

Muslim Advocates

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Muslim Advocates  
Oakland, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Muslim Advocates (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

The management of Muslim Advocates is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (continued)

**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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*DZH Phillipst LLP*

Oakland, California  
August 4, 2015

## Muslim Advocates

### STATEMENTS OF FINANCIAL POSITION Years ended December 31, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents (Notes 3)	\$ 726,152	\$ 771,227
Grants and pledges receivable (Note 4)	249,260	312,355
Other receivables	-	18,015
Prepaid expenses	29,649	30,958
	<hr/>	<hr/>
Total Current Assets	1,005,061	1,132,555
Grants and pledges receivable beyond one year (Note 4)	-	1,600
Fixed assets, net (Note 5)	33,620	21,417
Deposits	8,369	19,744
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,047,050</u>	<u>\$ 1,175,316</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 44,563	\$ 70,543
Accrued vacation liability	34,857	33,112
	<hr/>	<hr/>
Total Current Liabilities	79,420	103,655
Deferred rent (Note 9)	41,370	-
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>\$ 120,790</u>	<u>\$ 103,655</u>
NET ASSETS		
Unrestricted	647,005	749,691
Temporarily restricted (Note 6)	279,255	321,970
	<hr/>	<hr/>
TOTAL NET ASSETS	926,260	1,071,661
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,047,050</u>	<u>\$ 1,175,316</u>

The accompanying notes are an integral part of these statements.

## Muslim Advocates

### STATEMENTS OF ACTIVITIES Years ended December 31, 2014 and 2013

	December 31, 2014			December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Grants	\$ 546,950	\$ 240,000	\$ 786,950	\$ 572,000	\$ 260,000	\$ 832,000
Contributions	322,023	87,124	409,147	340,504	61,970	402,474
In-kind contributions (Note 7)	621,036	-	621,036	132,752	-	132,752
Fundraising event income	372,015	-	372,015	279,945	-	279,945
Fundraising event expense	(61,770)	-	(61,770)	(50,803)	-	(50,803)
Fundraising event, net	310,245	-	310,245	229,142	-	229,142
Interest and other income	6,920	-	6,920	10,517	-	10,517
Net assets released from restrictions:						
Purpose accomplished or time restrictions	369,839	(369,839)	-	362,037	(362,037)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,177,013</b>	<b>(42,715)</b>	<b>2,134,298</b>	<b>1,646,952</b>	<b>(40,067)</b>	<b>1,606,885</b>
<b>EXPENSES</b>						
Program Services			-			
End Profiling	1,072,806	-	1,072,806	370,661	-	370,661
Counter Hate	422,894	-	422,894	242,637	-	242,637
Strengthen Charities	260,065	-	260,065	332,003	-	332,003
Supporting services						-
Management and general	151,680	-	151,680	210,410	-	210,410
Fundraising	372,254	-	372,254	428,060	-	428,060
<b>TOTAL EXPENSES</b>	<b>2,279,699</b>	<b>-</b>	<b>2,279,699</b>	<b>1,583,771</b>	<b>-</b>	<b>1,583,771</b>
Change in net assets	(102,686)	(42,715)	(145,401)	63,181	(40,067)	23,114
Net Assets at beginning of year	749,691	321,970	1,071,661	686,510	362,037	1,048,547
Net Assets at end of year	<u>\$ 647,005</u>	<u>\$ 279,255</u>	<u>\$ 926,260</u>	<u>\$ 749,691</u>	<u>\$ 321,970</u>	<u>\$ 1,071,661</u>

The accompanying notes are an integral part of these statements.

## Muslim Advocates

### STATEMENT OF FUNCTIONAL EXPENSES Year ended December 31, 2014

	Program Services			Supporting Services		Total	
	End Profiling	Counter Hate	Strengthen Charities	Total Program Services	Management and General		Fundraising
Salaries	\$ 276,013	\$ 141,433	\$ 139,935	\$ 557,381	\$ 27,682	\$ 167,118	\$ 752,181
Payroll taxes	21,488	11,010	10,894	43,392	2,156	13,010	58,558
Employee benefits (Note 8)	47,678	24,432	24,172	96,282	4,782	28,868	129,932
Professional fees	601,745	180,495	24,358	806,598	97,938	70,848	975,384
Occupancy	55,050	22,470	13,345	90,865	7,784	18,198	116,847
Travel	22,768	17,029	24,211	64,008	231	18,819	83,058
Printing & publications	1,555	8,753	5,337	15,645	162	19,870	35,677
Equipment purchase	8,931	3,645	2,164	14,740	919	2,150	17,809
Meetings	1,387	1,057	7,374	9,818	170	7,194	17,182
Depreciation	7,452	3,042	1,807	12,301	1,054	2,464	15,819
Dues & subscriptions	7,647	1,954	1,642	11,243	2,749	495	14,487
Insurance	6,548	1,800	1,069	9,417	3,420	1,476	14,313
Bank charges & fees	62	-	262	324	464	10,000	10,788
Telephone & internet	3,776	1,525	920	6,221	526	1,231	7,978
Supplies	2,870	1,167	766	4,803	351	2,695	7,849
Postage	1,656	612	582	2,850	208	3,990	7,048
Advertising	2,976	1,214	720	4,910	324	1,721	6,955
Website hosting, software & maintenance	2,633	1,075	638	4,346	300	1,044	5,690
Staff development & recruitment	533	201	(131)	603	70	363	1,036
Miscellaneous	38	(20)	-	18	390	700	1,108
<b>Total Expenses</b>	<b>\$ 1,072,806</b>	<b>\$ 422,894</b>	<b>\$ 260,065</b>	<b>\$ 1,755,765</b>	<b>\$ 151,680</b>	<b>\$ 372,254</b>	<b>\$ 2,279,699</b>

The accompanying notes are an integral part of these statements.

## Muslim Advocates

### STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2013

	Program Services			Supporting Services		Total	
	End Profiling	Counter Hate	Strengthen Charities	Total Program Services	Management and General		Fundraising
Salaries	\$ 177,516	\$ 130,696	\$ 160,570	\$ 468,782	\$ 31,902	\$ 181,886	\$ 682,570
Payroll taxes	14,603	10,053	12,005	36,661	2,108	15,609	54,378
Employee benefits (Note 8)	31,006	23,157	25,434	79,597	5,254	32,220	117,071
Professional fees	81,227	34,551	66,809	182,587	152,805	70,543	405,935
Occupancy	25,579	17,972	21,966	65,517	2,948	26,625	95,090
Travel	15,602	9,343	12,383	37,328	2,443	33,335	73,106
Printing & publications	3,242	2,081	5,074	10,397	1,070	20,572	32,039
Meetings	3,108	2,991	7,923	14,022	842	14,275	29,139
Insurance	3,492	2,154	2,902	8,548	2,745	2,626	13,919
Bank charges & fees	398	-	148	546	423	12,454	13,423
Supplies	1,571	1,336	800	3,707	267	6,458	10,432
Telephone & internet	2,518	1,715	2,185	6,418	878	2,714	10,010
Staff development & recruitment	1,622	879	4,598	7,099	2,770	-	9,869
Dues & subscriptions	4,453	1,041	3,502	8,996	249	79	9,324
Depreciation	1,119	2,103	2,571	5,793	348	3,118	9,259
Website hosting, software & maintenance	2,450	1,721	2,104	6,275	283	2,550	9,108
Postage	364	289	323	976	1,502	2,465	4,943
Advertising	720	508	618	1,846	505	-	2,351
Equipment purchase	-	-	88	88	652	-	740
Miscellaneous	71	47	-	118	416	531	1,065
<b>Total Expenses</b>	<b>\$ 370,661</b>	<b>\$ 242,637</b>	<b>\$ 332,003</b>	<b>\$ 945,301</b>	<b>\$ 210,410</b>	<b>\$ 428,060</b>	<b>\$ 1,583,771</b>

The accompanying notes are an integral part of these statements.

## Muslim Advocates

### STATEMENTS OF CASH FLOWS Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ (145,401)	\$ 23,114
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	15,819	9,259
(Increase) decrease in operating assets:		
Grants and pledges receivable	64,695	48,082
Prepaid expenses	19,324	3,137
Deposits	11,375	(9,769)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(24,235)	43,373
Deferred rent	41,370	-
	(17,053)	117,196
 Cash flows from investing activities:		
Acquisition of fixed assets	(28,022)	(15,043)
	(28,022)	(15,043)
 Net increase (decrease) in cash and cash equivalents	(45,075)	102,153
 Cash and cash equivalents - beginning of the year	771,227	669,074
 Cash and cash equivalents - end of the year	\$ 726,152	\$ 771,227

The accompanying notes are an integral part of these statements.

## Muslim Advocates

### NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2014 and 2013

#### Note 1 - Organization

Muslim Advocates (the Organization) is a non-profit organization incorporated in Washington, DC, registered with Attorney General of California, and headquartered in Oakland, California. The Organization is a national legal advocacy and educational organization that works on the frontlines of civil rights to guarantee freedom and justice for Americans of all faiths. The Organization supports its operations primarily 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, less an allowance for doubtful pledges. Grants receivable beyond one year are discounted to present value of expected future cash flow using a risk-based discount rate. Grants receivable are deemed to be collectible in their entirety. Allowance for uncollectible pledges from individuals is provided at 50%-100% of pledges after 18-24 months depending on the dollar amount. The allowance is adjusted based on significant other information about the recoverability of the pledge.
- (d) **Fixed Assets and Depreciation** – The Organization records acquisitions with a cost or basis of \$1,000 or more 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.

## Muslim Advocates

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

- (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 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. Each year management considers whether any material tax positions the Organization has taken are more likely than not to be sustained upon examination by the applicable taxing authority and, hence, do not need to be measured or disclosed in these financial statements.
- (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) **In-Kind Services** – Contributed services are recognized at their fair value if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Due to the nature of the Organization's operations, pro bono legal services have been performed by a number of attorneys who have contributed their time to the Organization. The Organization has valued and recorded these services as revenue and expenses at fair value based on the attorney's average billing rates. A substantial number of general volunteers also donated their time to the program services and fund raising campaigns of the Organization; such time is not reflected in the financial statements in as much as applicable recognition criteria are not met.

## Muslim Advocates

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

- (i) **Allocation of Expenses** – Salaries and employee benefit expenses have been allocated to programs and supporting activities based on employees’ actual time spent in each activity. Shared operations costs, i.e. costs related to facility operations, were allocated based on the ratio of total staff time through December 31, 2013. In 2014, shared operations costs and communication and outreach costs were allocated to activities benefitting from them based on direct cost of such activities.
- (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 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 – Concentration of Credit Risk

Concentration of credit risk primarily includes cash and cash equivalents and grants and pledges receivable. The Organization maintains cash balances in financial institutions that from time to time exceed the guaranteed amount of the Federal Deposit Insurance Corporation of \$250,000 per account holder.

At December 31, 2014, 70% of the grants receivable were from one private foundation.

#### Note 4 – Grants Receivable

Grants and pledges receivable were as follows:

	<u>12/31/14</u>	<u>12/31/13</u>
Receivable in less than one year	\$ 249,260	\$ 312,355
Receivable in one to five years	-	1,600
Total grants receivable	<u>\$ 249,260</u>	<u>\$ 313,955</u>

Management believes that grants and pledges receivable are collectible in their entirety and therefore has not provided for allowance for uncollectible pledges.

## Muslim Advocates

### NOTES TO FINANCIAL STATEMENTS (continued) December 31, 2014 and 2013

#### Note 5 – Fixed Assets and Depreciation

Fixed assets consisted of the following:

	<u>12/31/14</u>	<u>12/31/13</u>
<u>Non-depreciable:</u>		
Website development in progress	\$ -	\$ 12,187
<u>Depreciable:</u>		
Computers	\$ 22,258	\$ 19,636
Website	24,967	19,310
Leasehold improvement	9,120	-
Furniture and fixtures	3,500	-
Total property and equipment	\$ 59,845	\$ 51,133
Accumulated depreciation	<u>(26,225)</u>	<u>(29,716)</u>
Property and equipment, net	<u>\$ 33,620</u>	<u>\$ 21,417</u>

#### Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	<u>12/31/14</u>	<u>12/31/13</u>
Restricted for future periods	\$ 249,335	\$ 321,970
2015 Gala	15,000	-
Anti-Muslim hate video	15,000	-
	<u>\$ 279,335</u>	<u>\$ 321,970</u>

## Muslim Advocates

### NOTES TO FINANCIAL STATEMENTS (continued) December 31, 2014 and 2013

#### Note 7 – In-Kind Services

In-kind services received and recorded as “in-kind contributions” in the statement of activities consisted of:

	12/31/14	12/31/13
<u>Legal Services:</u>		
End Profiling	526,469	46,038
Management and General	7,511	43,142
Strengthen Charities	530	32,542
Counter Hate	86,526	9,030
	\$ 621,036	\$ 130,752
<u>Communication Services:</u>		
End Profiling	-	600
Management and General	-	300
Strengthen Charities	-	440
Counter Hate	-	540
Fundraising	-	120
	\$ -	\$ 2,000
Total in-kind services	\$ 621,036	\$ 132,752

#### Note 8 – 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 contributions to the plan at its discretion. During the years ended December 31, 2014 and 2013 employer’s contributions to the plan were \$51,249 and \$46,763 respectively.

#### Note 9 – Commitments under Operating Leases

The Organization has a five-year non-cancelable operating lease arrangement for its office location in Oakland, California, that commenced on February 1, 2014, with an option to extend for an additional five years upon the expiration. The agreement provides for 3% annual increases and proportionate share of increases of the operating costs defined in the lease agreement, as additional rent. The Organization records the rental expense under this arrangement using straight line method. Therefore the difference between actual rents paid and

## Muslim Advocates

### NOTES TO FINANCIAL STATEMENTS (continued) December 31, 2014 and 2013

the rent expense is reflected as deferred rent in the statement of financial position. Following is the minimum commitment under this lease arrangement:

Year ending December 31, 2015	\$ 103,438
Year ending December 31, 2016	106,542
Year ending December 31, 2017	109,738
Year ending December 31, 2018	113,030
Year ending December 31, 2019	<u>58,210</u>
	<u>\$ 490,958</u>

Rent expense during the years ended December 31, 2014 and 2013 was \$116,847 and \$95,090, respectively.

#### **Note 10 – Subsequent Events**

Management has evaluated subsequent events through August 4, 2015, the date on which the financial statements were available to be issued.