

United Mission for Relief and Development - UMR

Financial Statements

December 31, 2019

(with comparative financial information
as of and for the year ended December 31, 2018)

with

Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors of
United Mission for Relief and Development - UMR

We have audited the accompanying financial statements of United Mission for Relief and Development - UMR (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, 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 Mission for Relief and Development – UMR as of December 31, 2019 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019 the Organization adopted new accounting guidance, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited United Mission for Relief and Development - UMR financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.

Raya CPA & Consulting Services, LLC.

Chantilly, Virginia

May 27, 2020

The accompanying notes are an integral part of these financial statements

United Mission for Relief and Development - UMR
Statement of Financial Position
December 31, 2019

	2019	2018
	<u> </u>	<u> </u>
<u>Assets</u>		
Current Assets		
Cash	\$ 134,974	\$ 1,026,929
Pledges receivables	80,490	1,003,151
Due from field offices	8,079	12,234
Prepaid expenses	8,235	2,076
Total current assets	<u>231,778</u>	<u>2,044,390</u>
Fixed Assets		
Property, equipment and furniture	29,560	52,350
Accumulated depreciation	<u>(17,910)</u>	<u>(27,705)</u>
Fixed assets - net	11,650	24,645
Total Assets	<u><u>\$ 243,428</u></u>	<u><u>\$ 2,069,035</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 256,034	\$ 283,628
Payroll liability	<u>56,990</u>	<u>53,659</u>
Total current liabilities	313,024	337,287
Net Assets (Deficits)		
Without donor restriction	(81,893)	1,106,635
With donor restriction	<u>12,297</u>	<u>625,113</u>
Total Net Assets (Deficits)	<u>(69,596)</u>	<u>1,731,748</u>
Total Liabilities and Net Assets	<u><u>\$ 243,428</u></u>	<u><u>\$ 2,069,035</u></u>

United Mission for Relief and Development - UMR

Statement of Activities

Year Ended December 31, 2019

(with summarized comparative financial information for the year ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Donations and Support				
Contributions	\$ 1,393,059	\$ 3,164,251	\$ 4,557,310	\$ 7,289,165
In-kind donations	-	13,187,183	13,187,183	76,610,456
Net assets released from restrictions	16,964,250	(16,964,250)	-	-
Total donations and support	18,357,309	(612,816)	17,744,493	83,899,621
Total expenses	19,545,837	-	19,545,837	83,050,538
Change in net assets	(1,188,528)	(612,816)	(1,801,344)	849,083
Net assets, beginning of the year	1,106,635	625,113	1,731,748	882,665
Net assets (deficits), end of the year	\$ (81,893)	\$ 12,297	\$ (69,596)	\$ 1,731,748

The accompanying notes are an integral part of these financial statements

United Mission for Relief and Development - UMR
 Statements of Cash Flow
 Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ (1,801,344)	\$ 849,083
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	7,022	10,672
Gain on fixed asset sale	(3,900)	-
Decrease (increase) in pledge receivable	922,661	(327,416)
Decrease in field offices	4,155	3,416
(Increase) decrease in prepaid expenses	(6,159)	11,025
Decrease in accounts payable	(27,594)	(103,990)
Decrease in due to partners	-	(626,555)
Increase in payroll liabilities	3,331	122
Net cash used in operating activities	<u>(901,828)</u>	<u>(183,643)</u>
Investing Activities		
Proceed from fixed asset sale	9,873	-
Purchase of fixed assets	-	(9,431)
Net cash used in investing activities	<u>9,873</u>	<u>(9,431)</u>
Net decrease in cash for the year	(891,955)	(193,074)
Cash at the beginning of the year	<u>1,026,929</u>	<u>1,220,003</u>
Cash at the end of the year	<u>\$ 134,974</u>	<u>\$ 1,026,929</u>

The accompanying notes are an integral part of these financial statements

United Mission for Relief and Development - UMR
Statement of Functional Expenses
Year Ended December 31, 2019
(with summarized comparative financial information for the year ended December 31, 2018)

	2019			Total	2018
	Program Services	Management & General	Fundraising		
In-kind donations	\$ 13,187,183	\$ -	\$ -	\$ 13,187,183	\$ 76,610,456
Donations	3,195,829	-	-	3,195,829	3,253,495
Salaries and benefits	1,113,890	592,164	-	1,706,054	1,840,684
Travel	169,668	59,249	1,132	230,049	364,016
Contractors and sponsorship	393,042	65,034	7,413	465,489	276,899
Printing and office supplies	167,450	4,907	650	173,007	146,266
Mailing and promotion	128,412	11,620	3,475	143,507	182,339
Conferences	21,212	1,021	-	22,233	12,720
Telecommunications	9,464	8,017	-	17,481	23,351
Rent	45,531	128,410	14,522	188,463	150,374
Equipment	5,646	1,980	-	7,626	4,525
Bank charges	91,689	10,793	-	102,482	95,239
Depreciation and amortization	1,346	5,676	-	7,022	10,672
Licenses and dues	946	13,822	-	14,768	9,347
Insurance	-	5,592	-	5,592	1,110
Professional services	29,090	49,962	-	79,052	69,045
Total	\$ 18,560,398	\$ 958,247	\$ 27,192	\$ 19,545,837	\$ 83,050,538

The accompanying notes are an integral part of these financial statements

1. Organization's Background

United Mission for Relief and Development - UMR is an exempt (501) (c) (3) non-for-profit organization established in July 2010. The organization responds to the emergency situation arising from natural disaster and conflicts across the world by providing medications, clean water, food and shelter. In 2019, the organization adopted a strategy to focus on development projects in Eastern Africa and Middle East & North Africa (MENA) regions. The programs are in the areas of child and orphans protection, women economic empowerment, agriculture and environment protection. The main source of its revenues are driven from donations and incidental fundraising.

2. Adoption of New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these consolidated financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

3. Summary of Significant Accounting Policies

- Basis of accounting

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 asset, temporarily restricted net assets and permanently restricted net assets. UMR does not have any 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 accounts 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, 2019, and 2018, the uninsured balance was \$0 and \$791,446, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash.

- **Fixed assets**

Property and equipment purchases are recorded at cost and, if donated at fair value, depreciation is computed on the straight-line basis over 7 years. During the year, one of the field offices sold its own vehicle for \$9,873. The vehicle had a net book value of \$5,973 before the sale and recognized a gain of the sale of \$3,900.

- **In-kind donations**

UMR receives substantial support of in-kind donations. The primarily source of the donations come 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 2019 and 2018, the organization provided in-kind pharmaceutical donation to the following countries:

	2019	2018
Yemen	\$ 4,420,643	\$ 24,808,744
Kenya	2,642,125	-
Sudan	2,603,300	1,086,960
Palestine	1,708,289	43,415,305
Zimbabwe	435,652	-
South Africa	400,000	-
Jordan (including Syrian Refugees)	361,382	553,780
Somalia	337,430	6,202,187
USA	278,362	-
Nigeria	-	543,480
Total	\$ 13,187,183	\$ 76,610,456

- **Cash donations**

UMR has directly donated cash to programs activities in various countries worldwide to cover various humanitarian needs in food security, emergency response, health, education, winter relief, child protection, and clean water. These programs are directly implemented by UMR or through partners. The organization provided the below cash donation during the years ended December 31, 2019 and 2018:

	2019	2018
Jordan (Syrian & Palestinian Refugees)	\$ 1,190,355	\$ 919,858
Yemen	586,144	442,071
Kenya	398,083	254,704
USA	227,492	270,046
Bangladesh (Rohingya Refugees)	174,727	215,178
Palestine	166,917	176,282
Ethiopia	148,417	61,200
Somalia	116,333	52,008
Sudan	67,500	84,574
India	30,040	25,000
Pakistan	27,528	66,056
Lebanon	26,068	50,070
Iraq	24,725	4,515
Bosnia	11,500	5,250
Syrian Refugees (Turkey and Lebanon)	-	525,894
Orphans in multicountries	-	100,790
Total	\$ 3,195,829	\$ 3,253,495

- **Revenue recognition**

UMR recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

- **Contribution receivable**

The unconditional promise to give is recorded in the statement of financial position as pledge receivables. As of December 31, 2019 and 2018, the organization had a balance of \$80,490 and \$1,003,151, respectively of pledge receivable that is expected to be collected within 12-month period. The organization has not recorded allowance for doubtful amount.

- **Grants to recipients**

In 2019, UMR granted to partners domestically and internationally \$117,846, with a considerable portion toward its domestic programs, winter relief, and refugees (mainly Syrian and Palestinian refugees in

Jordan, and for Yemeni) programs worldwide, comparing to \$256,219 in 2018. The reduction continues in grants as UMR started in 2017 to expand its capacity in its in-house program implementation. The program department carried out direct implementation, specially in field offices, mainly Jordan and Kenya to cover its respective regions, in 2019. In 2019, UMR established two new office in Sudan and Somalia to expand its operations. UMR’s expansion in Sudan will be focusing on health and environment protection projects.

- **Rent expense**

In August 2018, UMR entered into new lease agreement for 5 years for its headquarter office. Rent expense was \$188,463 and \$150,374 for the years ended December 31, 2019 and 2018, respectively. The rent included \$116,385 for the HQ office, \$1,221 for the office in United Kingdom, and \$12,025 for storages and venues where UMR uses for health programs items.

The following is a schedule, by year, for the future minimum lease payments required under non-cancelable operating lease as of December 31, 2019:

2020	\$ 119,676.36
2021	124,470.96
2022	129,454.20
2023	<u>77,248.08</u>
Total minimum payments	<u>\$ 450,849.60</u>

- **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**

UMR continued supporting and strengthening its field offices, in Jordan and Kenya by expanding its field programs, to serve Syrian, Palestinian and Yemeni and other underserved refugees, as well as conducting development and relief work with Somali refugees, Sudanese and Kenyan locals, and in parts of Africa through Kenya office. UMR continues to respond to Rohingya crisis, in Cox’s Bazar refugees camp in Bangladesh, by establishing mobile and permanent clinics to serve the Rohingya refugees in one of the largest refugees’ camps in the world. UMR has also established number of bakeries in Yemen, which potentially will contribute to the empowering the local market. UMR has also started women economic empowerment, adopting hospitals and child protection related projects in Yemen, to be carried out directly and through various partners with direct donations, as well as medical and medicine relief shipments. In 2019, UMR established two new offices in Sudan and Somalia, where the focus will be on agriculture, adopting hospitals, and environment related projects. The future of these offices, however, may be adversely affected by a number of potential factors, such as changes in the political climate. As of December 31, 2019, UMR continued the implementation of number of programs directly through these offices, mainly through public donations. UMR-Jordan office was able to continue the implementation a psycho-social support program for Syrian refugee children, affected by Syrian war, in northern Jordan. In 2019 UMR started two new initiatives for women economic empowerment and child protection, which are the “Jasmin” and “iFuture” projects respectively. The aim for the Jasmin project is to help training women

who support their families with new skills to enter the market and be able to grow economically while continuing the support to their families. The iFuture project will be focusing mainly on the kids of these women, help support their education while enhancing their skills, mainly in the IT area, to help enhance their competitiveness abilities in the future.

- **Functional allocation of expenses**

The costs of providing the various programs and other activities have been booked on the statement of functional expenses. 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 Mission for Relief and Development – UMR 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 27, 2020 the date the financial statements were available to be issued. The Organization has no material recognizable subsequent events.