

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

Muslim Advocates

December 31, 2008 and 2007

Muslim Advocates

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities:	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

INDEPENDENT AUDITORS' REPORT

August 5, 2009

Board of Directors
Muslim Advocates
San Francisco, CA

We have audited the accompanying statements of financial position of the Muslim Advocates (a nonprofit corporation), as of December 31, 2008 and 2007 and the related statements of activities, functional expenses and statement of cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 audits provide 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 the Muslim Advocates as of December 31, 2008 and 2007 and the results of its operations, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Farmer & First, PC

Warren, RI

Muslim Advocates
STATEMENTS OF FINANCIAL POSITION
December 31,

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 325,763	\$ 236,353
Accounts receivable	-	14,980
Pledge receivables, net of allowance for uncollectible	212,385	11,000
Grant receivable	9,250	125,000
Prepaid expenses	<u>1,363</u>	<u>11,879</u>
Total current assets	<u>548,761</u>	<u>399,212</u>
PROPERTY AND EQUIPMENT:		
Office equipment	6,621	4,521
Less: accumulated depreciation	<u>1,182</u>	<u>36</u>
Property and equipment, net	<u>5,439</u>	<u>4,485</u>
OTHER ASSETS		
Security deposits	<u>12,601</u>	<u>3,338</u>
TOTAL ASSETS	<u><u>\$ 566,801</u></u>	<u><u>\$ 407,035</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 33,907	\$ 25,189
Accrued expenses	<u>13,155</u>	<u>898</u>
Total current liabilities	<u>47,062</u>	<u>26,087</u>
NET ASSETS:		
Unrestricted	147,560	67,940
Temporarily restricted	<u>372,179</u>	<u>313,008</u>
Total net assets	<u>519,739</u>	<u>380,948</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 566,801</u></u>	<u><u>\$ 407,035</u></u>

The accompanying notes are an integral part of these statements.

Muslim Advocates
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
SUPPORT & REVENUE:			
Grants/Contributions	170,341	334,600	504,941
Loss on sale of marketable securities	(382)	-	(382)
Net assets released from restriction	275,429	(275,429)	-
Total support & revenue	<u>445,388</u>	<u>59,171</u>	<u>504,559</u>
EXPENSES:			
Program services:			
Racial Profiling	161,926		161,926
Muslim Charity Works	130,396		130,396
Supporting services:			
Management & general	41,167	-	41,167
Fundraising	32,279	-	32,279
Total expenses	<u>365,768</u>	<u>-</u>	<u>365,768</u>
CHANGE IN NET ASSETS	79,620	59,171	138,791
NET ASSETS, January 1, 2008	<u>67,940</u>	<u>313,008</u>	<u>380,948</u>
NET ASSETS, December 31, 2008	<u>\$ 147,560</u>	<u>\$ 372,179</u>	<u>\$ 519,739</u>

The accompanying notes are an integral part of these statements.

Muslim Advocates
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT & REVENUE:			
Grants/Contributions	84,549	379,100	463,649
Investment income	83	-	83
Miscellaneous income	346	-	346
Net assets released from restriction	66,092	(66,092)	-
Total support & revenue	<u>151,070</u>	<u>313,008</u>	<u>464,078</u>
EXPENSES:			
Program services:			
Racial Profiling	25,164		25,164
Muslim Charity Works	52,330		52,330
Supporting services:			
Management & general	21,458	-	21,458
Fundraising	18,541	-	18,541
Total expenses	<u>117,493</u>	<u>-</u>	<u>117,493</u>
CHANGE IN NET ASSETS	33,577	313,008	346,585
NET ASSETS, January 1, 2007	<u>34,363</u>	<u>-</u>	<u>34,363</u>
NET ASSETS, December 31, 2007	<u>\$ 67,940</u>	<u>\$ 313,008</u>	<u>\$ 380,948</u>

The accompanying notes are an integral part of these statements.

Muslim Advocates
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	Program Services			Supporting Services			Functional Expenses
	Racial Profiling	Muslim Charity Works	Total Program Services	Management & General	Fund-Raising	Total Support	
Salaries	\$ 87,324	\$ 89,145	\$ 176,469	\$ 24,610	\$ 20,089	\$ 44,699	\$ 221,168
Payroll taxes	6,804	7,003	13,807	2,411	1,548	3,959	17,766
Benefits	3,436	3,826	7,262	1,214	1,192	2,406	9,668
Total payroll-related expenses	97,564	99,974	197,538	28,235	22,829	51,064	248,602
Occupancy	11,526	14,206	25,732	2,567	2,373	4,940	30,672
Video production & dist.	29,151	-	29,151	-	-	-	29,151
Professional fees	8,046	3,139	11,185	769	1,521	2,290	13,475
Travel	5,946	2,637	8,583	775	1,506	2,281	10,864
Web site expenses	3,215	3,265	6,480	181	44	225	6,705
Bad debts	-	-	-	5,350	-	5,350	5,350
Printing and publications	362	1,866	2,228	159	1,935	2,094	4,322
Supplies	820	1,417	2,237	1,491	177	1,668	3,905
Insurance	1,107	1,218	2,325	289	99	388	2,713
Telephone	1,026	1,266	2,292	182	211	393	2,685
Postage and shipping	640	5	645	245	1,364	1,609	2,254
Depreciation	471	527	998	99	49	148	1,146
Staff development	44	538	582	240	-	240	822
Bank charges	179	143	322	217	37	254	576
Miscellaneous	1,829	195	2,024	368	134	502	2,526
Totals	<u>\$ 161,926</u>	<u>\$ 130,396</u>	<u>\$ 292,322</u>	<u>\$ 41,167</u>	<u>\$ 32,279</u>	<u>\$ 73,446</u>	<u>\$ 365,768</u>

The accompanying notes are an integral part of these statements.

Muslim Advocates
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	Program Services			Supporting Services			Functional Expenses
	Racial Profiling	Muslim Charity Works	Total Program Services	Management & General	Fund-Raising	Total Support	
Salaries	\$ 16,845	\$ 42,102	\$ 58,947	\$ 14,839	\$ 7,082	\$ 21,921	\$ 80,868
Payroll taxes	1,371	3,131	4,502	1,192	564	1,756	6,258
Benefits	831	2,020	2,851	738	351	1,089	3,940
Total payroll-related expenses	19,047	47,253	66,300	16,769	7,997	24,766	91,066
Travel	546	2,332	2,878	-	6,454	6,454	9,332
Occupancy	1,564	1,565	3,129	1,404	-	1,404	4,533
Professional fees	2,703	-	2,703	817	-	817	3,520
Bad debts	-	-	-	-	2,675	2,675	2,675
Printing and publications	331	-	331	15	1,346	1,361	1,692
Insurance	348	347	695	259	-	259	954
Supplies	-	133	133	504	38	542	675
Telephone	299	299	598	58	7	65	663
Bank charges	-	-	-	527	-	527	527
Postage and shipping	6	-	6	289	24	313	319
Web hosting	120	-	120	126	-	126	246
Depreciation	-	-	-	36	-	36	36
Miscellaneous	200	401	601	654	-	654	1,255
Totals	<u>\$ 25,164</u>	<u>\$ 52,330</u>	<u>\$ 77,494</u>	<u>\$ 21,458</u>	<u>\$ 18,541</u>	<u>\$ 39,999</u>	<u>\$ 117,493</u>

The accompanying notes are an integral part of these statements.

Muslim Advocates
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2008	2007
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 138,791	\$ 346,585
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,146	36
Decrease (increase) in operating assets:		
Accounts receivable	14,980	(14,980)
Pledge receivable	(201,385)	(11,000)
Grant receivable	115,750	(125,000)
Prepaid expenses	10,516	(11,879)
Security deposits	(9,263)	(3,338)
Increase (decrease) in operating liabilities:		
Accounts payable - trade	8,718	17,112
Accrued expenses	12,257	898
	91,510	198,434
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,100)	(4,521)
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,410	193,913
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	236,353	42,440
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 325,763	\$ 236,353
Interest paid during the year	\$ -	\$ -

The accompanying notes are an integral part of these statements.

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

1. Nature of Activities

Muslim Advocates (a non-profit organization) was incorporated in Washington, DC on February 4, 2005 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.

2. Basis of Accounting

The organization recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

3. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The organization had no permanently restricted net assets as of December 31, 2008 and 2007.

4. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

5. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life.

Additions and improvements that add materially to productive capacity, or extend the life of an asset, are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The estimated lives used in determining depreciation are:

Equipment	5 – 7 years
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6. Income Taxes

The Organization is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the organization has been classified as an organization that is not a private foundation under Section 590(a)(1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the years ended December 31, 2008 and 2007.

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

7. Donated Material and Contributed Services

Numerous unpaid volunteers have made significant contributions of their time to the management of the Organization and to the delivery of its program services. The value of the donated time is not determinable and, as such, is not reflected in these financial statements.

8. Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

9. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. Grants and Contract Awards

The Organization receives grants from private grantors for various purposes. Grants and contract awards not yet received are accrued. The Organization defers grants and contract revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

11. Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are due in less than one year.

12. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2008 and 2007 represent grants that have been received and designated as temporarily restricted by the grantor. As these funds are expended, the temporary restrictions expire and the temporarily restricted net assets are reclassified to unrestricted net assets on the statement of financial position.

	<u>Balance</u> <u>01/01/08</u>	<u>Grant</u> <u>Awards</u>	<u>Net Assets</u> <u>Released</u>	<u>Balance</u> <u>12/31/08</u>
Racial Profiling	\$ 233,028	\$ 134,600	\$ 193,587	\$ 174,041
Muslim Charity Works	<u>79,980</u>	<u>200,000</u>	<u>81,842</u>	<u>198,138</u>
Total	<u>\$313,008</u>	<u>\$ 334,600</u>	<u>\$ 275,429</u>	<u>\$372,179</u>

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE B – TEMPORARILY RESTRICTED NET ASSETS (continued)

	<u>Grant Awards</u>	<u>Net Assets Released</u>	<u>Balance 12/31/07</u>
Racial Profiling	\$ 249,000	\$ 15,972	\$ 233,028
Muslim Charity Works	<u>130,100</u>	<u>50,120</u>	<u>79,980</u>
Total	<u>\$ 379,100</u>	<u>\$ 66,092</u>	<u>\$313,008</u>

NOTE C - COMMITMENTS

1. The Organization is obligated under the following rental leases:

<u>Lessor</u>	<u>Location</u>	<u>Term/ Exp. Date</u>	<u>Terms</u>
Regent Center	Business 315 Montgomery St, San Francisco, CA, Ste #888	14 months, Dec 31, 2009	\$3,386 per month

The future minimum rental commitments under operating leases as of December 31, 2008 are as follows:

For the year ending December 31, 2009	\$40,629
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