

MUSLIM LEGAL FUND OF AMERICA, INC.

**Financial Statements
as of December 31, 2022
Together with Auditor's Report**

MUSLIM LEGAL FUND OF AMERICA, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muslim Legal Fund of America, Inc.
Chicago, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Muslim Legal Fund of America, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position Muslim Legal Fund of America, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Muslim Legal Fund of America, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Muslim Legal Fund of America's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Muslim Legal Fund of America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Muslim Legal Fund of America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Kopczyk, Osher, & Scott

Chicago, Illinois
June 20, 2023

MUSLIM LEGAL FUND OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITIONS

OF DECEMBER 31, 2022

CURRENT ASSETS	<u>2022</u>
Cash	\$ 1,502,277
Accounts Receivable	99,755
Employee Retention Credit Receivable	266,351
Other Current Assets	<u>99,791</u>
TOTAL CURRENT ASSETS	1,968,174
PROPERTY AND EQUIPMENT	
Equipment and Furniture	72,039
Less: Accumulated Depreciation	<u>(68,496)</u>
Net Property and Equipment	<u>3,543</u>
LONG-TERM ASSETS	<u>6,932</u>
TOTAL ASSETS	<u>\$ 1,978,649</u>
CURRENT LIABILITIES	
Accounts Payable	\$ 137,469
Accrued Expenses	42,326
Notes Payable Current Portion	<u>12,900</u>
TOTAL CURRENT LIABILITIES	<u>192,695</u>
LONG-TERM LIABILITIES	
SBA Loan – Long-Term	<u>299,241</u>
TOTAL LONG-TERM LIABILITIES	<u>299,241</u>
TOTAL LIABILITIES	<u>491,936</u>
NET ASSETS	
WITHOUT DONOR RESTRICTIONS	1,234,713
WITH DONOR RESTRICTIONS	<u>252,000</u>
TOTAL NET ASSETS	<u>1,486,713</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,978,649</u>

The accompanying notes are an integral part of these statements.

MUSLIM LEGAL FUND OF AMERICA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 2,649,515	\$ 252,000	\$ 2,901,515
Grants	448	0	448
Other	(1,640)	0	(1,640)
In Kind services	<u>383,209</u>	<u>0</u>	<u>383,209</u>
TOTAL REVENUE	<u>\$ 3,031,532</u>	<u>\$ 252,000</u>	<u>\$ 3,283,532</u>
EXPENSES			
Program Services	\$ 2,576,455	\$ 0	2,576,455
Management and General	459,074	0	459,074
Fundraising	<u>421,069</u>	<u>0</u>	<u>421,069</u>
TOTAL EXPENSES	<u>\$ 3,456,598</u>	<u>\$ 0</u>	<u>\$ 3,456,598</u>
CHANGE IN NET ASSETS	(425,066)	252,000	(173,066)
Adjustment to Net Assets - Beginning of Year MLFA (ERTC 12/31/21)	73,367	0	73,367
Net Assets - Beginning of Year CLCMA	476,539	0	476,539
Net Assets - Beginning of Year MLFA	<u>1,109,873</u>	<u>0</u>	<u>1,109,873</u>
Total Net Assets - Beginning of Year	<u>1,659,779</u>	<u>0</u>	<u>1,659,779</u>
Net Assets - End of Year	<u>\$ 1,234,713</u>	<u>\$ 252,000</u>	<u>\$ 1,486,713</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, 2022

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
CLCMA Grant Expense	\$ 1,185,000	\$ 0	\$ 0	\$1,185,000
Services - The Ihsan Standard	502,336	0	0	502,336
Case Legal Fees and Expenses	7,722	15,771	0	23,493
Program Consulting Expense	213,945	67,261	0	281,206
Salaries and Wages	326,329	196,966	102,451	625,746
Payroll Taxes	24,879	11,551	7,997	44,427
Employee Benefits	18,341	8,514	5,893	32,748
Contributions	36,350	0	0	36,350
Conference and Meetings	0	0	25,292	25,292
Depreciation Expense	0	1,718	0	1,718
Dues and Subscriptions	13,724	2,400	0	16,124
Insurance	0	4,380	0	4,380
Fundraising Expenses	0	0	168,800	168,800
Licenses and Permits	0	4,824	0	4,824
Office Expense	9,057	14,079	0	23,136
Postage and Delivery	28,783	0	0	28,783
Printing and Reproduction	10,676	0	0	10,676
Professional Fees	0	98,576	52,271	150,847
Marketing Expense	108,220	0	0	108,220
Website	91,093	4,411	0	95,504
Travel	0	0	58,365	58,365
Rent Expenses	0	24,588	0	24,588
Telephone Expense	0	2,771	0	2,771
Interest Expense	0	1,264	0	1,264
	<u>0</u>	<u>1,264</u>	<u>0</u>	<u>1,264</u>
TOTAL EXPENSES	<u>\$ 2,576,455</u>	<u>\$ 459,074</u>	<u>\$ 421,069</u>	<u>\$3,456,598</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets \$ (173,066)

Adjustments to Reconcile Change in Net Assets to
Net Cash Provided by Operating Activities:

Depreciation	1,718
Accounts Receivable	(43,623)
Prepaid Assets	(31,101)
Employee Retention Credit Receivable	0
Other Assets	0
Accounts Payable	64,183
Accrued Expenses	<u>27,230</u>

Net Cash Provided by Operating Activities (154,659)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Equipment (3,615)

Net Cash Used by Investing Activities (3,615)

CASH FLOWS FROM FINANCING ACTIVITIES:

SBA Notes Payable Advances	(659)
Notes Payable	<u>12,900</u>

Net Cash Used by Financing Activities 12,241

NET CASH PROVIDED CLCMA - MERGER 432,680

NET INCREASE IN CASH 286,647

CASH – BEGINNING OF YEAR 1,215,630

CASH – END OF YEAR \$ 1,502,277

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.

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.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$1,602,033 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$1,502,277, accounts receivable of \$99,756 and other current assets. \$ 252,000 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.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily available for current use. Bank accounts are insured by the FDIC up to \$250,000. At December 31, 2022, the Organization have bank accounts whose cash balances exceeded the FDIC insured limit by \$1,022,003.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022. 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, 2022.

Donated Noncash Assets

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

Subsequent Events

The financial statements were available to be issued on June 20, 2023, with subsequent events being evaluated through this date.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. ACCOUNTS RECEIVABLE

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

NOTE 3. GRANT EXPENSE AND RELATED PARTY TRANSACTIONS

In October 2022 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 assume responsibility for their operations and financial resources in full. The assets, liabilities, and net assets of CLCMA have been transferred to MLFA, and CLCMA activities will continue under MLFA.

NOTE 4. LEASE COMMITMENTS

The Organization leases office space. Rent expense for the year ended December 31, 2022, was \$24,588. The Organization signed a new lease contract effective April 1, 2021 for a period of 65 months.

Minimum lease payments under this lease are as follows:

2023	\$ 76,942
2024	\$ 79,021
2025	\$ 81,101
2026	\$ 83,180

NOTE 5. NOTES PAYABLE

Note Payable to SBA EID, N.A. with interest at prime, plus 2.75% due March 10, 2030 - MLFA	\$ 149,341
Note Payable to SBA EID, N.A. with interest at prime, plus 2.75% due March 10, 2030 - CLCMA	<u>149,900</u>
Total Notes Payable – SBA, Long-Term	<u><u>\$ 299,241</u></u>