



AHMADIYYA
MUSLIM JAMA'AT

Canada

Financial Statements of

Ahmadiyya Muslim Jama'at Canada Inc.

And Independent Auditor's Report thereon

Year ended June 30, 2022

Ahmadiyya Muslim Jama'at Canada Inc.*(a charitable organization)***STATEMENT OF FINANCIAL POSITION**

June 30, 2022, with comparative information for 2021

	2022	2021
Assets		
Current		
Cash and cash equivalents (note 3)	\$ 34,114,751	\$ 20,301,605
Loans receivable	174,071	75,621
Inventory (note 4)	865,817	1,173,851
Receivable from ██████████ (note 5)	2,712,158	3,242,905
Loan receivable from ██████████ (note 6)	21,617	1,526,043
Government remittances receivable	636,067	1,069,200
Expenditure advances	2,459,864	1,466,427
Prepaid expenses	393,018	334,448
	<u>41,377,363</u>	<u>29,190,100</u>
Capital Assets		
Mosques (note 7)	79,917,329	68,420,672
Mission houses (note 8)	10,553,050	10,908,724
Residences (note 9)	7,958,852	7,745,575
Undeveloped land	2,315,450	2,315,450
Properties held in trust (note 10)	1,435,591	1,517,649
Other capital assets (note 11)	1,203,301	1,504,441
	<u>103,383,573</u>	<u>92,412,511</u>
	<u>\$ 144,760,936</u>	<u>\$ 121,602,611</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 1,593,609	\$ 1,231,351
Current portion of long-term debt (note 12 and 13)	207,900	237,842
	<u>1,801,509</u>	<u>1,469,193</u>
Long-term		
Obligations under capital Lease (note 12)	165,879	350,338
Mortgage loan (note 13)	534,000	558,000
Deferred capital contributions (note 14)	83,080,043	68,798,677
Deferred capital contributions on undeveloped land (note 14)	3,620,122	3,620,122
	<u>87,400,044</u>	<u>73,327,137</u>
	<u>89,201,553</u>	<u>74,796,330</u>
Net assets		
National restricted funds	1,139,196	1,139,196
Auxiliaries	13,157,343	10,500,713
Unrestricted	41,262,844	35,166,372
	<u>55,559,383</u>	<u>46,806,281</u>
	<u>\$ 144,760,936</u>	<u>\$ 121,602,611</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director_____
Director

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

STATEMENT OF CHANGES IN NET ASSETS

June 30, 2022, with comparative information for 2021

	National Restricted Funds	Auxiliaries	Unrestricted	Total 2022	Total 2021
Net assets, beginning of year					
- As previously stated	\$ 1,139,196	\$ 10,500,713	\$ 35,166,372	\$ 46,806,281	\$ 35,367,096
- Excess of revenues over expenses	-	2,656,630	6,096,472	8,753,102	11,439,185
Net assets, end of year	\$ 1,139,196	\$ 13,157,343	\$ 41,262,844	\$ 55,559,383	\$ 46,806,281

See accompanying notes to financial statements.

Ahmadiyya Muslim Jama'at Canada Inc.*(a charitable organization)***STATEMENT OF OPERATIONS**

Year ended June 30, 2022, with comparative information for 2021

	2022	2021
Revenues		
Operations (note 15)	\$ 23,468,268	\$ 23,254,940
Auxiliaries	4,045,624	4,349,118
Amortization of deferred capital contributions	2,108,049	2,092,933
	<u>29,621,941</u>	<u>29,696,991</u>
Expenses		
Wages and benefits	3,678,723	3,262,274
Rent, rates and taxes	2,828,781	2,349,583
Property expenses	2,633,725	2,793,897
Management and professional fees (note 5)	1,738,840	1,556,202
Auxiliary organization expenses	1,388,994	1,103,488
Utilities	943,717	1,001,950
Travelling and meetings	564,217	212,373
Literature	533,372	428,331
Miscellaneous	528,949	159,549
Hospitality	522,310	110,121
Donation expenses	460,362	652,464
Vehicle repair and maintenance	444,529	371,894
Postage, telephone and faxes	380,254	290,597
Sadaqaats	111,327	152,746
Provision against bad / doubtful debts	221,781	-
Medical and educational aid	204,542	198,314
Computer and audio/video	139,911	82,393
██████████	110,619	27,906
Printing and stationary	93,354	54,379
Bank charges	36,203	74,605
	<u>17,564,510</u>	<u>14,883,066</u>
Operating Income before Amortization	12,057,431	14,813,925
Amortization	3,304,329	3,374,740
Excess of Revenues over Expenses	\$ 8,753,102	\$ 11,439,185

See accompanying notes to financial statements.

Ahmadiyya Muslim Jama'at Canada Inc.*(a charitable organization)***STATEMENT OF CASH FLOWS**

Year ended June 30, 2022, with comparative information for 2021

	2022	2021
Cash and cash equivalents were provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 8,753,102	\$ 11,439,185
Amortization of capital assets	3,304,329	3,374,740
Amortization of deferred capital	(2,108,049)	(2,092,933)
	9,949,382	12,720,992
Changes in non-cash working capital		
Decrease (increase) in expenditure advances	(993,437)	(206,541)
(Increase) decrease in inventory	308,034	(427,051)
Decrease (increase) in HST receivable	433,133	(705,653)
Increase in prepaid expenses	(58,570)	213,719
(Decrease) increase in accounts payable & accrued liabilities	362,258	197,289
Increase (decrease) in government remittances payable	-	-
	51,418	(928,237)
	10,000,800	11,792,755
Investing activities:		
Purchase of mosques	(13,618,178)	(1,255,979)
Purchase of mission houses	(43,149)	(459,109)
Purchase of residences	(454,518)	(963,600)
Purchase of properties held in trust	(6,749)	(80,297)
Purchase of other capital assets	(152,797)	(650,808)
	(14,275,391)	(3,409,793)
Financing activities:		
Decrease in loans receivable	(98,450)	(32,279)
Decrease in donations recoverable from ██████████	530,747	(2,346,751)
Increase in loan receivable - ██████████	1,504,426	(507,113)
Proceeds from long-term debt	-	235,128
Repayment of long-term debt	(238,401)	(24,000)
Increase in loan payable - ██████████	-	-
Increase in deferred capital contributions	16,389,415	3,849,699
	18,087,737	1,174,684
Increase (decrease) in cash	13,813,146	9,557,646
Cash and cash equivalents, beginning of year	20,301,605	10,743,959
Cash and cash equivalents, end of year (note 3)	\$ 34,114,751	\$ 20,301,605

See accompanying notes to financial statements.

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

Ahmadiyya Muslim Jama'at Canada Inc. is registered federally as a not-for-profit charitable organization without share capital and is exempt from income taxes under Section 149 of the Income Tax Act of Canada.

The objectives of the charity are:

- I. Advancement of Islamic faith, for greater certainty, the Islamic faith as expounded by Hadrat Mirza Ghulam Ahmad of Qadian, the Promised Messiah, Mahdi and founder of Ahmadiyya Muslim Jama'at, and interpreted by his successors known as "Khalifatul Masih". (presently Hadrat Mirza Masroor Ahmad, Khalifatul Masih V);
- II. Training and engagement of Muslim Missionaries to preach Holy Quran and the fundamental principle that Islam is religion of peace and that no compulsion is permissible in its acceptance or propagation;
- III. Advancement of religious and secular education and research; and
- IV. Relief of those in financial need, hardship or distress, sick or poor in health, including but not limited to relief and assistance of people in any part of the world who are the victims of war or other conflicts, natural disaster, trouble or catastrophe.

1. Subsequent event

The three auxiliary organizations which have been an integral part of AMJC Inc., till June 30, 2022 have since been granted independent charity status by the Canada Revenue Agency (CRA). Effective July 1, 2022, they have started operating independently. Transactions and balances pertaining to these auxiliaries included in the financial statements are summarized below:

SN	Details	Name of charities		
		Lajna Imaillah Canada	Majlis Khuddamul Ahmadiyya Canada	Majlis Ansarullah Canada
1.	Revenue	\$ 1,622,855	1,205,734	1,199,385
2.	Operating expenses	\$ 233,984	641,369	513,641
3.	Cash and bank balances	\$ 6,932,182	2,121,315	1,863,183
4.	Property at cost	\$ 910,454	1,617,668	916,711
5.	Other assets	\$ 174,752	448,513	162,997
6.	Other liabilities	\$ 910,454	1,309,757	-
7.	Net assets	\$ 5,718,063	2,313,374	2,257,147

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

2. Significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations.

Revenue recognition

- I. The organization uses the deferred method in accounting for contributions. Accordingly, contributions subject to externally imposed restrictions are initially recorded as deferred revenue and are subsequently recognized as revenue in the period in which the related expenses are incurred.
- II. Donated goods and services are not recorded in accounts of the organizations except when a fair value of such goods and services can be reasonably estimated and when the goods and services are normally purchased by the organization and would be paid for if not donated. Volunteer contribute significant amounts of time to assist the organization in carrying out in service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these statements.
- III. Charitable donations in kind are recorded in the financial statements if donation receipts are issued and fair value of the donations can be reasonably determined.
- IV. Deferred capital contributions are being amortized into income using the same basis as underlying capital assets:

Constructed buildings	Straight -line basis over 40 years
Purchased buildings	Straight line basis over 25 years
Land	No amortization

Financial instruments

AMJC Inc.'s financial instruments consist of cash and cash equivalents, accounts receivables, contributions receivable from donors, restricted investments, loans receivable, accounts payable and accrued liabilities, payable and long-term debt. AMJC Inc. initially measures its financial assets and liabilities at fair value. AMJC Inc. subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and cash equivalents and restricted investments which are measured at fair value.

Transaction costs related to financial assets measured a fair value are expensed as incurred. Transaction costs related to other financial assets and financial liabilities are included or deducted in the initial measurement of the assets or liabilities.

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

2. Significant accounting policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include internally restricted and unrestricted cash and cash equivalents. In accordance with the investments policy approved by the board of directors, Cash and cash equivalents are held in highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capital Assets

Capital assets are recorded at cost when purchased and are subsequently measured at cost less accumulated amortization. They are amortized over their estimated useful lives at the following rates and basis:

Constructed buildings	Straight-line basis over 40 years
Purchased buildings	Straight-line basis over 25 years
Land	No amortization
Portables and greenhouses	Straight-line basis over 10 years
Leasehold Improvements	Straight-line basis over 05 years
Vehicles	Declining balance at 30%
Building equipment	Declining balance at 30%
Office equipment	Declining balance at 30%
Furniture and fixtures	Declining balance at 20%

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential. The amount of the impairment loss is determined as the excess of the net carrying value of the asset over its residual value.

Use of estimates

The preparation of financial statement in accordance with the 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Significant estimates include assumptions used in estimating the recoverability of project expenditures and the determination of the allowances for doubtful contributions receivable from donors, allowances for doubtful amounts receivables, the useful life of capital assets, the fair value of investments, the amount of certain accrued liabilities and the fair value of contributions in kind. Actual results could differ from management's best estimates as additional information becomes available in the future.

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

2. Significant accounting policies (continued)

Receivable from ██████████

██████████ collects donations on behalf of Ahmadiyya Muslim Jama'at Canada Inc. These donations are expected to be collected within 90 days. ██████████ is an independent entity that is the agent for donations made to Ahmadiyya Muslim Jama'at Canada Inc. The amount receivable at June 30, 2022 was received within 90 days of the year end.

Loans receivable

Loans receivable include amounts loaned to community members for various purposes. The organization provides a bad debt provision based on ageing of loans starting from year one at 50% and 60% to 100% over one year.

Inventory

Books inventory

Books inventory is valued at the lower of cost and net realizable value. The organization estimates net realizable value as the amount inventory is expected to be sold less costs to make the sale. As the organization is not in the business of profiting from book sales, many books are sold for less than market value to improve the cultural awareness in the community.

Unsold cemetery inventory

Cemetery lots are valued using historical costs. Value of each lot is determined by dividing number of lots contracted to be procured with the total value of the contract inclusive of non-recoverable HST.

Prepaid expenses

Prepaid expenses include administrative costs paid in advance of the fiscal year to which the costs relate, such as prepaid property and liability insurance.

Expenditure advances

Expenditure advances include amounts given to the local chapters for meeting day-to-day expenses. These advances are settled and replenished regularly upon submission of expense claims.

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

3. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise of the following amounts

	2022	2021
Cash and bank balances	\$ 13,697,888	12,884,759
Guaranteed investment certificates	20,416,863	7,416,846
	\$ 34,114,751	20,301,605

4. Inventory

	2022	2021
Book Inventory (note 3.1)	547,240	569,750
Unsold Cemetery Lots (note 3.1)	318,577	604,101
	\$ 865,817	\$ 1,173,851

- 3.1 AMJC maintains book inventory primarily for it's normal business needs. Books inventory is valued at the lower of cost and net realizable value.
- 3.2 AMJC facilitates its members to provide funeral services including procurement of lots. The lots were purchased by AMJC in [REDACTED], which were largely sold out to it's members. As at the cut-off date of June 30, 2022, there were 96 unsold lots (2021:178 lots) costing \$318,577 (2021: \$604,101). Cemetery lots are sold and kept in the books at historical cost.

5. Related Party Transactions

[REDACTED]
[REDACTED] is an independent not-for-profit organization incorporated without share capital under Federal Corporation Act on April 17, 2008. [REDACTED] and Ahmadiyya Muslim Jama'at Canada Inc. are both responsible to [REDACTED]

[REDACTED] Ahmadiyya Muslim Jama'at Canada Inc. entered into a service agreement with [REDACTED], dated July 1, 2008 to provide fundraising and collection services to Ahmadiyya Muslim Jama'at Canada Inc. for a management fee. These transactions are in the normal course of operations. Included in the management and professional fees expense is an amount of \$1,455,318 (2021: \$1,112,161) for services rendered by [REDACTED].

At the fiscal year end, a balance of \$2,712,158 (2021: \$3,242,905) is receivable from [REDACTED] for donations collected by [REDACTED] on behalf of Ahmadiyya Muslim Jama'at Canada Inc.

[REDACTED]
[REDACTED] is the Headquarter of world wide Ahmadiyya Movement in Islam, situated in [REDACTED]. All the Ahmadiyya communities across the globe report to [REDACTED] on their financial and operational affairs.

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

Transactions, for and on behalf of ██████████ are carried out by AMJC Inc., and vice-versa. A number of projects in Canada and in the South American States are being run by ██████████. These includes providing assistance to new immigrants, the first year expenses of new Jami'a Ahmadiyya Canada graduates, expanding footprint to Honduras, Cayman Island, Paraguay, Belize Ecuador etc. AMJC Inc., acts as conduit for meeting the funding needs of these projects. At the advice of ██████████, funds are transmitted by AMJC Inc., to these projects. During the year ended June 30, 2022, a net aggregate funds of \$485,629 were provided by AMJC Inc., and charged to 'Loan Receivable from ██████████ account. ██████████ transferred funds amounting to \$390,094 to AMJC Inc., in settlement of the loan account. As at June 30, 2022, a net loan payable to ██████████ balance stood at \$21,617 (2021: receivable of \$1,526,043).

6. Loan receivable from ██████████ (Headquarters)

The loan receivable from ██████████ (the Headquarter) are unsecured, non-interest bearing with no specific terms of repayment.

7. Capital Assets - Mosques

	Cost	Accumulated amortization	2022 Net	2021 Net
Land	\$ 10,318,757	-	\$ 10,318,757	\$ 10,318,757
Buildings	88,744,447	19,145,875	69,598,572	58,101,915
	\$ 99,063,204	\$ 19,145,875	\$ 79,917,329	\$ 68,420,672

8. Capital Assets - Mission Houses

	Cost	Accumulated amortization	2022 Net	2021 Net
Land	\$ 873,824	-	\$ 873,824	\$ 873,824
Buildings	13,979,942	4,300,716	9,679,226	10,034,900
	\$ 14,853,766	\$ 4,300,716	\$ 10,553,050	\$ 10,908,724

9. Capital Assets - Residences

	Cost	Accumulated amortization	2022 Net	2021 Net
Land	\$ 4,315,794	-	\$ 4,315,794	\$ 4,315,794
Buildings	5,650,592	2,007,534	3,643,058	3,704,781
	\$ 9,966,386	\$ 2,007,534	\$ 7,958,852	\$ 8,020,575

Ahmadiyya Muslim Jama'at Canada Inc.*(a charitable organization)***NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

10. Capital Assets - Properties held in Trust

	Cost	Accumulated amortization	2022 Net	2021 Net
Land	\$ 421,473	-	\$ 421,473	\$ 421,473
Buildings	2,213,422	1,199,304	1,014,118	1,096,176
	\$ 2,634,895	\$ 1,199,304	\$ 1,435,591	\$ 1,517,649

11. Capital Assets - Other Capital Assets

	Cost	Accumulated amortization	2022 Net	2021 Net
Vehicles (i)	\$ 2,205,055	\$ 1,532,240	\$ 672,815	\$ 848,500
Leasehold improvements	282,598	56,520	226,078	226,078
Building equipment	522,553	503,328	19,225	46,843
Office equipment	505,252	385,087	120,165	146,344
Furniture	126,565	74,816	51,749	60,918
Fixtures	457,750	344,481	113,269	175,758
	\$ 4,099,773	\$ 2,896,472	\$ 1,203,301	\$ 1,504,441

12. Obligation under Capital Lease

	2022	2021
Vehicle finance (note 11.1)	\$ 349,779	564,180
Less: current portion of long term debt	183,341	213,842
	\$ 166,438	\$ 350,338

The expected principal repayments of debt for each of the years subsequent to June 30, 2022 are as follows:

Years	Amount
2022-23	183,341
2023-24	118,485
2024-25	47,953
2025-26	-
Long-term debt	\$ 349,779

12.1 Vehicles finance bears interest from 0.00%-5.49%, payable monthly \$16,939 on account of interest and principal. The debt is secured by vehicles having carrying value of \$297,161 as of June 30, 2022. Maturity dates range from December 2022 to April 2025.

Ahmadiyya Muslim Jama'at Canada Inc.*(a charitable organization)***NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

13. Mortgage Loans

	2022	2021
Mortgage loan (note 12.1)	\$ 558,000	582,000
Less: current portion of long term debt	24,000	24,000
	<u>\$ 534,000</u>	<u>558,000</u>

The expected principal repayments of the loan for each of the years subsequent to June 30, 2022 are as follow:

Years	Amount
2022-23	24,000
2023-24	24,000
2024-25	24,000
2025-26	24,000
2026-27	24,000
Subsequently	414,000
Long-term debt	<u>\$ 534,000</u>

13.1 Mortgage finance bears interest of 3.12% (██████ prime plus 5%), payable average monthly installment of \$3,490 on account of interest and principal. The debt is secured by the residential property ██████████, having carrying value of \$741,191 as of June 30, 2022. Maturity date of the loan is September 2045.

14. Deferred Capital Contributions

	2022	2021
Balance - Beginning of year	\$ 72,418,799	\$ 70,662,033
Contributions received during the year	16,389,415	3,849,699
Amortization of deferred capital contributions	(2,108,049)	(2,092,933)
Balance - End of year	<u>\$ 86,700,165</u>	<u>\$ 72,418,799</u>
Represented by:		
Deferred capital contributions	83,080,043	68,798,677
Deferred capital contributions on undeveloped land	3,620,122	3,620,122
	<u>\$ 86,700,165</u>	<u>\$ 72,418,799</u>

Deferred capital contributions represent the unamortized amount of contributions made by members of AMJC for the purchase of capital assets.

15. Government grants

Included in revenue are amounts that AMJC receives as wage subsidies from Employment and Social Development Canada (ESDC) under the Student Work Placement Program to provide post-secondary students paid work experience related to their field of study. The amount received in the current year is \$485,702 (2021: \$86,897).

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

16. Letters of Guarantee

The organization has guaranteed the following letters of guarantee:

Corporation of the City of Delta, BC	\$ 11,627
Corporation of the City of Vaughan, ON	\$ 194,926
Corporation of the City of Brampton, ON	\$ 205,000

17. Revolving Demand Credit Facility

AMJC Inc., has a revolving demand credit facility (the facility) to a maximum of \$ 3.5 million to finance various construction projects bearing interest at prime rate plus 0.25% per annum. As at June 30, 2022, \$ NIL (2021 - \$ NIL) was drawn under this facility. The facility is fully secured against continuing collateral mortgage, representing a first charge on real estate property located [REDACTED] and legally described as [REDACTED] in the principal amount of CAD \$ 5.0 million, beneficially owned by and registered in the name of AMJC Inc.

18. Lease Commitments

AMJC Inc's., total lease commitments under vehicles and property lease agreements, exclusive of occupancy costs, are as under:

	Amount
2022	219,896
2023	29,796
2024	26,406
2025	-
	\$ 276,098

19. Impact of COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic (the pandemic) as a result of the spread of COVID-19. Since that time, the pandemic has severely impacted local economies around the globe. In many countries, including Canada, organizations were forced to cease or limit operations for long or indefinite periods of time. Adequate measures taken by the Governments to contain the spread of COVID-19, including travel bans, quarantines, physical distancing, and closures of nonessential services have triggered significant disruptions to organizations worldwide, resulting in a widespread economic slowdown. Governments and central banks have responded with monetary and fiscal interventions in an attempt to stabilize economic conditions.

It is not possible to reliably estimate the duration and severity of these consequences as well as their potential impact on the financial position and results of AMJC Inc. for future periods. AMJC Inc. has taken the necessary steps to ensure that it is able to continue its operations while complying with government regulations and ensuring the safety of its employees. AMJC Inc. is committed to adjusting operations as required to ensure the sustainability in its pursuit of its mandate.

Ahmadiyya Muslim Jama'at Canada Inc.

(a charitable organization)

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

20. Financial Instruments:

AMJC Inc., is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the reporting date of June 30, 2022.

a) Liquidity Risk

Liquidity risk is a risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization is exposed to liquidity risk arising primarily from the requirement to pay its payables and long term debts. The organization's ability to meet these obligations depends on the receipt of funds from its operations, which it monitors closely.

b) Market Risk

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk and other price risk. AMJC Inc., is mainly exposed to interest rate risk.

c) Interest Rate Risk

Interest rate risk refers to adverse consequences of interest rate changes on AMJC Inc., cash flows, financial position, investment income and interest expenses. AMJC Inc's., fixed income investments, mortgage loan and obligations under capital lease are exposed to interest rate changes. The impact of adverse changes in rates is not considered material.

d) Credit Risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum credit exposure of AMJC Inc., is represented by the fair value of loan receivables and government remittances as presented in the statement of financial position.