

MUSLIM LEGAL FUND OF AMERICA, INC.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

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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, 2015 and 2014, which comprise the statement of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 black ink, appearing to read "Mike Dunson". The signature is fluid and cursive, with the first name "Mike" and last name "Dunson" clearly distinguishable.

Mike Dunson, CPA
October 4, 2016

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

	December 31, 2015	December 31, 2014
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 361,394	\$ 525,364
Prepaid expenses	10,000	
Total Current Assets	<u>371,394</u>	<u>525,364</u>
Property and Equipment		
Furniture and equipment	54,830	54,030
Less: Accumulated depreciation	42,490	39,291
Total Property and Equipment	<u>12,340</u>	<u>14,739</u>
Deposits	<u>4,519</u>	<u>4,030</u>
TOTAL ASSETS	<u>\$ 388,253</u>	<u>\$ 544,133</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 32,207	\$ 314,183
Accrued expenses	10,646	15,229
TOTAL LIABILITIES	<u>42,853</u>	<u>329,412</u>
NET ASSETS		
Unrestricted net assets	345,400	214,721
TOTAL NET ASSETS	<u>345,400</u>	<u>214,721</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 388,253</u>	<u>\$ 544,133</u>

See accompanying notes

MUSLIM LEGAL FUND OF AMERICA, INC.
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2015	Year Ended December 31, 2014
UNRESTRICTED NET ASSETS		
Unrestricted Support and Revenues		
Donations	\$ 2,200,264	\$ 1,960,913
Total Unrestricted Revenues	<u>2,200,264</u>	<u>1,960,913</u>
Expenses		
Grants and program services	1,716,014	1,601,128
Management and administrative expenses	148,926	143,262
Fundraising	204,645	217,259
Total Expenses	<u>2,069,585</u>	<u>1,961,649</u>
INCREASE (DECREASE) IN NET ASSETS	130,679	(736)
NET ASSETS, Beginning of year	214,721	215,457
NET ASSETS, End of year	<u>\$ 345,400</u>	<u>\$ 214,721</u>

See accompanying notes

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

	Year Ended December 31, 2015	Year Ended December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 130,679	\$ (736)
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation	3,198	3,197
Decrease (increase) in prepaid expenses	(10,000)	4,394
Decrease (increase) in deposits	(489)	489
Increase (decrease) in accounts payable	(281,976)	270,666
Increase (decrease) in accrued expenses	(4,583)	(5,177)
Net Cash Provided by Operating Activities	<u>(163,171)</u>	<u>272,833</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(799)</u>	<u>(11,132)</u>
Net Cash Provided (Used) by Investing Activities	<u>(799)</u>	<u>(11,132)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(163,970)	261,701
CASH AND CASH EQUIVALENTS, Beginning of year	<u>525,364</u>	<u>263,663</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 361,394</u></u>	<u><u>\$ 525,364</u></u>

See accompanying notes

MUSLIM LEGAL FUND OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Supportive Services</u>	<u>Total Expenses</u>
Case expenses	\$ 1,128,326	\$	\$	\$	\$ 1,128,326
Other program expenses	122,892				122,892
Salaries	381,712	47,714	47,714	95,428	477,140
Taxes - payroll	26,628	3,328	3,328	6,656	33,284
Employee benefits	56,456	7,057	7,057	14,114	70,570
Bank and credit card fees		7,753	23,259	31,012	31,012
Consulting expense		2,225		2,225	2,225
Depreciation expense		3,198		3,198	3,198
Dues and subscriptions		6,090		6,090	6,090
Equipment rent		2,328		2,328	2,328
Fundraising expenses			53,770	53,770	53,770
Insurance		550		550	550
Licenses and permits		3,908		3,908	3,908
Marketing expense			47,285	47,285	47,285
Meetings expense		1,501		1,501	1,501
Office expense		6,786		6,786	6,786
Postage and delivery		4,819	14,458	19,277	19,277
Printing and reproduction		2,591	7,774	10,365	10,365
Professional fees		15,700		15,700	15,700
Rent expense		21,655		21,655	21,655
Repairs		3,310		3,310	3,310
Taxes		267		267	267
Telephone expense		8,146		8,146	8,146
				0	
TOTALS	\$ <u>1,716,014</u>	\$ <u>148,926</u>	\$ <u>204,645</u>	\$ <u>353,571</u>	\$ <u>2,069,585</u>

See accompanying notes

MUSLIM LEGAL FUND OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Supportive Services</u>	<u>Total Expenses</u>
Case expenses	\$ 470,734	\$	\$	\$	\$ 470,734
Sponsorships	578,050				578,050
Other program expenses	107,876				107,876
Salaries	337,363	42,170	42,170	84,340	421,703
Taxes - payroll	24,757	3,095	3,095	6,190	30,947
Bank and credit card fees			30,742	30,742	30,742
Consulting expense	1,755				1,755
Depreciation expense		3,197		3,197	3,197
Dues and subscriptions	5,242				5,242
Fundraising expenses			102,177	102,177	102,177
Gifts and contributions	7,733				7,733
Insurance	5,182				5,182
Licenses and permits	3,623				3,623
Marketing expense			28,264	28,264	28,264
Meetings expense		444		444	444
Office expense		11,076		11,076	11,076
Postage and delivery		10,365	10,364	20,729	20,729
Printing and reproduction		447	447	894	894
Professional fees		30,540		30,540	30,540
Rent expense		37,889		37,889	37,889
Rep expenses	845				845
Scholarship	5,000				5,000
Telephone expense	4,039	4,039		4,039	8,078
Travel and entertainment	48,929				48,929
TOTALS	<u>\$ 1,601,128</u>	<u>\$ 143,262</u>	<u>\$ 217,259</u>	<u>\$ 360,521</u>	<u>\$ 1,961,649</u>

See accompanying notes

MUSLIM LEGAL FUND OF AMERICA, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 also provides sponsorships to other nonprofit organizations. 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 classified as a tax-exempt entity under the Internal Revenue Code Section 501(c)(3), and accordingly no provision for federal income tax is required related to the tax-exempt purpose of the Organization. As of December 31, 2015, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS for three years after they are filed. Management believes that the Company is no longer subject to income tax examinations for years prior to 2012.

Property and Equipment

It is generally the Organization's policy to capitalize property and equipment over \$500. 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 \$3,198 and \$3,197 for the years ended December 31, 2015 and 2014. 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, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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, 2015, management has evaluated subsequent events for potential recognition and disclosure through October 4, 2016, the date the financial statements were available to be issued.

NOTE 2 – COMMITMENTS AND CONTINGENT LIABILITIES

In July 2014, the Organization entered into an agreement with Constitutional Law Center for Muslims in America, Inc. (CLCMA), a Texas nonprofit corporation, to provide financial support including office expenses, compensation, and case expenses. CLCMA provides legal representation for legal cases that board of directors of Muslim Legal Fund of America, Inc. (MLFA) and the board of directors of CLCMA have agreed upon. CLCMA has a five year firm-to-firm agreement with an attorney firm. The firm-to-firm agreement includes a non-cancellable payment of \$250,000 to the attorney firm if CLCMA terminates the agreement after two years. MLFA has agreed to guarantee the obligations of CLCMA under the agreement through periodic grants. Payments to CLCMA are included in cases expenses and were \$975,543 and \$328,551 in 2015 and 2014.

The Organization is committed to leases for office facilities. Rent expense was \$23,983 and \$37,889 for the years ended December 31, 2015 and 2014. The following are future minimum lease payments at December 31, 2015:

Year Ended December 31,	Amount
2016	\$ 58,308
2017	60,219
2018	61,584
2019	52,349
2020	22,995