

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
(A California Not-For-Profit Foundation)

FINANCIAL STATEMENTS

For The Year Ended
December 31, 2019

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
To Management of
Muslim Public Affairs Council Foundation

We have audited the accompanying financial statements of Muslim Public Affairs Council Foundation ("MPACF" or the "Organization") (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.

Auditor's 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 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, 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.

INDEPENDENT AUDITORS' REPORT (continued)

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 Muslim Public Affairs Council Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding COVID-19

As discussed in Note 2h to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

GTL, LLP

Los Angeles, California
October 12, 2020

**MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 457,415
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OTHER ASSETS

Interest in net assets of Global Justice Endowment	<u>603,386</u>
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TOTAL ASSETS	<u><u>\$ 1,060,801</u></u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accrued expenses	<u>\$ -</u>
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NET ASSETS:

Without donor restrictions	457,415
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With donor restrictions	<u>603,386</u>
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TOTAL NET ASSETS	<u>1,060,801</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,060,801</u></u>
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See independent auditors' report and accompanying notes to financial statements.

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Donations	\$ 2,272,943	\$ -	\$ 2,272,943
Global Justice Endowment	55,000	-	55,000
Interest and other	35,242	-	35,242
Sublease income	9,000	-	9,000
Interest in net asset of Global Justice Endowment	-	(29,913)	(29,913)
	<u>2,372,185</u>	<u>(29,913)</u>	<u>2,342,272</u>
FUNCTIONAL EXPENSES:			
Program services	2,130,565	-	2,130,565
General and administration	84,802	-	84,802
Fundraising and development	31,437	-	31,437
	<u>2,246,804</u>	<u>-</u>	<u>2,246,804</u>
CHANGE IN NET ASSETS	125,381	(29,913)	95,468
NET ASSETS, at beginning of year	<u>332,034</u>	<u>633,299</u>	<u>965,333</u>
NET ASSETS, at end of year	<u>\$ 457,415</u>	<u>\$ 603,386</u>	<u>\$ 1,060,801</u>

See independent auditors' report and accompanying notes to financial statements.

**MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 95,468
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Interest in net assets of Global Justice Endowment	29,913
Changes in current assets and current liabilities:	
Accounts receivable	<u>23,410</u>
Net cash and cash equivalents provided by operating activities	<u>148,791</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on line of credit	<u>(50,000)</u>
Net cash (used-in) financing activities	<u>(50,000)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	
	98,791
Cash and cash equivalents, at beginning of year	<u>358,624</u>
Cash and cash equivalents, at end of year	<u><u>\$ 457,415</u></u>

See independent auditors' report and accompanying notes to financial statements.

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 NATURE OF OPERATIONS

Muslim Public Affairs Council Foundation (the “Foundation”) is a 501(c)(3) nonprofit foundation, whose vision is to educate fellow Americans with an accurate understanding of Islam. The purpose of the Foundation is to engage in the research and development of issues related to human rights, democracy and pluralism; to educate all Americans regarding the teachings of Islam; and to serve the Muslim American Community and promote the Islamic values of mercy, justice, peace, human dignity, freedom, and equality for all.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets, revenue, contributions, fundraising, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subjected to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subjected to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2019, the Organization had \$603,386 in net assets with donor restrictions detailed in Note 3 of these financial statements.

(b) Management 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 assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(c) Cash and Cash Equivalents

Cash equivalents include at times money market accounts and time deposits, all highly liquid debt instruments with original maturities of three months or less which are not securing any of the Foundation's obligations. The Foundation's cash and cash equivalents at December 31, 2019 totaled \$457,415.

(d) Contributions and Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and recorded as net asset with donor restrictions or net asset without donor restrictions, depending on the existence and/or nature of any donor-imposed restriction. The Organization reports gifts of cash and other assets as contribution with donor restrictions 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. 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. When a donor's intended purpose is met or time restriction expires, the net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions support. Grants and contracts that are conditioned upon certain performance requirements or other barrier, and a right of return, are initially recorded as deferred revenue, and upon the incurrence of the allowable qualifying expenses earned revenue is then recognized.

(e) Functional Allocation of Expenses

Costs are charged to program and supporting services (management and general) based primarily on direct expenditures incurred. The Foundation's major classes of program services include Community Development, Conventions, Marketing, Media Award, Publications and Empowering Voices. Expenses not directly chargeable to these functional categories are allocated (indirect costs applied) on direct labor dollars, square footage utilized, or a comparably reasonable basis of allocation.

(f) Income Taxes

The Foundation is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"), and from federal and state income taxes under Section 501(a) of the IRC and corresponding sections of the California Revenue and Taxation Code. Accordingly, no provision or benefit for federal or state income taxes is recorded in the accompanying financial statements.

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(f) Income Taxes (Continued)

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2019.

The Foundation's federal income tax returns for tax years 2017 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its most significant state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2016 and beyond.

(g) Interest in Net Assets from a Supporting Organization

The Foundation recognizes its rights to assets held by a recipient organization in accordance with Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Such rights are recognized as an asset unless the donor has explicitly granted the recipient organization variance power, that is, the unilateral power to redirect the use of the assets. Those rights are either an interest in the net assets of the recipient organization, a beneficial interest in the recipient organization or a receivable. The Foundation accounts for its interest in the net assets of Global Justice Endowment (Interest) in a manner similar to the equity method (see Note 3). Changes in the Interest are included in the accompanying Statement of Activities.

(h) Subsequent events

The Foundation has evaluated events subsequent to December 31, 2019, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 12, 2020 the date the financial statements were available to be issued. Based upon this evaluation, management determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Subsequent events (continued)

During April 2020 the Organization was awarded a Paycheck Protection Program (PPP) grant/loan of \$166,080. This PPP loan is part of the U.S. Government's coronavirus stimulus package, known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which allocated funds to small businesses, initially as loans, administered through the Small Business Administration, authorized to provide small businesses with loans to pay eight weeks of salary, benefits and other eligible costs. These loans may be forgiven if a business restores its full-time employment and salary levels by December 31, 2020. Management reasonably believes that the loan will be forgiven under the CARES Flexibility Act, which made further allowances for businesses impacted by Covid-19 in a way that did not allow them to return to pre-February 15, 2020 business levels.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide; on March 19, 2020, the State Governor of California ordered the closure of the physical location of every “non-essential” business for what may be an extended period of time. Future potential impacts may include continued disruptions or restrictions on our employees’ ability to work onsite and impairment of our ability to obtain future contributions. The future effects of these issues are unknown.

(i) Fair Value of Financial Instruments

The Foundation's financial instruments are cash, accounts receivable, accounts payable and accrued expenses. The recorded values of these approximate their fair values based on their short-term nature.

(j) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize “right of use” assets and liabilities for all leases with terms of more than 12 months. The ASU requires additional quantitative and qualitative financial statement footnote disclosures about the leases, significant judgments made in accounting for those leases and amounts recognized in the financial statements about those leases. The guidance will be effective for fiscal years ending after December 15, 2021, with early adoption permitted.

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 3 INTEREST IN NET ASSETS FROM SUPPORTING ORGANIZATIONS AND PERMANENTLY RESTRICTED NET ASSETS

Global Justice Endowment ("GJE") is a 501(c)(3) not-for-profit organization established for the charitable purpose of supporting the educational programs and activities of the Muslim Public Affairs Council (MPAC) and the Muslim Public Affairs Council Foundation (MPACF). The three organizations have separate boards of directors over which the Foundation does not exercise control.

Because GJE was established to operate exclusively for the benefit of the Foundation, and upon dissolution, 50% of its net assets would be transferred to the Foundation to be used to benefit the Foundation, and since variance power from the donor does not exist, the Foundation records its interest in the net assets of GJE.

As of December 31, 2019, the Foundation's interest in the net assets from a supporting organization is as follows:

50% interest in net assets of Global Justice Endowment	<u>\$ 603,386</u>
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NOTE 4 CONCENTRATION OF RISK

The Organization maintains cash balances at various financial institutions that it considers to be high quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2019, the Foundation had no bank balances exceeding this limit.

**MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 5 COMMITMENTS

Operating lease

The Foundation conducts its operations in leased office facilities in Los Angeles, California under an operating lease agreement with Global Justice Holdings LLC, with monthly rent payments of \$3,000 per month, expiring on December 31, 2024 (see Note 6). The Foundation's rent expense for the year ended December 31, 2019 amounted to \$49,200. The lease will automatically renew for an additional 5-year term unless either party elects to terminate the lease within a 90-day period prior to the next expiration date by delivering a written notice expressing such interest.

On July 1, 2013, the Foundation entered in to a sublease agreement with the Muslim Reform Institute (MRI) expiring on November 30, 2023 to provide space to fulfill its charitable purposes (see note 6). The Foundation received \$9,000 from MRI during the year ended December 31, 2019 as rental income, which is recorded as miscellaneous income in the Statement of Activities. Future minimum rental payments, net of future sublease income, required under the lease agreements are as follows:

<u>Year ending December 31</u>	<u>Rent Payments</u>	<u>Sublease Income</u>	<u>Net Payments</u>
2020	\$ 36,000	\$ 9,000	\$ 27,000
2021	36,000	9,000	\$ 27,000
2022	36,000	9,000	\$ 27,000
2023	36,000	8,250	\$ 27,750
2024	36,000	-	\$ 36,000
	<u>\$ 180,000</u>	<u>\$ 35,250</u>	<u>\$ 144,750</u>

Total rent expense paid by the organization for the year ended December 31, 2019 was \$49,200.

NOTE 6 RELATED PARTY TRANSACTIONS

On January 4, 2011, the Foundation entered into a long term office lease rental agreement (see Note 5, Commitments) with Global Justice Holdings LLC. The Foundation is a party in interest in relation to Global Justice Holdings LLC through its relationship with Global Justice Endowment (See Note 3).

On July 1, 2013, the Foundation entered in to a subleased agreement with the Muslim Reform Institute (MRI). The Foundation and MRI have common board members (see Note 5).

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 6 RELATED PARTY TRANSACTIONS -CONTINUED

During the year ended December 31, 2019, the Foundation received \$55,000 contribution from Global Justice Endowment for support of the Foundation's activities.

During the year ended December 31, 2019, approximately 91% of the Foundation's payments were made to the Muslim Public Affairs Council. These payments, totaling \$2,045,565 during 2019, were made under a contract for the Council to administer all program services and perform all administrative duties of the Foundation. The Foundation had no outstanding balance due to the MPAC as of December 31, 2019.

NOTE 7 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced if any, by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position at December 31, 2019.

Cash	\$ <u>457,415</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>457,415</u></u>

None of the financial assets are subject to donor or other contractual restrictions outside the Organization's mission that make them unavailable for general expenditure within one year of the Statement of Financial Position's date. The organization receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Accounts receivable accessibility is subject to implied time restrictions but are expected to be collected within one year. General expenditures include administrative and general operating expenses and grant commitments expected to be paid in the subsequent year. Annual Operations are defined as activities incurring during the foundation's calendar year. The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 30 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 8 LINE OF CREDIT

The Foundation has full access to a \$50,000 revolving line of credit under the name of a board member with a financial institution, bearing fixed interest rate at 2.15% per annum with a maturity date of March 27, 2021. The line of credit is secured by assets of the board member. As of December 31, 2019 there was no outstanding balance on the line of credit.

NOTE 9 THE TABLE BELOW PRESENTS EXPENSES BY BOTH NATURE AND FUNCTION FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	General and Administration	Fundraising and Development	Total
MPAC - LA	\$ 2,045,565	\$ -	\$ -	\$ 2,045,565
MPAC W-NY	85,000	-	-	85,000
Office rent	-	49,200	-	49,200
Merchant charges	-	-	31,437	31,437
Professional services	-	8,414	-	8,414
Audit and bookkeeping	-	18,665	-	18,665
Miscellaneous	-	5,356	-	5,356
Insurance	-	3,168	-	3,168
	<u>\$ 2,130,565</u>	<u>\$ 84,802</u>	<u>\$ 31,437</u>	<u>\$ 2,246,804</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses are allocated on a reasonable basis that is consistently applied.