

United Muslim Relief
Financial Statements
December 31, 2016

(with comparative financial information
as of and for the year ended December 31, 2015)

with

Independent Auditor's Report

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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) as of December 31, 2016 and the related statements 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 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, 2016 and the change in the net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in United States of America.

Report on Summarized Comparative Information

We have previously audited United Muslim Relief financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2016. In our opinion, the summarized comparative information presented herein as of and of the year ended December 31, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.

Raya CPA & Consulting Services, LLC.

Fairfax, Virginia

6/28/2017

United Muslim Relief
 Statements of Financial Position
 December 31, 2016 and 2015
 (with summarized comparative financial information for the year ended December 31, 2015)

	2016			2015
	Unrestricted	Temporary Restricted	Total	Total
Assets				
Current Assets				
Cash	\$ 215,985	\$ 825,672	\$ 1,041,657	\$ 1,502,814
Pledges receivables	3,805	403,837	407,642	1,021,752
Field offices	10,278	8,244	18,522	3,632
Prepaid expenses	-	-	-	48,126
Total current assets	230,068	1,237,753	1,467,821	2,576,324
Fixed Assets				
Property, equipment and furniture	43,905	-	43,905	30,925
Accumulated depreciation	(11,034)	-	(11,034)	(3,148)
Fixed assets - net	32,871	-	32,871	27,777
Total Assets	\$ 262,939	\$ 1,237,753	\$ 1,500,692	\$ 2,604,101
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 75,553	\$ 85,963	\$ 161,516	\$ 159,167
Due to partners	-	774,608	774,608	56,506
Payroll liability	33,413	-	33,413	-
Grants payable	-	-	-	34,368
Payroll taxes liability	3,718	-	3,718	17,211
Total current liabilities	112,684	860,571	973,255	267,252
Net Assets	150,255	377,182	527,437	2,336,849
Total Liabilities	\$ 262,939	\$ 1,237,753	\$ 1,500,692	\$ 2,604,101

The accompanying notes are an integral part of these financial statements

United Muslim Relief
Statement of Activities
Year Ended December 31, 2016
(with summarized comparative financial information for the year ended December 31, 2015)

	2016			Total	2015
	Unrestricted	Temporary Restricted	Permanently Restricted		Total
Revenue and Support					
Contributions	\$ 970,235	\$ 4,438,568	\$ -	\$ 5,408,803	\$ 7,451,623
In-kind donations	5,950	23,469,570	-	23,475,520	73,118,226
Net assets released from restrictions	28,790,837	(28,790,837)	-	-	-
Total revenue and support	29,767,022	(882,699)	-	28,884,323	80,569,849
Expenses					
Programs	28,040,584	-	587,205	28,627,789	76,314,121
Management	1,683,184	-	-	1,683,184	1,347,902
Fundraising	382,762	-	-	382,762	1,314,577
Total expenses	30,106,530	-	587,205	30,693,735	78,976,600
Change in net assets	(339,508)	(882,699)	(587,205)	(1,809,412)	1,593,249
Net assets, beginning of the year	489,763	1,259,881	587,205	2,336,849	743,600
Net assets, end of the year	\$ 150,255	\$ 377,182	\$ -	\$ 527,437	\$ 2,336,849

The accompanying notes are an integral part of these financial statements

United Muslim Relief
Statements of Cash Flow
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Change in net assets	\$ (1,809,412)	\$ 1,593,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,886	3,148
Decrease in pledge receivable	614,110	(1,021,752)
Field offices	(14,890)	(3,632)
Decrease (increase) in prepaid expenses	48,126	(48,126)
Increase in accounts payable	2,349	150,261
Increase in partners' balance	718,102	56,506
Increase in payroll liabilities	33,413	-
(Decrease) increase in grants payable	(34,368)	34,368
Increase in payroll taxes	(13,493)	-
Net cash (used) provided by operating activities	(448,177)	764,022
Investing Activities		
Purchase of fixed assets	(12,980)	(30,925)
Net cash used by investing activities	(12,980)	(30,925)
Net increase in cash for the period	(461,157)	733,097
Cash at the beginning of the period	1,502,814	769,717
Cash at the end of the period	<u>\$ 1,041,657</u>	<u>\$ 1,502,814</u>

The accompanying notes are an integral part of these financial statements

United Muslim Relief
Statement of Functional Expenses
Year Ended December 31, 2016
(with summarized comparative financial information for the year ended December 31, 2015)

	2016			Total	2015
	Program Services	Supporting Services Management & General	Fundraising		
In-kind donations	\$ 23,469,570	\$ 5,950	\$ -	\$ 23,475,520	\$ 73,118,226
Donations	3,455,273	-	-	3,455,273	2,158,675
Salaries and benefits	643,502	1,330,650	-	1,974,152	1,586,207
Travel	316,092	26,271	51,431	393,794	318,622
Contractors and sponsorship	251,692	55,563	155,140	462,395	692,953
Printing and office supplies	206,000	88,524	40,781	335,305	413,464
Advertising and promotion	103,105	15,560	6,957	125,622	217,108
Conferences	93,193	6,611	48,274	148,078	184,980
Telecommunications	28,274	15,940	836	45,050	23,292
Rent	24,016	89,376	10,458	123,850	-
Equipment	14,481	306	3,108	17,895	21,363
Bank charges	7,565	22,011	65,777	95,353	121,398
Depreciation and amortization	4,996	2,890	-	7,886	3,148
Licenses and dues	3,595	-	-	3,595	25,631
Gifts	100	-	-	100	4,312
Insurance	-	1,316	-	1,316	496
Professional services	-	22,215	-	22,215	81,536
Other	6,336	-	-	6,336	5,189
Total	\$ 28,627,790	\$ 1,683,183	\$ 382,762	\$ 30,693,735	\$ 78,976,600

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 Untied 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 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 is 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.

- 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, 2016 and 2015, the uninsured balance was \$1,041,657 and 980,590, respectively. 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.

The Organization provided in-kind pharmaceutical donation to the following countries:

	2016	2015
Syria	\$ 21,056,147	\$ 21,965,863
Nigeria	1,941,000	286,871
Morocco	438,621	1,408,662
USA	33,801	-
Bosnia	-	12,165,118
Nepal	-	6,257,392
Palestine	-	7,346,899
Sierra Leon	-	9,258,837
Somalia	-	2,131,275
Yemen	-	12,237,908
Total	\$ 23,469,570	\$ 73,058,826

In addition, the Organization had a donated rent facility for short period of 2016. 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 was not promised for any specified period of time, UMR recognized the revenues for the period it occupied the space. In 2016, UMR recognized in-kind rent donation of \$5,950.

- **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 in 2015. The aim of the endowment fund was 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:

The aim was to help establish a separate legal entity to administer and control the endowment funds. In 2016, a separate 501(c) (3) legal charity entity was established under the name UMR Endowment, with an independent governing board. The new entity has an endowment managing board that consists of members, among them members of the family of the honorable victims. The United Muslim Relief's board passed a resolution ordering the full transfer of the Endowment funds, which had a separate bank account. Subsequently, all the recorded "Permanently Restricted Funds" was audited internally, and transferred to the new entity (UMR-Endowment).

As of December 31, 2016, the entire balance of the endowment has been transferred to UMR-Endowment.

- **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. The organization provided the below cash donation:

	2016	2015
Jordan	\$ 1,101,744	\$ 253,708
Orphans in Multi-countries	804,939	176,214
Palestine	588,173	270,356
Ethiopia	246,424	-
Kenya	163,782	29,809
Lebanon	162,181	159,975
USA	120,045	85,556
Nigeria	39,938	33,034
Pakistan	38,975	154,015
Niger	35,086	46,506
Burma/Myanmar	29,280	22,321
Bangladesh	14,176	70,116
Yemen	12,485	148,125
Sudan	6,483	41,467
Turkey	6,080	25,000
Central African Republic	2,254	20,000
Darfur	45	99,844
Sierra Leon	-	90,400
Syria	12,444	228,416
Nepal	14,145	46,300
Somalia	-	37,231
Morocco	-	29,000
Others	56,593	80,782
Total	\$ 3,455,273	\$ 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, 2016 and 2015, the organization has a balance of \$407,642 and \$1,021,752, respectively of 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 2016, UMR expanded its programs rapidly, and granted to partners domestically and internationally \$2,025,361, with a considerable portion toward its orphans’ sponsorship, winter relief, and refugees (mainly Syrian) programs worldwide, comparing to \$810,374 in 2015. As of December 31 2016 and 2015, the Organization recorded \$774,608 and 56,506, respectively, payable to recipients.

- **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. In 2016, the Organization open new filed office in United Kingdom. The Organization continued supporting and strengthening its field offices by expanded its field programs, especially in Jordan, to serve Syrian refugees. However, 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, 2016, UMR implemented number of programs directly through these offices, through private grants and public donations. Jordan office continued working in two grants in partnership with 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. The grants

revenue were recognized on spending basis, recording the funds as liabilities and recognize the revenue monthly based on the funds spent and allocated to the programs in accordance with the grants contract conditions.

The Organization's field offices share of direct program spending was around 30% of the total year spending, including indirect costs, for the year ended December 31, 2016.

- **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 June 28, 2017 the date the financial statements were available to be issued. The Organization has no material recognizable subsequent events.