (continued)

Long-lived assets held for sale

Long-lived assets are classified as held for sale when:

- a) management has authority and commits to a plan to sell;
- b) they are available for immediate sale in their present condition subject only to terms that are usual and customary for sale of such assets;
- c) an active program to locate a buyer and other actions required to complete the sale plan have been initiated;
- d) the sale is probable and is expected to qualify for recognition as a completed sale within one year;
- e) they are being actively marketed for sale at prices that are reasonable in relation to their current fair value; and
- f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Long-lived assets classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell. Long-lived assets will not be amortized when classified as held for sale and any expenses attributable to the assets will be accrued.

Research and development

Development costs are capitalized as intangible assets provided they meet all of the following recognition requirements:

- a) completion of the intangible asset is technically feasible so that it can be made available for use or sale;
- b) the Association has the intention to complete the intangible asset and use or sell it;
- c) the Association has the ability to use or sell the intangible asset;
- d) there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- e) the expenditures attributable to the development of the intangible asset can be measured reliably; and
- f) the intangible asset will generate probable future economic benefits.

Capitalized costs include the cost of materials consumed in development activities and payroll and employee benefit expenses associated with product development.

Upon product commercialization, capitalized product development costs are amortized over their estimated useful life.

Development costs not meeting the criteria for capitalization and expenditures during the research phase of an internal project are expensed in the period in which they are incurred. Costs associated with maintaining intangible assets such as minor updates and repairs are expensed as incurred.

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

2. Significant accounting policies (continued)

Financial instruments

The Association considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Association accounts for the following as financial instruments:

- cash
- receivables
- investments in redeemable shares
- payables and accruals

A financial asset or liability is recognized when the Association becomes party to contractual provisions of the instrument.

The Association initially measures its financial assets and liabilities at fair value except for certain non-arm's length transactions which are measured at fair value of exchange amount, adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. The Association has no non-arm's length transactions measured at fair value.

The Association subsequently measures its financial assets and financial liabilities at amortized cost, except for equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

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 writedown is recognized in the statement of operations.

The fair value of the investment in the Islamic Co-operative Housing Corporation Ltd. is not readily determinable since the shares do not trade on a public market. As a result, the investment has been recorded at cost.

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

3. Receivables

	<u>2024</u>	<u>2023</u>
Grant receivables	\$ 496,169	\$ 11,355
GST rebate receivable	60,090	30,800
Rent receivable (Note 4)	<u>45,000</u>	<u>-</u>
	<u>\$ 601,259</u>	<u>\$ 42,155</u>

4. Long-lived asset held for sale

In the prior year, the SouthSide property was listed for sale and is therefore presented as a long-lived asset held for sale in 2023. In 2024, the Association entered into an operating lease agreement on the property, with an initial deposit of \$45,000 (Note 3), and recurring monthly payments of \$1,500 expiring July 30, 2025. The lease also contains an option to purchase the property at the end of the lease term for \$162,000. The agreement was structured as a lease at the request of the lessee. The carrying value of the related asset is as follows:

	<u>2024</u>	<u>2023</u>
Cost of building	\$ 62,595	\$ 62,595
Accumulated amortization	<u>(29,015)</u>	<u>(29,015)</u>
	<u>\$ 33,580</u>	<u>\$ 33,580</u>

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

5. Investments

The investment in the Islamic Co-operative Housing Corporation Ltd., a co-operative established under the laws of Ontario to provide affordable housing, is recorded at cost and consists of the following:

	<u>2024</u>	<u>2023</u>
721 shares, redeemable at \$100 per share (2023 - 721 shares)	\$ 71,640	\$ 71,640

The transfer or sale of the investment is restricted by certain conditions established by the Islamic Co-operative Housing Corporation Ltd. In particular, a lien has been established against the shares with respect to any amounts that might be owed by the Association to the Islamic Co-operative Housing Corporation Ltd. In addition, the investee requires a notification period of approximately three months in the event that the shares are to be redeemed.

Patronage dividends of \$nil (2023 - \$nil) are included in other revenue in the statement of operations with respect to the investment. The patronage dividends represent a non-cash transaction and are added to the carrying value of the investment.

During the year ending July 31, 2023, the Association obtained a 100% ownership interest in a for-profit organization, flourishing.systems Inc. which was incorporated on December 29, 2022 for \$nil investment. During the current year, flourishing.systems Inc. had a loss of \$188,063 (2023 - \$nil) due to expenses incurred, which is reflected as loss from investment in subsidiary on the Statement of Operations. These expenses were paid by the Association and flourishing.systems Inc. owes the Association \$188,063 (2023 - \$nil). The receivable increased the investment in flourishing.systems Inc. and the loss decreased the investment by the corresponding amount.

6. Capital assets

			<u>2024</u>	<u>2023</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 561,870	\$ -	\$ 561,870	\$ -
Buildings	382,758	49,988	332,770	322,929
Leasehold improvements	994,406	397,495	596,911	782,937
Furniture and fixtures	221,922	133,868	88,054	126,478
Computer equipment	77,618	58,349	19,269	16,947
Computer software	2,609	2,609	-	-
	\$ 2,241,183	\$ 642,309	\$ 1,598,874	\$ 1,249,291

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

7. Tenant allowance liability

On November 27, 2020, the Association entered into a new lease. As a side agreement of the lease, the Association paid \$360,000 for a beneficial ownership interest, where they received a 6.55% interest in the leased building. In addition, the Association received a one-time tenant improvements allowance of \$260,000 from the owner.

The one-time tenant improvement allowance of \$260,000 is treated as a lease inducement, and is accounted for as a reduction of the lease expense over the term of the lease. The total cash payment of \$360,000 is accounted for as an investment in property (building), and amortized over its useful life.

The side agreement contains a condition that on the tenth anniversary of the lease date, the Association will have the right to demand a buyout of the beneficial ownership interest using a formula indexed to the fair value of the building at the time of the buyout.

The side agreement also contains a condition that any time after the fifth anniversary of the lease date, the owner of the real property can purchase the beneficial ownership interest using a formula indexed to the fair value of the building at the time of purchase.

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

8. Deferred contributions

	Balance, beginning of year	Total funds received for the year	Current year's qualifying expenditures	Balance, end of year
Provincial grant - Healthy relationships	\$ 44,885	\$ 505,620	\$ (538,480)	\$ 12,025
Wes Mariam Assefa Fund	150,000	250,060	(400,060)	-
Municipal grant - Family and Community Support Services	3,640	226,653	(226,653)	3,640
Community Services Recovery Fund	140,133	59,867	(200,000)	-
Provincial grant - Children Services Program	34,640	126,500	(161,140)	-
CMHC - Halal Housing Labs	63,007	120,424	(150,869)	32,562
City of Edmonton - Civic Youth Fellowship	-	149,538	(149,538)	-
Canada Summer Jobs	-	127,607	(126,524)	1,083
Women and Gender Equality	55,977	100,425	(112,028)	44,374
Alberta Jobs Now	-	65,554	(65,554)	-
The Canadian Women's Foundation	56,301	-	(56,301)	-
City of Edmonton - Community Safety and Wellbeing	-	200,000	(56,000)	144,000
City of Edmonton- Community Safety and Wellbeing	53,972	-	(53,972)	-
New Horizons Senior's Program	25,000	25,000	(50,000)	-
NAP Grant	-	50,000	(50,000)	-
Epcor - Youth Programming	-	40,000	(40,000)	-
Alberta Law Foundation	-	88,704	(36,266)	52,438
United Way of AB - Refugee Financial Empowerment	-	34,779	(34,779)	-
Public Safety	5,643	24,450	(30,093)	-
Red Deer & District Community Foundation	-	30,000	(30,000)	-
Provincial Grant - Community Investment Program	25,962	-	(25,962)	-
Twilio Grant - Transform	25,830	-	(25,830)	-
City of Edmonton - Emerging Immigrants	25,000	-	(25,000)	-
Alberta Community Justice Grant	-	25,000	(25,000)	-
City of Edmonton - Anti Racism	25,000	-	(25,000)	-
Peter Gilgan Foundation	-	25,000	(25,000)	-
Other Grants	-	20,040	(20,040)	-
Industrial Alliance - Financial Empowerment	20,000	-	(20,000)	-
Telus Friendly Future Foundation	8,000	10,000	(18,000)	-
Imperial - Islamic Family's mental health program	15,250	-	(15,250)	-
RHF - Being Muslim on Treaty 6	-	5,000	(5,000)	-
floushing.systems Inc. licensing	-	15,738	(10,488)	5,250

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

8. Deferred contributions (continued)

Cultural Heritage Initiatives Program	-	25,000	(1,200)	23,800
United Way - Community Mental Health	-	20,000	-	20,000
Neighborhood Revitalization Macro Grant	-	20,000	-	20,000
Building Communities through Arts and Health	-	68,746	-	68,746
SILP Grant	-	85,500	-	85,500
Security Infrastructure Program	-	7,942	-	7,942
Edmonton Arts Council - Mural	-	40,000	-	40,000
Admin Fund	-	44,982	-	44,982
	<u>\$</u>	<u>778,240</u>	<u>\$</u>	<u>2,638,129</u>
			<u>\$</u>	<u>(2,810,027)</u>
			<u>\$</u>	<u>606,342</u>

During the year, the Association earned \$25,488 (2023 - Nil) from flourishing.systems Inc. licensing revenue included in other revenue and has a deferred revenue balance of \$5,250 (2023-\$nil).

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

9. Refugee sponsorship funding

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 1,642,969	\$ 1,417,102
Add: funding received	864,078	620,603
Less: amounts paid	<u>(856,705)</u>	<u>(394,736)</u>
Balance, end of year	<u>\$ 1,650,342</u>	<u>\$ 1,642,969</u>

10. Lease commitments

The minimum annual lease payments, including operating costs, for the Maxworth Plaza lease which ends on February 28, 2026 are as follows:

2025	\$ 117,676
2026	<u>68,645</u>
	<u>\$ 186,321</u>

11. Deferred capital contributions

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 258,924	\$ 306,440
Add: contributions received	35,142	-
Less: amount amortized to revenue	<u>(49,842)</u>	<u>(47,516)</u>
Balance, end of year	<u>\$ 244,224</u>	<u>\$ 258,924</u>

12. Research and development expenditures

The Association is in the process of a software development project, for flourishing.systems Inc. to develop a social services client and workflow management software to be used by social workers and other frontline workers in the social services space. The development started in March 2022.

During the year, \$843,953 was incurred on research and development related to flourishing.systems Inc. software. Of this, \$188,063 was not funded by grants and was charged to flourishing.systems Inc. (Note 5). The remaining \$655,890 (2023 - \$307,021) was funded by grants and is included in grant revenue in the year. Of the \$655,890 funded by grants, \$383,444 relates to direct research and development costs, \$182,127 to wages and benefits and the remaining \$90,319 relates to indirect expenditures and overhead allocations for the project.

Islamic Family and Social Services Association

Notes to the Financial Statements

July 31, 2024

13. Financial instruments

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposures and concentrations at July 31, 2024:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Association is exposed to credit risk as it maintains all its bank accounts at a single financial institution. Balances in these accounts may exceed federally insured amounts. The Association has deposited the cash with a reputable financial institution, from which management believes the risk of loss to be remote.

(b) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting the obligations associated with its financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and refugee payments payable. The Association actively monitors its obligations to ensure that it has available funds to meet current and foreseeable future financial requirements based on the forecasting and management of its operational cash flows. This expectation could be adversely affected by material negative changes in the Association's operations.
