

United Muslim Relief  
Financial Statements  
December 31, 2015  
with  
Independent Auditor's Report

## Contents

Independent Auditor's Report.....	3
Statement of Financial Position .....	4
Statement of Activities.....	5
Statement of Cash Flow .....	6
Statement of Functional Expenses .....	7
Notes to Financial Statements.....	8-13

# Independent Auditor's Report

To The Board of Directors of  
United Muslim Relief

We have audited the accompanying financial statements of United Muslim Relief (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015 and the related statement of activities 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 the 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 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 of 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.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Muslim Relief as of December 31, 2015 and the change in the net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. In 2015, the Organization changed the basis of accounting used to prepare the financial statement from modified cash basis to accruals basis of accounting generally accepted in the United States of America.

*Raya CPA & Consulting Services, LLC*

Fairfax, Virginia

5/13/2016

United Muslim Relief  
Statement of Financial Position  
December 31, 2015

**Assets**

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
<b><u>Current Assets</u></b>				
Cash	\$ 352,772	\$ 605,259	\$ 544,783	\$ 1,502,814
Pledges receivable	193,957	785,373	42,422	1,021,752
Field offices	-	3,632	-	3,632
Prepaid expenses	30,926	17,200	-	48,126
Total current assets	577,655	1,411,464	587,205	2,576,324
<b><u>Fixed Assets</u></b>				
Property, equipment and furniture	30,925	-	-	30,925
Less: accumulated depreciation	3,148	-	-	3,148
Fixed assets - net	27,777	-	-	27,777
<b>Total Assets</b>	<b>\$ 605,432</b>	<b>\$ 1,411,464</b>	<b>\$ 587,205</b>	<b>\$ 2,604,101</b>
<b><u>Liabilities and Net Assets</u></b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	\$ 98,458	\$ 60,709	\$ -	\$ 159,167
Payroll tax liability	17,211	-	-	17,211
Grants payable	-	34,368	-	34,368
Due to partners	-	56,506	-	56,506
Total current liabilities	115,669	151,583	-	267,252
<b><u>Net Assets</u></b>	<b>489,763</b>	<b>1,259,881</b>	<b>587,205</b>	<b>2,336,849</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 605,432</b>	<b>\$ 1,411,464</b>	<b>\$ 587,205</b>	<b>\$ 2,604,101</b>

The accompanying notes are an integral part of these financial statements

United Muslim Relief  
Statement of Activities  
Year Ended December 31, 2015

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ 1,068,101	\$ 5,796,317	\$ 587,205	\$ 7,451,623
In-kind donations	59,400	73,058,826	-	73,118,226
Net assets released from restrictions	78,069,770	(78,069,770)	-	-
Total revenue and support	79,197,271	785,373	587,205	80,569,849
Expenses				
Programs	76,314,121	-	-	76,314,121
Management and general	1,347,902	-	-	1,347,902
Fundraising	1,314,577	-	-	1,314,577
Total Expense	78,976,600	-	-	78,976,600
Change in Net Assets	220,671	785,373	587,205	1,593,249
Net Assets, beginning of year	269,092	474,508	-	743,600
Net Assets, end of the year	\$ 489,763	\$ 1,259,881	\$ 587,205	\$ 2,336,849

The accompanying notes are an integral part of these financial statements

United Muslim Relief  
Statement of Cash Flow  
December 31, 2015

Operating Activities	
Change in net assets	\$ 1,593,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,148
Field offices	(3,632)
Increase in prepaid expenses	(48,126)
Increase in pledge receivable	(1,021,752)
Increase in accounts payable	150,261
Increase in grants payable	34,368
Increase in partners' balance	56,506
Net cash provided by operating activities	<u>764,022</u>
Investing Activities	
Purchase of fixed assets	<u>(30,925)</u>
Net cash used by investing activities	(30,925)
Net increase in cash for the period	733,097
Cash at the beginning of the period	<u>769,717</u>
Cash at the end of the period	<u><u>\$ 1,502,814</u></u>

The accompanying notes are an integral part of these financial statements

United Muslim Relief  
Statement of Functional Expenses  
Year Ended December 31, 2015

	Programs Services	Supporting Services		Total
		Management & General	Fundraising	
In-kind donations	\$ 73,058,826	\$ 59,400	\$ -	\$ 73,118,226
Donations	2,148,175	-	10,500	2,158,675
Travel	96,032	63,863	158,727	318,622
Salaries and employees' benefits	428,087	638,294	519,826	1,586,207
Contractors and sponsorship	350,887	36,454	305,612	692,953
Conferences	33,154	14,493	137,333	184,980
Printing and office supplies	161,797	203,164	48,503	413,464
Bank and credit card charges	5,884	23,415	92,099	121,398
Insurance	-	496	-	496
Professional services	2,860	78,676	-	81,536
Advertising and promotion	11,325	166,617	39,166	217,108
Equipment	11,655	8,867	841	21,363
Telecommunications	2,446	18,876	1,970	23,292
Licenses and taxes	2,943	22,688	-	25,631
Gifts	50	4,262	-	4,312
Depreciation and amortization	-	3,148	-	3,148
Other	-	5,189	-	5,189
Total functional expenses	<u>\$ 76,314,121</u>	<u>\$ 1,347,902</u>	<u>\$ 1,314,577</u>	<u>\$ 78,976,600</u>

The accompanying notes are an integral part of these financial statements

## **1. Organization's Background**

United Muslim Relief is an exempt (501) (c) (3) non-for-profit organization established in July 2010 after the earthquake in Haiti under the name Muslims Without Borders, located in Falls Church, Virginia. At that time, the mission of the organization was a student based relief agency dedicated to helping alleviate suffering from natural disasters throughout the world. In September 2013, the organization changed its name to United Muslim Relief (UMR) and widened its mission to focus on building humanities coalitions to tackle development needs all over the world. The organization responds to the emergency situation arising from natural disaster and conflicts across the world by providing medications, clean water, food and shelter. The organization also provides sponsorships programs to orphans and orphanages in Asia, Africa and Middle East to help communities lift themselves up from poverty. The main source of its revenues are driven from donations and fundraising.

## **2. Summary of Significant Accounting Policies**

### **- Basis of preparation**

The Organization prepares its financial statements on the accrual basis of accounting generally accepted in the United State of America. Under this method, revenue is recognized when earned and expenses are recognized when incurred. The organization changed to accrual basis in 2015 from the modified cash basis of accounting that was used to prepare 2014 financial statements.

### **- Basis of presentation**

UMR follows the Not-for-Profit Topic of the FASB Accounting Standards Codification (the Codification). Under this topic, UMR is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### **- Use of an estimate**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### **- Cash and financial risk**

Cash and cash equivalent include cash on hand and checking held with banks. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits of \$250,000. As of December 31, 2015, the uninsured balance was \$980,590. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash.

### **- Other current assets**

Other current assets consist of prepaid expenses and transfers to foreign field offices' bank accounts. Expenses are recognized in the year to which they relate



- **Property, furniture and equipment**

Property and equipment purchases are recorded at cost and, if donated at fair value, depreciation is computed on the straight-line basis.

- **Restricted and unrestricted revenue**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions.

All donor-restricted revenue 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 of 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.

Unconditional promises to give are measured at fair value and reported as increases in net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

- **In-kind donations**

UMR receives substantial support from its pharmaceutical partner suppliers to accomplish the organization's purpose. In recording contributions of pharmaceuticals, UMR relies upon a third-party independent appraiser to ensure independent valuation. Both branded and generic pharmaceuticals are recorded using the method of evaluation known as the Sales Comparison Approach for goods commonly sold in the marketplace. The market used in this evaluation is based on the Wholesale Acquisition Cost (WAC) in the United States.

In 2015, the organization provided in-kind pharmaceutical donation to the following countries:

<u>Country</u>	<u>Amount</u>
Syria	\$ 21,965,863
Yemen	12,237,908
Bosnia	12,165,118
Sierra Leon	9,258,837
Palestine	7,346,899
Nepal	6,257,392
Somalia	2,131,275
Morocco	1,408,662
Nigeria	286,872
<u>Total</u>	<u>\$ 73,058,826</u>

In addition, the Organization had its main office in a donated rent facility. The donation is calculated based on the estimated fair market value of the occupied space. The fair market value is the amount that would be charged for similar space that is rented under similar terms. Since the free use of the facilities is not promised for any specified period of time, UMR recognizes the revenues for the period it occupies the space. In 2015, UMR recognized in-kind rent donation of \$59,400.

- **Restricted cash and endowment fund**

UMR lost three of its volunteers in tragic shooting in North Carolina. In February 2015, an endowment fund was established to honor their humanitarian legacy. UMR raised \$587,205 as permanently restricted funds for this endowment. The aim of the endowment fund is to invest and support humanitarian programs, both in the U.S.A and internationally.

According to FASB Staff Position (FSP) FAS 117-1, a non-profit Organization shall disclose information to enable users of financial statements to understand policies related to its endowment funds, and the annual financial statements shall include a description of the governing board's interpretation of the law that underlies the Organization's net asset classification of donor-restricted endowment funds.

The recommended view under the guidance provided by the Financial Accounting Standards Board (FASB) for the new Uniform Act (UPMIFA) is to continue to define permanently restricted net assets as the historic dollar-value of donor-restricted gifts to endowment. Historic-dollar-value is defined as the fair value of the original gift and subsequent gifts as of the gift dates, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor instrument. Under this definition, the remaining portion of the fund, i.e. reinvested returns on invested endowment funds, are booked on the financial records as temporarily restricted net assets. According to the FASB, this view provides the most faithful representation of the Organization's fiduciary duty for its donor restricted endowment funds, and is both workable and appropriate.

If the Organization's board adopts this recommendation, our financial reporting methodology will remain the same. Since there is also a preference for the governing board's interpretation of the relevant law to be consistent from year-to-year going forward, it is our intention to make this a permanent decision, to be reviewed in the event of future changes in the law, relevant court activity and additional guidance from FASB.

The state of Virginia, effective October 1, 2012, has enacted a version of UPMIFA: Chapter 11 of the Code of Virginia, titled "Uniform Prudent Management of Institutional Funds Act." It is part of Title 64.2, titled "Wills, Trusts, and Fiduciaries." The Uniform Prudent Management of Institutional Funds Act, a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. This replaces a previous law, UMIFA, the Uniform Management of Institutional Funds Act.

Under UMIFA, spending below the historic-dollar-value of an endowment was not permitted; the accounting definition of permanently restricted funds was the historic-dollar-value of a donor-restricted gift to endowment. Under UPMIFA, the historic-dollar-value threshold is eliminated, and the governing board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. As is the case in the current financial environment, there is no guarantee that the permanently restricted amount of an endowment will remain intact at all times. Under UPMIFA, the board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar-value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

*Resolution:*

The Organization has interpreted the Virginia Law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets.

*Spending Policy:*

For the moment, the Organization's board has adopted a spending policy that directs the endowment fund to be invested, and use its investment income to sustainably support humanitarian programs, both in the U.S.A and Internationally. Ultimately, the aim is to finalizing the papers for establishing UMR Endowment, a separate legal charitable organization entity with a separate governing body, to maintain the endowment funds.

As of December 31, 2015, the entire balance of the endowment is temporary restricted as the Organization is in a process of finalizing the endowment setup.

- **Cash donations**

UMR has directly donated cash to programs activities in various countries worldwide, directly implemented by UMR or through partners, to cover various humanitarian needs in healthcare, emergency response, orphan care, clean water, food packages, education, and economic empowerment. In 2015, the organization provided the below cash donation:

<b>Country</b>	<b>Amount</b>
Palestine	\$ 270,356
Jordan	253,708
Syria	228,416
Orphans in multi-countries	176,214
Lebanon	159,975
Pakistan	154,015
Yemen	148,125
Darfur	99,844
Sierra Leon	90,400
USA	85,556
Bangladesh	70,116
Niger	46,506
Nepal	46,300
Sudan	41,467
Somalia	37,231
Nigeria	33,034
Kenya	29,809
Morocco	29,000
Turkey	25,000
Burma/Myanmar	22,321
Central African Republic	20,000
Others	80,782
Total	\$ 2,148,175

- **Revenue recognition**

UMR has cost-reimbursable grants with Johanniter Foundation. Revenue from these grants is recognized as allowable costs are incurred on the basis of direct costs plus allowable indirect costs. Direct and indirect expenses incurred, but not reimbursed, under these grants are reported as grants and receivable in the accompanying statement of financial position. Funds received, but not yet expended, under grants and contracts are reflected as “Due to Beneficiaries” in the accompanying statement of financial position.

UMR recognizes unrestricted contributions as revenue in the period received or when the unconditional promise to give is made. UMR reports contributions as temporarily restricted support if they are received with donor or grantor 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 accompanying statement of activities as net assets released from restrictions.

- **Contribution receivable**

The unconditional promise to give is recorded in the statement of financial position in the account receivable line. As of December 31, 2015, the organization has a balance of \$1,021,752 receivable that is expected to be collected within 12-month period. The organization has not recorded allowance for doubtful amount.

Contribution pledged or committed by the donor during the year that have not been received are reported as pledges receivable in the accompanying statement of financial position

- **Grants to recipients**

UMR issues grant funds to recipients to implement programs worldwide, under the terms of the grants agreements and records these amounts as grants. Any amounts due to recipients are reflected in accounts payable as grants payable in the accompanying statement of financial position. In 2015, UMR granted \$810,374 to recipients and recorded \$56,506 payable to recipients as of December 31, 2015.

- **Transactions in foreign currencies**

UMR conducts many of its programs through field offices in foreign countries, and accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rates when each transaction is executed.

- **Foreign operations**

In 2015, UMR has established field offices in Jordan and Kenya to expand its programs operations. The future of these offices may be adversely affected by a number of potential factors, such as changes in the political climate. As of December 31, 2015, UMR implemented number of programs directly through these offices, through private grants and public donations. Jordan office won two grants from Johanniter foundation to implement a psycho-social support program for Syrian refugee children, as well as establish two safe spaces through “Child Friendly Spaces” program in northern Jordan for Syrian refugees’ children affected by Syrian war.

- **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. Costs which could be directly identified with a specific program were charged to that program, but items for general use or not directly identifiable were allocated to Management & General. Costs which directly identified with fundraising, including fundraising labor costs, are allocated to fundraising expenses.

- **Tax Exempt Status**

United Muslim Relief is incorporated exempt from federal income tax under section (501) (c) (3) of Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization has no uncertain tax position that requires recognition or disclosure in the financial statements.

- **Subsequent Events**

The management has evaluated the subsequent events in consideration of the financials through May 13, 2016, the date the financial statements were available to be issued. The Organization has no material recognizable subsequent events.