

MUSLIM LEGAL FUND OF AMERICA, INC.

**Financial Statements
as of December 31, 2020
Together with Auditor's Report**

MUSLIM LEGAL FUND OF AMERICA, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Kopczyk, Osher, & Scott
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Board of Directors
Muslim Legal Fund of America, Inc.

We have audited the accompanying financial statements of Muslim Legal Fund of America, Inc., which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management 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.

Auditor's Responsibility

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 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 auditor's judgment, including the assessment of the risks of material misstatements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Muslim Legal Fund of America, Inc. as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KOPCZYK, OSHER, & SCOTT

KOPCZYK, OSHER, & SCOTT

Chicago, Illinois
October 25, 2021

**MUSLIM LEGAL FUND OF AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>
CURRENT ASSETS	
Cash	\$ 677,729
Accounts Receivable	31,665
Notes Receivable	175,000
Other Current Assets	<u>1,161</u>
TOTAL CURRENT ASSETS	885,555
PROPERTY AND EQUIPMENT	
Equipment and Furniture	29,170
Less: Accumulated Depreciation	<u>(26,886)</u>
Net Property and Equipment	<u>2,284</u>
TOTAL ASSETS	<u>\$ 887,839</u>
CURRENT LIABILITIES	
Accounts Payable	\$ 36,326
Accrued Expenses	17,388
Notes Payable Current Portion	6,626
Payroll Protection Program	
Refundable Advance	<u>144,374</u>
TOTAL CURRENT LIABILITIES	<u>204,714</u>
LONG-TERM LIABILITIES	
Notes Payable – Long-Term	<u>153,374</u>
TOTAL LONG-TERM LIABILITIES	<u>153,374</u>
TOTAL LIABILITIES	<u>358,088</u>
NET ASSETS	
WITHOUT DONOR RESTRICTIONS	<u>529,751</u>
TOTAL NET ASSETS	<u>529,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 887,839</u>

The accompanying notes are an integral part of these statements.

MUSLIM LEGAL FUND OF AMERICA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>
REVENUE	
Contributions	\$ 3,720,057
Grants	277,778
Other	<u>4,093</u>
TOTAL REVENUE	<u>4,001,928</u>
EXPENSES	
Program Services	\$ 2,413,318
Management and General	223,421
Fundraising	<u>219,552</u>
TOTAL EXPENSES	<u>\$ 2,856,291</u>
CHANGE IN NET ASSETS	\$ 1,145,637
Net Assets - Beginning of Year	<u>(615,886)</u>
Net Assets - End of Year	<u>\$ 529,751</u>

The accompanying notes are an integral part of these statements.

MUSLIM LEGAL FUND OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
CLCMA Grant Expense	\$1,288,700	\$ -	\$ -	\$1,288,700
Case Legal Fees and Expenses	224,038	-	-	224,038
Program Consulting Expense	32,032	-	-	32,032
Program Speaking Events Expense	171,357	-	-	171,357
Salaries and Wages	425,918	124,837	183,585	734,340
Payroll Taxes	33,969	9,957	14,642	58,568
Employee Benefits	25,496	7,473	10,990	43,959
Bank and Credit Card Fees	40,285	3,494	-	43,779
Contributions	25,895	-	-	25,895
Depreciation Expense	785	786	-	1,571
Dues and Subscriptions	10,122	-	-	10,122
Insurance	2,933	2,932	-	5,865
Licenses and Permits	1,325	1,325	-	2,650
Office Expense	8,691	8,691	-	17,382
Postage and Delivery	14,488	14,489	-	28,977
Printing and Reproduction	1,091	1,092	-	2,183
Professional Fees	34,015	34,014	-	68,029
Marketing Expense	57,847	-	7,150	64,997
Rent Expenses	11,376	11,376	2,528	25,280
Telephone Expense	<u>2,955</u>	<u>2,955</u>	<u>657</u>	<u>6,567</u>
TOTAL EXPENSES	<u>\$ 2,413,318</u>	<u>\$ 223,421</u>	<u>\$ 219,552</u>	<u>\$2,856,291</u>

The accompanying notes are an integral part of this statement

MUSLIM LEGAL FUND OF AMERICA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 1,145,637
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,571
Accounts Receivable	(31,665)
Other Current Assets	(1,161)
Accounts Payable	(690,290)
Accrued Expenses	13,268
Payroll Protection Program Refundable Advance	<u>144,374</u>
	(563,903)
Net Cash Provided by Operating Activities	<u>581,734</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Equipment	<u>(2,436)</u>
Net Cash Used by Investing Activities	(2,436)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds - Notes Payable	159,900
Notes Receivable Advances	<u>(155,000)</u>

Net Cash Used by Investing Activities	4,900
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NET INCREASE IN CASH 584,198

CASH – BEGINNING OF YEAR 93,531

CASH – END OF YEAR \$ 677,729

The accompanying notes are an integral part of these statements.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Muslim Legal Fund of America, Inc. (the Organization) is a nonprofit organization in Richardson, Texas. It is organized as a Texas corporation with no capital stock. The Organization supports legal cases across the United States which impact civil rights, freedoms, liberties, and principles of justice. The Organization also provides sponsorship and educational resources to the other nonprofit organizations. The Organization is supported primarily through individual contributions and grants.

Management and general activities include the functions necessary to provide support for the organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor lists, conducting special fundraising events, and other activities involved with soliciting contributions from individuals and others.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting principles generally accepted in the United States of America.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

Effective January 1, 2018, the Association adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as support without donor restrictions or support with donor restrictions support depending on the existence of any donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same accounting period as that in which they are received are reported as support without donor restrictions.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Organization capitalizes all acquisitions of property and equipment in excess of \$500. Property and equipment are stated at cost or at estimated value on date of donation. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which is five years. Gains and losses from the sale of property and equipment are included in income. Maintenance and repairs are charged to expenses.

Liquidity

The Organization has \$93,531 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$677,729, Accounts Receivable of \$31,665 and Notes Receivable of \$175,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

Donated Noncash Assets

Contributions of donated noncash assets are recorded at their fair values in the period received.

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 activities. Accordingly, certain costs have been allocated based on an allocation method that is reasonable and consistently applied. Management has allocated expenses based on estimates of time and effort.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Muslim Legal Fund of America, Inc. is a not-for-profit organization that is operating as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income nor unrecognized tax benefits for the years ended December 31, 2020. Each of the Organization's prior three years remains subject to examination by the Internal Revenue Service. The Organization has evaluated its tax positions for all open tax years. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2020.

Subsequent Events

The financial statements were available to be issued on October 25, 2021 with subsequent events being evaluated through this date.

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivable consist of donations receivable. All amounts have been collected subsequent to year-end. No allowance for bad debts is required.

NOTE 3. NOTES RECEIVABLE

Notes receivable in its entirety of \$175,000 has been received subsequent to year-end on May 11, 2021.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. GRANT EXPENSE AND RELATED PARTY TRANSACTIONS

In July 2014 the Organization entered into an agreement with Constitutional Law Center for Muslims in America, Inc. (CLCMA), a Texas not-for-profit organization that is operating under Section 501(c)(3) of the Internal Revenue Code, to provide financial support including office expenses, compensation, and case expenses. CLCMA provides legal representation for legal cases that the board of directors of the Muslim Legal Fund of America, Inc. (MFLA) the board of directors of CLCMA have agreed upon. MFLA appoints the board of directors for CLCMA. The total CLCMA grant expense for year ended December 31, 2020 was \$1,288,700.

NOTE 5. LEASE COMMITMENTS

The Organization leases office space. Rent expense for the year ended December 31, 2020 was \$22,656. The Organization has a lease on this office space with a monthly payment of \$2,298. The lease expires on July 31, 2021. The following are future minimum lease payments at December 31, 2020:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2021	<u>\$16,086</u>

NOTE 6. PAYROLL PROTECTION PROGRAM REFUNDABLE ADVANCE

On May 4, 2020, the Organization received loan proceeds in the amount of approximately \$144,374 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks or after 24 weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. The PPP loan has been forgiven subsequent to year-end.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. NOTES PAYABLE

Note Payable to SBA EID, N.A. with interest at 2.75% due May 25, 2050, collateralized by all tangible and intangible personal property payments due monthly for \$641.00	\$150,000
Note Payable to SBA EIDL, N.A. with interest at 2.75% due March 10, 2030.	<u>10,000</u>
Total Notes Payable	160,000
Less Current Portion	<u>(6,626)</u>
Long-Term Portion	<u>\$153,374</u>

Schedule of Principal Payments Due Each Year Ending December 31:

2021	\$ 6,626
2022	4,121
2023	4,022
2024	3,920
2025	3,815
Thereafter	<u>137,496</u>
Total	<u>\$160,000</u>