

United Muslim Relief
Financial Statements
December 31, 2017

(with comparative financial information
as of and for the year ended December 31, 2016)

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, 2017 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, 2017 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 June 28, 2017. In our opinion, the summarized comparative information presented herein as of and of the year ended December 31, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

Raya CPA & Consulting Services, LLC.

Chantilly, Virginia

4/27/2018

United Muslim Relief
Statement of Financial Position
December 31, 2017
(with summarized comparative financial information for the year ended December 31, 2016)

| | 2017 | | | 2016 |
|--|-------------------|----------------------|---------------------|---------------------|
| | Unrestricted | Temporary Restricted | Total | Total |
| <u>Assets</u> | | | | |
| Current Assets | | | | |
| Cash | \$ 693,876 | \$ 526,127 | \$ 1,220,003 | \$ 1,041,657 |
| Pledges receivables | 4,805 | 670,930 | 675,735 | 407,642 |
| Field offices | - | 15,651 | 15,651 | 18,522 |
| Prepaid expenses | 13,100 | - | 13,100 | - |
| Total current assets | 711,781 | 1,212,708 | 1,924,489 | 1,467,821 |
| Fixed Assets | | | | |
| Property, equipment and furniture | 44,805 | - | 44,805 | 43,905 |
| Accumulated depreciation | (18,919) | - | (18,919) | (11,034) |
| Fixed assets - net | 25,886 | - | 25,886 | 32,871 |
| Total Assets | \$ 737,667 | \$ 1,212,708 | \$ 1,950,375 | \$ 1,500,692 |
| <u>Liabilities and Net Assets</u> | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 29,190 | \$ 358,429 | \$ 387,619 | \$ 161,516 |
| Due to partners | - | 626,555 | 626,555 | 774,608 |
| Payroll liability | 47,971 | - | 47,971 | 33,413 |
| Payroll taxes liability | 5,565 | - | 5,565 | 3,718 |
| Total current liabilities | 82,726 | 984,984 | 1,067,710 | 973,255 |
| Net Assets | 654,941 | 227,724 | 882,665 | 527,437 |
| Total Liabilities | \$ 737,667 | \$ 1,212,708 | \$ 1,950,375 | \$ 1,500,692 |

The accompanying notes are an integral part of these financial statements

United Muslim Relief
Statement of Activities
Year Ended December 31, 2017
(with summarized comparative financial information for the year ended December 31, 2016)

| | 2017 | | | 2016 |
|--|--------------|-------------------------|--------------|--------------|
| | Unrestricted | Temporary Restricted | Total | Total |
| Revenue and Support | | | | |
| Contributions | \$ 1,604,293 | \$ 6,045,204 | \$ 7,649,497 | \$ 5,408,803 |
| In-kind donations | - | 72,976,177 | 72,976,177 | 23,475,520 |
| Net assets released from restrictions | 79,170,839 | (79,170,839) | - | - |
| Total revenue and support | 80,775,132 | (149,458) | 80,625,674 | 28,884,323 |
| Expenses | | | | |
| Programs | 79,170,839 | - | 79,170,839 | 28,627,789 |
| Management | 878,103 | - | 878,103 | 1,683,184 |
| Fundraising | 221,504 | - | 221,504 | 382,762 |
| Total expenses | 80,270,446 | - | 80,270,446 | 30,693,735 |
| Change in net assets | 504,686 | (149,458) | 355,228 | (1,809,412) |
| Net assets, beginning of the year | 150,255 | 377,182 | 527,437 | 2,336,849 |
| Net assets, end of the year | \$ 654,941 | \$ 227,724 | \$ 882,665 | \$ 527,437 |

The accompanying notes are an integral part of these financial statements

United Muslim Relief
Statements of Cash Flow
December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Operating Activities | | |
| Change in net assets | \$ 355,228 | \$ (1,809,412) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,885 | 7,886 |
| (Increase) decrease in pledge receivable | (268,093) | 614,110 |
| Field offices | 2,871 | (14,890) |
| (Increase) decrease in prepaid expenses | (13,100) | 48,126 |
| Increase in accounts payable | 226,103 | 2,349 |
| (Decrease) increase in partners' balance | (148,053) | 718,102 |
| Increase in payroll liabilities | 14,558 | 33,413 |
| Decrease in grants payable | - | (34,368) |
| Decrease (increase) in payroll taxes | 1,847 | (13,493) |
| Net cash (used) provided by operating activities | <u>179,246</u> | <u>(448,177)</u> |
| Investing Activities | | |
| Purchase of fixed assets | <u>(900)</u> | <u>(12,980)</u> |
| Net cash used by investing activities | (900) | (12,980) |
| Net increase in cash for the period | 178,346 | (461,157) |
| Cash at the beginning of the period | <u>1,041,657</u> | <u>1,502,814</u> |
| Cash at the end of the period | <u>\$ 1,220,003</u> | <u>\$ 1,041,657</u> |

The accompanying notes are an integral part of these financial statements

United Muslim Relief
Statement of Functional Expenses
Year Ended December 31, 2017
(with summarized comparative financial information for the year ended December 31, 2016)

| | 2017 | | | Total | 2016 |
|-------------------------------|----------------------|---|-------------------|----------------------|----------------------|
| | Program Services | Supporting Services Management & General | Fundraising | | |
| In-kind donations | \$ 72,976,177 | \$ - | \$ - | \$ 72,976,177 | \$ 23,475,520 |
| Donations | 4,164,549 | - | - | 4,164,549 | 3,455,273 |
| Salaries and benefits | 924,703 | 505,897 | - | 1,430,600 | 1,974,152 |
| Travel | 339,370 | 18,658 | 6,974 | 365,002 | 393,794 |
| Contractors and sponsorship | 6,000 | 91,738 | 199,356 | 297,094 | 462,395 |
| Printing and office supplies | 283,796 | 55,273 | 4,224 | 343,293 | 335,305 |
| Advertising and promotion | 85,314 | 3,375 | 2,270 | 90,959 | 125,622 |
| Conferences | 194,338 | - | - | 194,338 | 148,078 |
| Telecommunications | 4,600 | 11,832 | 836 | 17,268 | 45,050 |
| Rent | 61,889 | 94,684 | 7,664 | 164,237 | 123,850 |
| Equipment | 14,123 | 4,415 | - | 18,538 | 17,895 |
| Bank charges | 103,321 | 2,507 | 180 | 106,008 | 95,353 |
| Depreciation and amortization | 4,996 | 2,890 | - | 7,886 | 7,886 |
| Licenses and dues | 6,041 | 6,426 | - | 12,467 | 3,595 |
| Gifts | - | - | - | - | 100 |
| Insurance | - | 1,212 | - | 1,212 | 1,316 |
| Professional services | 1,622 | 79,196 | - | 80,818 | 22,215 |
| Other | - | - | - | - | 6,336 |
| Total | \$ 79,170,839 | \$ 878,103 | \$ 221,504 | \$ 80,270,446 | \$ 30,693,735 |

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.

- 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 and temporarily 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, 2017 and 2016, the uninsured balance was \$1,080,768 and \$757,681, 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.

In 2017 and 2016, the organization provided in-kind pharmaceutical donation to the following countries:

| | 2017 | 2016 |
|--------------|----------------------|----------------------|
| Yemen | \$ 63,314,453 | \$ - |
| Jordan | 6,864,882 | - |
| Somalia | 884,300 | - |
| Ethiopia | 854,120 | - |
| Libya | 517,790 | - |
| Palestine | 490,632 | - |
| USA | 50,000 | 39,751 |
| Syria | - | 21,056,147 |
| Nigeria | - | 1,941,000 |
| Morocco | - | 438,621 |
| Total | \$ 72,976,177 | \$ 23,475,520 |

- **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 2017, the organization provided the below cash donation during the years 2017 and 2016:

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Jordan (Syrian and Palestinian Refugees) | \$ 900,899 | \$ 1,101,744 |
| Syria refugees (Turkey and Lebanon) | 771,134 | 12,444 |
| Palestine | 519,160 | 588,173 |
| Burma/Myanmar | 355,220 | 29,280 |
| Orphans in Multi-countries | 309,731 | 804,939 |
| Yemen | 276,498 | 12,485 |
| Somalia | 262,738 | 14,147 |
| USA | 220,609 | 120,045 |
| Kenya | 151,799 | 163,782 |
| India | 111,392 | 14,663 |
| Sudan | 97,595 | 6,483 |
| Pakistan | 39,977 | 38,975 |
| Ethiopia | 27,770 | 246,424 |
| Lebanon | 27,270 | 162,181 |
| Bangladesh | 21,595 | 14,176 |
| Nigeria | 19,425 | 39,938 |
| Niger | 19,425 | 35,086 |
| Nepal | 14,145 | 14,145 |
| Turkey | - | 6,080 |
| Central African Republic | - | 2,254 |
| Others | 18,164 | 27,828 |
| Total | \$ 4,164,546 | \$ 3,455,273 |

- **Revenue recognition**

UMR had 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. In January 2017, UMR delivered the project successfully and closed the grant. Therefore, no receivable to be reported related to the grant spending.

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, 2017 and 2016, the organization had a balance of \$675,735 and \$407,642, respectively of pledge 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 2017, UMR expanded its programs rapidly, and granted to partners domestically and internationally \$1,366,056, with a considerable portion toward its orphans' sponsorship, winter relief, and refugees (mainly Syrian and Yemeni) programs worldwide, comparing to \$2,025,361 in 2016. The reduction in grants is that UMR started to expand its capacity in its in-house program implementation. The program department carried out direct implementation, specially in field offices, mainly Jordan, in 2017. The Organization recorded \$626,555 and \$774,607 payable to recipients as of December 31, 2017 and 2016, respectively.

- **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 and Yemeni refugees, as well as conducting relief work in parts of Africa through Kenya office. UMR also responded to the Rohingya crisis through various partners with direct donations, as well as medical and medicine relief shipments. 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, 2017, UMR continued the implementation of number of programs directly through these offices, mainly through public donations. UMR-Jordan office, in partnership with Johanniter foundation,

was able 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 was 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. These grants completed in early 2017 and the programs were delivered successfully.

- **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 April 27, 2018 the date the financial statements were available to be issued. The Organization has no material recognizable subsequent events.