

**MUSLIM ADVOCATES**

**AUDITED FINANCIAL STATEMENTS  
WITH AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2009**

**Ghaffari Zaragoza LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1
Statement of Financial Position.....	2
Statement of Activities .....	3
Statement of Cash Flows .....	4
Statement of Functional Expenses .....	5
Notes to Financial Statements.....	6



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Muslim Advocates  
San Francisco, California

We have audited the accompanying statement of financial position of Muslim Advocates as of December 31, 2009, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muslim Advocates as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Ghaffari Zaragoza LLP*

November 8, 2010  
Oakland, California

## MUSLIM ADVOCATES

### Statement of Financial Position At December 31, 2009

#### Assets

##### Current assets

Cash and cash equivalents (Note 3)	\$ 373,540
Grants and pledges receivable, net (Note 4)	569,320
Prepaid expenses	<u>11,235</u>

Total Current Assets 954,095

Noncurrent grants receivable (Note 4)	258,000
Office equipment, net of accumulated depreciation of \$2,780	7,045
Deposits	<u>8,875</u>

Total Assets \$1,228,015

#### Liabilities

##### Current liabilities

Accounts payable and accrued expenses	\$ 58,233
Accrued vacation liability	<u>4,222</u>

Total Current Liabilities and Total Liabilities 62,455

#### Net Assets

Unrestricted	341,369
Temporarily restricted (Note 5)	<u>824,191</u>

Total Net Assets 1,165,560

Total Liabilities and Net Assets \$1,228,015

See notes to financial statements

## MUSLIM ADVOCATES

### Statement of Activities Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Grants	\$ 223,805	\$ 820,000	\$ 1,043,805
Contributions	170,066	-	170,066
Net assets released from restriction:			
Purpose accomplished	367,988	(367,988)	-
	761,859	452,012	1,213,871
<b>Expenses</b>			
Program services			
Racial profiling	161,393	-	161,393
Muslim charity works	238,390	-	238,390
Supporting services			
Management and general	103,038	-	103,038
Fundraising	65,229	-	65,229
	568,050	-	568,050
Change in Net Assets	193,809	452,012	645,821
Net Assets at beginning of year	147,560	372,179	519,739
Net Assets at end of year	\$ 341,369	\$ 824,191	\$ 1,165,560

See notes to financial statements

## MUSLIM ADVOCATES

### Statement of Cash Flows Year Ended December 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ 645,821
Adjustments to reconcile change in net assets to cash from operating activities:	
Depreciation	1,599
Increase in allowance for uncollectible pledges	1,250
(Increase) decrease in operating assets:	
Grants and pledges receivable	(606,935)
Prepaid expenses	(9,872)
Deposits	3,726
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>15,393</u>
Net cash provided by operating activities	<u>50,982</u>
Cash flows from investing activities:	
Purchase of equipment	<u>(3,205)</u>
Net cash used by investing activities	<u>(3,205)</u>
Net increase in cash and cash equivalents	47,777
Cash and cash equivalents at beginning of year	<u>325,763</u>
Cash and cash equivalents at end of year	<u><u>\$ 373,540</u></u>

See notes to financial statements

## MUSLIM ADVOCATES

### Statement of Functional Expenses For the Year Ended December 31, 2009

	Program Services		Supporting Services		Total
	Racial Profiling	Muslim Charity Works	Management and General	Fundraising	
Salaries	\$ 91,377	\$ 125,147	\$ 52,754	\$ 38,754	\$ 308,032
Payroll taxes	8,183	10,210	4,700	3,207	26,300
Employee benefits (Note 6)	10,242	17,465	9,659	5,842	43,208
Occupancy	10,578	18,974	8,509	6,157	44,218
Video production and distribution	1,478	-	-	-	1,478
Professional fees	14,168	27,639	14,452	580	56,839
Travel	8,240	12,585	2,992	1,302	25,119
Meetings	54	192	1,148	-	1,394
Event and facility rental	-	8,025	-	4,318	12,343
Website expenses	397	771	1,258	194	2,620
Printing and publications	9,334	7,773	394	2,452	19,953
Supplies	418	1,031	1,376	320	3,145
Insurance	531	1,112	1,469	394	3,506
Telephone	1,261	1,956	960	472	4,649
Postage	186	63	190	747	1,186
Depreciation	395	695	279	230	1,599
Staff development and recruitment	1,990	1,769	1,089	260	5,108
Bank charges and fees	-	225	1,289	-	1,514
Dues and subscriptions	2,561	2,708	520	-	5,789
Miscellaneous	-	50	-	-	50
Total expenses	\$ 161,393	\$ 238,390	\$ 103,038	\$ 65,229	\$ 568,050

See notes to financial statements

## Muslim Advocates

### Notes to Financial Statements Year Ended December 31, 2009

#### Note 1 - Organization

Muslim Advocates (the Organization) is a non-profit organization incorporated in Washington, DC on February 4, 2005. Its mission is to promote and protect freedom, justice and equality for all, regardless of faith, using the tools of legal advocacy, policy engagement and civic education and by serving as a legal resource to promote the full and meaningful participation of Muslims in American public life.

Located in San Francisco, California, the Organization supports its operations through private grants and contributions.

#### Note 2 - Summary of Significant Accounting Policies

Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

- a) **Method of Accounting** – The financial statements of the Organization have been prepared using the accrual method of accounting, which involves the recognition of revenue and gains when earned and expenses and losses when incurred.
- b) **Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- c) **Grants and Pledges Receivable** – Grants and pledges receivable include unconditional commitments from various foundations and individuals that are recorded at the net realizable value of the amount expected to be collected by management.
- d) **Fixed Assets and Depreciation** – The Organization records acquisitions with a cost of \$500 or more and useful life of greater than one year as fixed assets. Fixed assets are recorded at cost when purchased and fair value when received as a donation. Depreciation is provided over the estimated useful lives of respective assets, using the straight-line method of depreciation.
- e) **Income Tax Status** – The Organization is recognized as a public charity exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as



## Muslim Advocates

### Notes to Financial Statements Year Ended December 31, 2009

defined by Section 512(a)(1) of the Internal Revenue Code and similar code section of the California Revenue and Taxation Code, is subject to income tax. Management believes that all of the organization's income was directly related to its exempt purpose, thus the accompanying financial statements do not include any provision for income taxes.

- f) **Basis of Presentation** – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* represent net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

- g) **Restricted Resources** – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of fixed assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used.

- h) **Allocation of Common Expenses** – Common costs which primarily are related to the shared use of the office facility are allocated based on employees' effort as reported by employees.
- i) **In-kind Support** - The Organization records contributed professional services and materials at their estimated fair value on the date of receipt. Contributed services are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. Contributions of tangible assets are recognized at fair market value when received.
- j) **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of

## Muslim Advocates

### Notes to Financial Statements Year Ended December 31, 2009

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates reflected in the Organization's financial statements include valuation and collectability of grants and pledges receivable and the functional allocation of expenses. Actual result may differ from those estimates.

#### Note 3 – Concentrations of Credit Risk

Cash and cash equivalents at various financial institutions are insured by the Federal Deposit Insurance Corporation. The uninsured cash and cash equivalent balances at December 31, 2009 were \$102,869.

#### Note 4 – Grants and Pledges Receivable

Grants and pledges receivable are expected to be received in the following periods:

Receivable in less than one year	\$576,920
Receivable in one to five years	<u>258,000</u>
Total grants and pledges receivable	834,920
Less discount to net present value	0
Less allowance for uncollectible commitments	<u>(7,600)</u>
Grants and pledges receivable, net	<u>\$827,230</u>

#### Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 were available for:

Racial Profiling	\$68,000
Muslim Charity Works	32,881
Financial capacity	2,761
Restricted for future periods	<u>720,549</u>
	<u>\$824,191</u>

## **Muslim Advocates**

### **Notes to Financial Statements** Year Ended December 31, 2009

#### **Note 6 – Defined Contribution Plan**

The Organization has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The plan provides for voluntary salary deferrals for employees who have completed one month of service. The Organization may elect to make matching contributions to the plan at its discretion. During the year ended December 31, 2009 employer contributions to the plan were \$15,142.

#### **Note 7 – Donated Legal Services**

During the year ended December 31, 2009, the Organization received pro bono legal services from various law firms related to its programs and operations. These services would not have been purchased if they had not been donated and therefore are not included in the accompanying financial statements.

#### **Note 8 – Subsequent Events**

Management has evaluated subsequent events through November 8, 2010, the date on which the financial statements were available to be issued.