

**ISLAMIC FAMILY AND SOCIAL SERVICES
ASSOCIATION**

Non-Consolidated Financial Statements

Year Ended July 31, 2025

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
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Year Ended July 31, 2025

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November 20, 2025
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of Islamic Family and Social Services Association

Opinion

We have audited the non-consolidated financial statements of Islamic Family and Social Services Association (the Group), which comprise the non-consolidated statement of financial position as at July 31, 2025, and the non-consolidated statements of operations, changes in net assets and cash flow for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Group as at July 31, 2025, and the non-consolidated results of its operations and non-consolidated cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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 Non-consolidated Financial Statements* section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of the non-consolidated 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 opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 3 of the financial statements, which explains that certain comparative information presented for the year ended July 31, 2024 has been restated. The financial statements for the year ended July 31, 2024 (prior to the adjustments that were applied to restate certain comparative information explained in note 3) were audited by another auditor who expressed an qualified opinion on those financial statements on November 27, 2024. Our opinion is not modified in rest of this matter.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Independent Auditor's Report to the Members of Islamic Family and Social Services Association (*continued*)

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

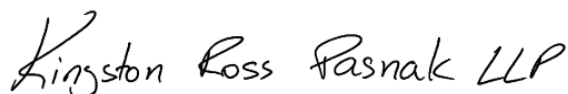
Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Group'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 Group'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 non-consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.



Kingston Ross Pasnak LLP

Chartered Professional Accountants

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Non-Consolidated Statement of Operations
Year Ended July 31, 2025

	2025	2024
REVENUE		
Grant revenue	\$ 2,648,137	\$ 2,799,538
Zakat donations	600,306	406,448
General donations	435,742	465,482
Other revenue	142,754	81,142
Amortization of deferred capital contributions (Note 16)	54,249	49,842
	3,881,188	3,802,452
EXPENSES		
Salaries and wages	2,338,206	2,301,147
Direct charity expenses	479,760	635,702
Professional fees	330,568	279,264
Amortization	271,747	271,706
Research and development	212,744	383,444
Office	142,173	149,048
Rental	83,920	80,768
Travel	43,761	90,058
Bank charges	39,771	31,726
Telephone and utilities	35,211	50,112
Repairs and maintenance	33,679	82,364
Advertising and promotion	31,358	59,041
Memberships	26,558	17,546
Fundraising expenses	22,076	3,872
Insurance	20,274	14,677
	4,111,806	4,450,475
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	(230,618)	(648,023)
OTHER INCOME (EXPENSES)		
Gain on disposal of assets	146,420	-
Gain (loss) from investment in subsidiary (Note 8)	64,600	(188,063)
Dividend income	9,260	-
	220,280	(188,063)
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (10,338)	\$ (836,086)

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Non-Consolidated Statement of Changes in Net Assets
Year Ended July 31, 2025

	Unrestricted	Invested in capital assets	2025	2024
NET ASSETS - BEGINNING OF YEAR	\$ (281,626)	\$ 1,388,231	\$ 1,106,605	\$ 1,942,691
Excess (deficiency) of revenue over expenses	207,160	(217,498)	(10,338)	(836,086)
Purchase of capital assets	(5,234)	5,234	-	-
Disposal of capital assets	33,580	(33,580)	-	-
NET ASSETS - END OF YEAR	\$ (46,120)	\$ 1,142,387	\$ 1,096,267	\$ 1,106,605

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Non-Consolidated Statement of Financial Position
July 31, 2025

	2025	2024 (Restated)
ASSETS		
CURRENT		
Cash	\$ 1,425,277	\$ 1,359,197
Funds held in trust	43,516	-
Accounts receivable (Note 4)	760,657	601,259
Prepaid expenses	29,537	103,999
	2,258,987	2,064,455
CAPITAL ASSETS (Note 6)	770,492	1,598,874
LONG TERM INVESTMENTS (Note 7)	80,900	71,640
ASSETS HELD FOR SALE (Note 5)	561,870	33,580
ADVANCES TO RELATED PARTY (Note 10)	194,887	188,063
	\$ 3,867,136	\$ 3,956,612
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 11)	\$ 98,882	\$ 74,350
Tenant allowance liability (Note 12)	34,667	52,001
Deferred contributions (Note 13)	252,358	606,360
Refugee sponsorship funding (Note 14)	2,071,524	1,650,342
	2,457,431	2,383,053
DEFERRED CAPITAL CONTRIBUTIONS (Note 16)	189,974	244,224
EQUITY INVESTMENT (Note 8)	123,464	188,063
TENANT ALLOWANCE LIABILITY (Note 12)	-	34,667
	2,770,869	2,850,007
NET ASSETS		
Unrestricted	(46,120)	(281,626)
Invested in capital assets	1,142,387	1,388,231
	1,096,267	1,106,605
	\$ 3,867,136	\$ 3,956,612

LEASE COMMITMENTS (Note 15)

ON BEHALF OF THE BOARD

Director

Director

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Non-Consolidated Statement of Cash Flow
Year Ended July 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (10,338)	\$ (836,086)
Items not affecting cash:		
Amortization	271,747	271,706
Dividend income	(9,260)	-
Gain on disposal of assets	(146,420)	-
Equity investment (gain) loss	(64,600)	188,063
Tenant allowance	(52,000)	(52,000)
Amortization of deferred capital contributions	(54,249)	(49,842)
	(65,120)	(478,159)
Changes in non-cash working capital:		
Accounts receivable	5,602	(559,103)
Prepaid expenses	73,787	(74,908)
Accounts payable and accrued liabilities	24,528	30,014
Deferred contributions	(354,002)	(171,880)
Refugee sponsorship funding	421,182	7,373
	171,097	(768,504)
Cash flow from (used by) operating activities	105,977	(1,246,663)
INVESTING ACTIVITIES		
Purchase of capital assets	(5,234)	(621,289)
Proceeds on disposal of capital assets	15,000	-
Assets held for sale	(33,580)	-
Advances to related party	(6,823)	(188,063)
Long term investments	(9,260)	-
Cash flow used by investing activities	(39,897)	(809,352)
FINANCING ACTIVITY		
Deferred capital contributions received	-	35,142
INCREASE (DECREASE) IN CASH	66,080	(2,020,873)
CASH - BEGINNING OF YEAR	1,359,197	3,380,070
CASH - END OF YEAR	\$ 1,425,277	\$ 1,359,197

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended July 31, 2025

1. PURPOSE OF OPERATIONS

Islamic Family and Social Services Association (the "Association") is a Treaty 6, Edmonton, Alberta registered charity organization incorporated provincially under the Societies Act of Alberta in 1992. As a registered charity the Association is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Association provides a number of community programs to support people looking for safety, security and growth. The Association's services are rooted in the Islamic tradition and accessible to everyone. The Association focuses on disrupting systemic inequity through innovation, tradition and service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the accounting standards for not-for-profit organizations financial statements are summarized below.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Externally restricted operating grants and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted 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 include amounts raised through fundraising activities and donations, which consist of general donations representing voluntary, unrestricted contributions from members and the public, and Zakat and Sadaqa donations representing religious charitable contributions designated for specific purposes in accordance with Islamic principles.

Contributions restricted for the acquisition of property and equipment having limited lives are recorded as deferred capital contributions in the period in which they are received and are amortized to revenue over the useful lives of the related assets when they become available for use.

Dividend income is recognized as it is earned based on the percent ownership in the the co-operative.

Management fees and Other revenue, which includes: sponsorship fees, licensing income, counselling services, merchandise sales, are recognized when performance is considered achieved, or service is provided, amount is measurable and collection is reasonably assured.

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ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended July 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 consists of cash on deposit less cheques issued and outstanding.

Funds held in trust

Cash held in trust represents funds belonging to the Association that are held by legal counsel in connection with the sale of the southside property which was completed in the year. These funds are recognized as an asset when the Association obtains the right to receive them and are presented as "Cash held in trust" under current assets.

Investments

The Association recognizes investments without significant influence using the cost method. The Association has an investment in a co-operatives using the cost method and is increased for patronage allocations when they become receivable or received.

Investment with control

The Association's investment Flourishing Systems Inc. ("Flourishing Systems"), of which it owns 100% of the outstanding voting shares, over which the Association exercises control, is accounted for using the equity method. Accordingly, the investment is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and dividends received.

A negative investment balance is recorded when losses exceed the investment and the investor has guaranteed obligations, committed to further support, or the subsidiary is expected to return to profitability.

(continues)

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended July 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

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

Leasehold improvements are amortized using the straight-line method over the remaining term of the lease. Capital assets acquired during the year, but not available for use, are not amortized until they are available for use.

Asset held for sale

Asset are classified as held for sale when all of the following criteria are met:

- a) management has authority and commits to a plan to sell;
- b) they are available for immediate sale in its present condition subject only to terms that are usual and customary for sales 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) it is being actively marketed for sale at a price that is 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.

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

(continues)

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended July 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

Capitalized costs include the cost of materials consumed in development activities, payroll and employee benefits expenses associated with product development. Upon product commercialization, capitalized product development costs are amortized over their estimated useful life.

Impairment of long lived assets

The Association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Financial instruments

All arm's length financial instruments are initially measured at fair value. The Association subsequently measures its arm's length financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

Related party financial instruments with repayment terms are measured at cost, which is equal to the undiscounted cash flows received, or expected to be received less any previously recognized impairment losses.

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ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended July 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The following amounts are subject to measurement uncertainty: collectability of accounts receivable and other advances to related parties, completeness of accounts payable and accrued liabilities, going concern and useful lives of capital assets. These estimates are periodically reviewed and any necessary adjustments are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

The estimate and judgment related to the going concern assumption arise from recurring operating losses and current liabilities exceeding current assets. Management has implemented plans to increase revenues, reduce expenses, and generate additional cash flow through asset sales. These actions are expected to improve financial conditions and address the risks identified in the going concern assessment.

Based on these plans and available information, management has concluded that there is no material uncertainty that casts significant doubt about the Association's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Donated goods and services

The operations of the Association depend on both the contribution of time by volunteers and the contribution of donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and is therefore not reflected in these financial statements.

3. RESTATEMENT OF COMPARATIVE FIGURES

During the year, the classification and presentation of the equity investment on the balance sheet were reassessed to align with the recognition criteria under Section 3051 Investments of the Canadian accounting standards for not-for-profit organizations. The investment loss in excess of the carrying value, attributing to the negative value of the investment, met the relevant criteria in both the current and previous years. As such, the equity pickup reported on the balance is denoted as a credit \$188,063. Accounts impacted by the change are denoted below:

	Previously reported	Adjustment	Restated balances
Equity investment	\$ -	\$ (188,063)	\$ (188,063)
Advances to related party	-	188,063	188,063

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended July 31, 2025

4. ACCOUNTS RECEIVABLE

	2025	2024
Grants receivable	\$ 491,129	496,169
Other receivables (Note 5)	165,000	45,000
Public Service Body rebate	77,506	60,090
Goods and Service Tax receivable	27,022	-
	\$ 760,657	\$ 601,259

Grants receivables are recognized for expenses incurred and milestones accomplished under various programs. Additionally, receivables for the charity specific Public Service Body rebates are recognized for amounts owed from previous and current fiscal years.

5. ASSETS HELD FOR SALE

	2025	2024
Land	\$ 561,870	\$ -
Cost of building	-	62,595
Accumulated amortization	-	(29,015)
	\$ 561,870	\$ 33,580

In 2023, the Southside property was listed for sale and was presented as a long-lived asset held for sale. In 2024, the Association entered into an operating lease agreement on the property for one year. The property was sold to the leaseholder in 2025 for \$180,000, net of deposit, with \$15,000 received during the year. Please see Note 4 for details of the remaining other receivable of \$165,000.

In 2024, land was purchased in partnership with an affordable housing organization to complete the Halal Housing project. At the end of 2025, the land was listed for sale. Currently, the land is recorded at cost.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Leasehold improvements	\$ 994,406	\$ 596,376	\$ 398,030	\$ 596,911
Buildings	382,758	62,388	320,370	332,770
Furniture and fixtures	223,062	178,481	44,581	88,054
Computer equipment	81,713	74,202	7,511	19,269
Land	-	-	-	561,870
Computer software	2,609	2,609	-	-
	\$ 1,684,548	\$ 914,056	\$ 770,492	\$ 1,598,874

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended July 31, 2025

7. LONG TERM INVESTMENTS

	2025	2024
Islamic Co-operative Housing Corporation Ltd.	\$ 80,900	\$ 71,640

The investment in the Islamic Co-operative Housing Corporation Ltd., a co-operative established under the laws of Ontario to provide affordable housing. The investment is recorded at cost and consists of 721 redeemable shares at \$100 per share (2024 - 721 shares).

Patronage dividends of \$9,260 (2024 - \$nil) were received during the year. The patronage dividends represent a non-cash transaction and are added to the carrying value of the investment.

8. EQUITY INVESTMENT

	2025	2024
Opening balance	\$ (188,063)	\$ -
Equity gain (loss) attributed	64,600	(188,063)
Closing	(123,463)	(188,063)

The Association obtained a 100% ownership interest in a for-profit organization, Flourishing.Systems Inc., which was incorporated on December 29, 2022, for a \$nil investment. During the current year, Flourishing.Systems Inc. incurred a gain of \$64,600 (2024 - loss of \$188,063) as revenues exceeded expenses. This amount is reflected as gain from investment in subsidiary on the Statement of Operations.

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION

Notes to Non-Consolidated Financial Statements

Year Ended July 31, 2025

9. INVESTMENT IN FLOURISHING SYSTEMS INC.

The Association is the sole shareholder of Flourishing Systems Inc. ("FS"), a social enterprise incorporated to support the improvement of charitable social service programs. FS was established to develop, operate, and commercialise technology solutions that enhance the delivery of social services. The primary objective of FS is to improve social service delivery at a systems level, enabling charitable programs including those operated by the Association to operate more efficiently, effectively, and with greater impact. While FS operates commercially, its activities are directly aligned with the Associations charitable mission. The structure ensures that commercial operations fund ongoing development and delivery of these solutions.

All intellectual property used by FS is owned by the Association its licensed to FS under a formal agreement. This enables FS to develop and commercialise products and services while ensuring that the underlying technology continues to serve the charitable mission of the Association.

FS has not been consolidated in these financial statements. Financial statements of the enterprise are available upon request. The enterprise is subject to income tax under the Income Tax Act. Financial summaries of this unconsolidated entity for the years then ended are as follows:

	2025	2024
Statement of Income		
Total revenues	\$ 64,600	\$ -
Total expenses	-	(188,063)
Net income (loss)	64,600	(188,063)
Statement of Balance Sheet		
Total assets	66,866	-
Total liabilities	(190,319)	(188,063)
Total equity (deficit)	(123,453)	(188,063)
Statement of Cash flow		
Cash flow from operating activities	64,136	-
Cash flow from financing activities	-	188,063
Increase in cash	64,136	188,063

10. ADVANCES TO RELATED PARTY

	2025	2024
Flourishing.Systems Inc.	\$ 194,887	\$ 188,063

The advances due to the subsidiary are unsecured, non-interest bearing, and have no fixed terms of repayment.

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
Notes to Non-Consolidated Financial Statements
Year Ended July 31, 2025

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Accrued liabilities	\$ 58,318	\$ 37,820
Accrued vacation	33,794	-
Accounts payable	6,770	1,530
Bonus payable	-	35,000
	\$ 98,882	\$ 74,350

The \$35,000 bonus payable was included in accrued liabilities in the prior year and has been reclassified to a separate account in the current year for clarity.

12. 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 lease inducements, and is accounted as reductions of the lease expense over the terms 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 Non-Consolidated Financial Statements
Year Ended July 31, 2025

13. DEFERRED CONTRIBUTIONS

	Balance, beginning of year	Total funds received or receivable for the year	Current year qualifying expenditures	Balance, end of year
Alberta Crime Prevention	\$ -	\$ 147,500	\$ (87,505)	\$ 59,995
CHTC - Halal Housing Labs	-	60,000	(22,173)	37,827
Community Support Services	3,640	187,349	(163,234)	27,755
Provincial Grant - Ethnocultural Grant	-	40,000	(18,102)	21,898
Baraka Scholarship Grant	-	20,000	-	20,000
Alberta Real Estate Foundation	-	18,750	-	18,750
Canadian Race Relations Foundation	-	36,000	(17,802)	18,198
Alberta Law Foundation	52,438	88,702	(123,653)	17,487
City of Edmonton - Anti Racism	-	30,000	(20,194)	9,806
City of Edmonton - Community Mural Grant	-	8,000	-	8,000
Security Infrastructure Program	7,941	-	-	7,941
Cultural Heritage Initiatives Program	23,800	-	(20,239)	3,561
Edmonton Arts Council - Mural	40,000	60,000	(98,860)	1,140
Flourishing Systems Inc. licensing	5,250	-	(5,250)	-
City of Edmonton - Safety and Wellbeing	144,000	-	(144,000)	-
Provincial Grant - Healthy Relationships	12,025	140,450	(152,475)	-
Canada Summer Jobs	1,083	157,991	(159,074)	-
CMHC - Halal Housing Labs	32,562	50,000	(82,562)	-
Women and Gender Equality	44,374	36,886	(81,260)	-
SILP Grant	85,500	-	(85,500)	-
Building Communities through Arts and Heritage Grant	68,747	-	(68,747)	-
Neighbourhood Revitalization Macro Grant	20,000	50,000	(70,000)	-
United Way - Community Mental Health	20,000	-	(20,000)	-
Admin fund	45,000	79,034	(124,016)	-
	\$ 606,360	\$ 1,210,662	\$ (1,564,646)	\$ 252,358

ISLAMIC FAMILY AND SOCIAL SERVICES ASSOCIATION
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14. REFUGEE SPONSORSHIP FUNDING

	2025	2024
Balance, beginning of year	\$ 1,650,342	\$ 1,642,969
Deposits received	871,269	864,078
Amounts paid out	(450,087)	(856,705)
	\$ 2,071,524	\$ 1,650,342

The Association is an approved sponsorship agreement holder with the Immigration, Refugees and Citizenship Canada (IRCC). Whereby, refugee sponsors deposit funds with an approved Association which is held for the duration of the refugee sponsorship process by the Association. Once the application is approved, the amount sponsored is paid to the sponsoree in equal installments over the course of the year. If the application is denied, the amount is paid back to the sponsor within 60 days of notice.

The Association collects \$500 (2024 - \$nil) per application as sponsorship fees, the balance is included within other revenue. Total sponsorship fees collected during the year amounted to \$6,500 (2024 – \$nil).

The Association strives to retain a cash balance that equals and exceeds the Refugee Sponsorship Funding liability. As at year end, the board of directors approved a motion to actively replenish the cash account funds to meet this target on a go forward basis.

15. LEASE COMMITMENTS

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

2026	\$ 68,645
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Subsequent to year-end, the Association has a right to exercise an exclusive option as part of the lease agreement to extend the lease term for additional five years. The detailed terms of the renewed lease are still under review as at financial report date.

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16. DEFERRED CAPITAL CONTRIBUTIONS

	2025	2024
Balance, beginning of year	\$ 244,224	\$ 258,924
Add: contributions received	-	35,142
Less: amount amortized to revenue	(54,250)	(49,842)
	\$ 189,974	\$ 244,224

17. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of July 31, 2025. Unless otherwise noted, the Association's risk exposure has not changed from the prior year.

(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 an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable, accrued liabilities and refugee payable payments.

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.

(c) Market risk

The Association is exposed to market risk arising from its reliance on funding from federal and provincial government grants as well as public donations. These revenue streams are subject to external economic, political, and policy factors, and their timing and amount cannot be predicted with certainty. As such, fluctuations in the availability of these funding sources may impact the Association's ability to maintain ongoing operations and fulfill its programs.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.