

**MUSLIM LEGAL FUND OF AMERICA, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

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Board of Directors  
Muslim Legal Fund of America, Inc.  
Richardson, Texas

## INDEPENDENT AUDITOR'S REPORT

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Muslim Legal Fund of America, Inc. as of December 31, 2012 and 2011, which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muslim Legal Fund of America, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Mike Dunson".

Mike Dunson, CPA  
May 31, 2013

MUSLIM LEGAL FUND OF AMERICA, INC.  
STATEMENT OF FINANCIAL POSITION

	December 31, 2012	December 31, 2011
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 141,829	271,686
Prepaid expenses	5,957	
Total Current Assets	<u>147,786</u>	<u>271,686</u>
Property and Equipment		
Furniture and equipment	41,698	34,348
Less: Accumulated depreciation	32,306	27,619
Total Property and Equipment	<u>9,392</u>	<u>6,729</u>
Deposits	<u>4,519</u>	<u>1,970</u>
TOTAL ASSETS	<u>\$ 161,697</u>	<u>280,385</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 169,855	64,066
Accrued expenses	37,300	13,324
TOTAL LIABILITIES	<u>207,155</u>	<u>77,390</u>
NET ASSETS		
Unrestricted net assets (deficit)	(45,458)	202,995
TOTAL NET ASSETS	<u>(45,458)</u>	<u>202,995</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 161,697</u>	<u>280,385</u>

See accompanying notes

MUSLIM LEGAL FUND OF AMERICA, INC.  
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2012	Year Ended December 31, 2011
UNRESTRICTED NET ASSETS		
Unrestricted Support and Revenues		
Donations	\$ 2,187,423	2,027,736
Total Unrestricted Revenues	<u>2,187,423</u>	<u>2,027,736</u>
Expenses		
Grants and program services	1,746,708	1,249,549
Management and administrative expenses	240,272	233,040
Fundraising	448,896	309,385
Total Expenses	<u>2,435,876</u>	<u>1,791,974</u>
INCREASE (DECREASE) IN NET ASSETS	(248,453)	235,762
NET ASSETS, Beginning of year	202,995	(32,767)
NET ASSETS, End of year	<u>\$ (45,458)</u>	<u>202,995</u>

See accompanying notes

MUSLIM LEGAL FUND OF AMERICA, INC.  
STATEMENT OF CASH FLOWS

	Year Ended December 31, 2012	Year Ended December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (248,453)	235,762
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation	4,687	4,707
Decrease (increase) in prepaid expenses	(5,957)	
Decrease (increase) in deposits	(2,549)	
Increase (decrease) in accounts payable	105,789	(83,054)
Increase (decrease) in accrued expenses	23,976	2,678
Net Cash Provided by Operating Activities	<u>(122,507)</u>	<u>160,093</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,350)	(600)
Net Cash Provided (Used) by Investing Activities	<u>(7,350)</u>	<u>(600)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(129,857)	159,493
CASH AND CASH EQUIVALENTS, Beginning of year	<u>271,686</u>	<u>112,193</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 141,829</u></u>	<u><u>271,686</u></u>

See accompanying notes

MUSLIM LEGAL FUND OF AMERICA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total Supportive Services</u>	<u>Total Expenses</u>
Case expenses	\$ 878,728	\$	\$	\$	\$ 878,728
Salaries	585,635	83,239	40,995	124,234	709,869
Taxes - payroll	47,239	6,714	3,307	10,021	57,260
Professional fees		7,400		7,400	7,400
Fundraising expenses			286,553	286,553	286,553
Advertising and promotion			118,041	118,041	118,041
Office expense		87,067		87,067	87,067
Rent expense		51,165		51,165	51,165
Travel and entertainment	188,247				188,247
Conventions	5,910				5,910
Bank and credit card fees	26,014				26,014
Gifts and contributions	14,935				14,935
Depreciation expense		4,687		4,687	4,687
TOTALS	<u>\$ 1,746,708</u>	<u>\$ 240,272</u>	<u>\$ 448,896</u>	<u>\$ 689,168</u>	<u>\$ 2,435,876</u>

See accompanying notes



MUSLIM LEGAL FUND OF AMERICA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2011

	Program Services	Management & General	Fundraising	Total Supportive Services	Total Expenses
Case expenses	\$ 878,113	\$	\$	\$	\$ 878,113
Salaries	177,891	101,492	31,160	132,652	310,543
Taxes	15,985	9,120	2,800	11,920	27,905
Professional fees		12,300		12,300	12,300
Fundraising expense			176,458	176,458	176,458
Advertising and promotion	52,260		52,260	52,260	104,520
Office expense	37,968	37,968		37,968	75,936
Rent expense	11,030	11,030		11,030	22,060
Travel and entertainment	58,777	58,777		58,777	117,554
Conventions			29,636	29,636	29,636
Bank and credit card fees			17,071	17,071	17,071
Gifts and contributions	15,172				15,172
Depreciation expense	2,353	2,353		2,353	4,706
TOTALS	<u>\$ 1,249,549</u>	<u>\$ 233,040</u>	<u>\$ 309,385</u>	<u>\$ 542,425</u>	<u>\$ 1,791,974</u>

See accompanying notes

MUSLIM LEGAL FUND OF AMERICA, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities*

The 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 is supported primarily through donor contributions, grants, and special events.

*Support and Expenses*

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Non-cash contributions are recorded at their fair value when significant.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

*Contributed Services*

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. These contributed services are not recorded in the financial statements.

*Allocation of Expenses*

The costs of providing the Organization's various programs and services are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to the Organization's program and supportive services.

*Income taxes*

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public charity under Section 509(a)(2) of the Internal Revenue Code.

*Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments available for current use with an initial maturity of three months or less.

*Property and Equipment*

It is generally the Organization's policy to capitalize property and equipment over \$200. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation expense was \$4,687 and \$4,706 for the years ended December 31, 2012 and 2011. Depreciation is provided by the straight-line method over the estimated useful lives of the assets which are 7 years for furniture and 5 years for office equipment.

MUSLIM LEGAL FUND OF AMERICA, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash. In the normal course of operations, the Organization may have bank account balances in excess of federally insured limits.

Subsequent Events

For the year ended December 31, 2012, management has evaluated subsequent events for potential recognition and disclosure through May 31, 2013, the date the financial statements were available to be issued.

**NOTE 2 – COMMITMENTS AND CONTINGENT LIABILITIES**

Employees are entitled to paid vacation and sick leave. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

The Organization is committed to leases for office facilities in ten locations. Rent expense was \$51,165 and \$22,060 for the years ended December 31, 2012 and 2011. The following are future minimum lease payments at December 31, 2012:

Year Ended December 31,	Amount
2013	\$ 54,471
2014	\$ 54,471