

MUSLIM LEGAL FUND OF AMERICA, INC.

**Financial Statements
as of December 31, 2023
Together with Auditor's Report**

MUSLIM LEGAL FUND OF AMERICA, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expense	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11



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, 2023, 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, 2023, 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). 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 Chicago Access Corporation 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, 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.

Sheikh, Osher, & Scott CPAs

Sheikh, Osher, & Scott CPAs

Chicago, Illinois
September 20, 2024

MUSLIM LEGAL FUND OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITIONS

AS OF DECEMBER 31, 2023

CURRENT ASSETS	<u>2023</u>
Cash	\$ 1,276,990
Accounts Receivable	447,533
Employee Retention Credit Receivable	266,351
Other Current Assets	<u>25,906</u>
TOTAL CURRENT ASSETS	2,016,780
NON-CURRENT ASSETS	
Property and Equipment - Net	5,056
Right of Use Assets – Net	179,784
Other Long-term Assets	<u>6,932</u>
TOTAL NON - CURRENT ASSETS	191,772
TOTAL ASSETS	<u>\$ 2,208,552</u>
CURRENT LIABILITIES	
Accounts Payable	\$ 102,256
Accrued Expenses	66,190
Lease liability – Current Portion	70,990
Notes Payable Current Portion	<u>12,521</u>
TOTAL CURRENT LIABILITIES	<u>251,957</u>
LONG-TERM LIABILITIES	
Lease Liability – Long Term	131,243
SBA Loan – Long-Term	<u>292,802</u>
TOTAL LONG-TERM LIABILITIES	<u>424,045</u>
TOTAL LIABILITIES	<u>676,002</u>
NET ASSETS	
WITHOUT DONOR RESTRICTIONS	1,193,550
WITH DONOR RESTRICTIONS	<u>339,000</u>
TOTAL NET ASSETS	<u>1,532,550</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,208,552</u>

The accompanying notes are an integral part of these statements.

MUSLIM LEGAL FUND OF AMERICA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 3,065,808	\$ -	\$ 3,065,808
Grants	-	87,000	87,000
Other	17,288	-	17,288
In Kind services	<u>214,589</u>	<u>-</u>	<u>214,589</u>
TOTAL REVENUE	<u>\$ 3,297,685</u>	<u>\$ 87,000</u>	<u>\$ 3,384,685</u>
EXPENSES			
Program Services	\$ 2,243,549	\$ -	2,243,549
Management and General	692,295	-	692,295
Fundraising	<u>375,862</u>	<u>-</u>	<u>375,862</u>
TOTAL EXPENSES	<u>\$ 3,311,706</u>	<u>\$ -</u>	<u>\$ 3,311,706</u>
CHANGE IN NET ASSETS	(14,021)	87,000	72,979
Total Net Assets - Beginning of Year	<u>1,207,571</u>	<u>252,000</u>	<u>1,459,571</u>
Net Assets - End of Year	<u>\$ 1,193,550</u>	<u>\$ 339,000</u>	<u>\$ 1,532,550</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, 2023

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Services - The Ihsan Standard	\$ 131,282	\$ -	\$ -	\$ 131,282
Case Legal Fees and Expenses	95,289	-	-	95,289
In-kind Expense	126,500	28,088	60,000	214,588
Program Consulting Expense	96,562	127,775	-	224,337
Salaries and Wages	1,373,281	107,134	128,255	1,608,670
Payroll Taxes	16,613	2,491	1,570	20,674
Employee Benefits	101,339	7,803	9,049	118,191
Contributions	35,003	-	-	35,003
Conference and Meetings	21,439	-	-	21,439
Dues and Subscriptions	3,101	10,763	-	13,864
Insurance	-	104,190	-	104,190
Fundraising Expenses	-	-	117,444	117,444
Licenses and Permits	-	3,054	-	3,054
Office Expense	8,738	22,411	-	31,149
Postage and Delivery	7,622	9,355	-	16,977
Printing and Reproduction	-	23,235	-	23,235
Professional Fees	-	91,097	-	91,097
Marketing Expense	28,425	54,930	58,659	142,014
Website	73,933	-	885	74,818
Travel	50,269	-	-	50,269
Event Expense	61,944	-	-	61,944
Rent Expenses	-	21,914	-	21,914
Telephone Expense	1,603	5,111	-	6,714
Lease Expense	-	72,944	-	72,944
Interest Expense	10,606	-	-	10,606
TOTAL EXPENSES	<u>\$ 2,243,549</u>	<u>\$ 692,295</u>	<u>\$ 375,862</u>	<u>\$3,311,706</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets \$ 72,979

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

Depreciation 2,043
Accounts Receivable (347,778)
Other Assets 46,743
Accounts Payable (35,213)
Accrued Expenses 23,864

Net Cash Provided by Operating Activities (237,362)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Equipment (3,556)

Net Cash Used by Investing Activities (3,556)

CASH FLOWS FROM FINANCING ACTIVITIES:

Right Of Use Asset (179,784)
Lease Liability 202,233
Notes Payable (6,818)

Net Cash Used by Financing Activities 15,631

NET INCREASE IN CASH (225,287)

CASH – BEGINNING OF YEAR 1,502,277

CASH – END OF YEAR \$ 1,276,990

The accompanying notes are an integral part of these statements.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE ORGANIZATION

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for most leases previously classified as operating leases. The new standard is required to be applied using a modified retrospective, with two permissible adoption methods: (1) apply the lease standard to each lease that existed at the beginning of the earliest comparative period presented in the financial statements or (2) apply the guidance to each lease that had commenced as of the beginning of the reporting period in which the entity first applies the new lease standard.

The Organization has adopted the new standard on January 1, 2023, using the second modified retrospective method noted above. As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2023: (a) a lease liability of \$267,657, representing the present value of remaining lease payments of \$202,233 at a borrowing rate of 5.25%, a representative rate for risk free rate of borrowing and (b) a right-of-use asset of \$ 240,515.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement (Continued)

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) lease assets, current portion of lease obligations and long term lease obligations on the Organization’s balance sheets. The ROU lease asset represents the Organization’s right to use an underlying asset for the lease term, and lease obligations represent the Company’s obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of the lease payments over the lease term. As most of the Organization’s leases do not provide an implicit rate, the Company uses its borrowing rate for, based on information available at the commencement date, to determine the present value of lease payments. The Organization’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized straight line basis over the lease term.

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.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

The Organization has \$1,724,523 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$1,276,990, accounts receivable of \$447,533 and other current assets. \$ 339,000 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, 2023, the Organization has bank accounts whose cash balances exceeded the FDIC insured limit by \$988,760.

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 year ended December 31, 2023. 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, 2023.

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 September 20, 2024, with subsequent events being evaluated through this date.

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. 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 4. 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 5. FINANCING LEASE AND RIGHT OF USE ASSETS

Muslim Legal Funds of America signed lease extension agreement on April 1, 2021. The extended lease expires August 31, 2026. As described in Note 2, Right of Use Assets at January 1, 2023 were \$240,515 and related Lease Liabilities of \$267,657. The organization has elected to discount its leases to present value using the risk-free rate of 5.25%.

RIGHT OF USE ASSET

	2023
Right of Use Assets	\$ 240,515
Less: Accumulated amortization	<u>(60,731)</u>
Total	<u>\$ 179,784</u>

MATURITY OF LEASE LIABILITY

2024	79,719
2025	81,794
2026	55,453
Total lease payments	<u>216,966</u>
Less: Interest	<u>(14,733)</u>
Total present value of lease liabilities	<u>202,233</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Operating cash outflows from operating leases in 2023 \$ 77,637

MUSLIM LEGAL FUND OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. NOTES PAYABLE

Note Payable to SBA EID, N.A. with interest at prime, plus 2.75% due March 10, 2030 - MLFA	\$ 146,121
Note Payable to SBA EID, N.A. with interest at prime, plus 2.75% due March 10, 2030 - CLCMA	<u>146,681</u>
Total Notes Payable – SBA, Long-Term	<u>\$ 292,802</u>