

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

FINANCIAL STATEMENTS

**For The Year Ended
December 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Muslim Public Affairs Council Foundation ("MPACF" or the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

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, 2020, 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 10 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 7, 2021

**MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS	
Cash	\$ 852,418
Grants receivable	41,200
	893,618
INVESTMENTS	448,371
OTHER ASSETS	
Interest in net assets of Global Justice Endowment	2,343,938
	2,343,938
TOTAL ASSETS	\$ 3,685,927

LIABILITIES AND NET ASSETS

LIABILITIES	
Deferred revenues	\$ 100,000
	100,000
NET ASSETS	
Without donor restrictions	1,241,989
With donor restrictions	2,343,938
	3,585,927
TOTAL NET ASSETS	3,585,927
TOTAL LIABILITIES AND NET ASSETS	\$ 3,685,927

The accompanying notes are an integral part of these financial statements

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Donations/contributions	\$ 2,215,372	\$ -	\$ 2,215,372
Global Justice Endowment contribution	35,000	-	35,000
Interest and other	8,600	-	8,600
Sublease income	750	-	750
Interest in increase in net assets of Global Justice Endowment	-	1,740,552	1,740,552
 Total revenues, gains and other support	 <u>2,259,722</u>	 <u>1,740,552</u>	 <u>4,000,274</u>
 FUNCTIONAL EXPENSES:			
Program services	1,385,360	-	1,385,360
General and administration	82,269	-	82,269
Fundraising and development	7,519	-	7,519
 Total functional expenses	 <u>1,475,148</u>	 <u>-</u>	 <u>1,475,148</u>
 CHANGE IN NET ASSETS	 784,574	 1,740,552	 2,525,126
 NET ASSETS, at beginning of year	 <u>457,415</u>	 <u>603,386</u>	 <u>1,060,801</u>
 NET ASSETS, at end of year	 <u><u>\$ 1,241,989</u></u>	 <u><u>\$ 2,343,938</u></u>	 <u><u>\$ 3,585,927</u></u>

The accompanying notes are an integral part of these financial statements

**MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,525,126
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Interest in increase in net assets of Global Justice Endowment	(1,740,552)
Changes in current assets and current liabilities:	
Grants receivable	(41,200)
Deferred revenue	<u>100,000</u>
Net cash provided by operating activities	<u>843,374</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investments at fair value	<u>(448,371)</u>
Net cash (used-in) investing activities	<u>(448,371)</u>
 NET INCREASE IN CASH	 395,003
 Cash, at beginning of year	 <u>457,415</u>
 Cash, at end of year	 <u>\$ 852,418</u>

The accompanying notes are an integral part of these financial statements

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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 Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation 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, 2020, the Organization had \$2,343,938 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 assumptions 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, 2020

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 instruments with original maturities of three months or less which are not securing any of the Foundation's obligations. The Foundation did not have any cash equivalents at December 31, 2020.

(d) Grants Receivable

Grants receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering financial conditions, credit history, and current economic conditions. At December 31, 2020 the grants receivable balance was \$41,200 representing contributions awarded in December 2020 and received in January 2021.

(e) Investments

Under U.S. generally accepted accounting principles, the Foundation is required to record investments at fair value in the accompanying statement of financial position. Investment income or loss (including interest, dividends, realized gains or losses, and unrealized gains or losses on investments) are included in the accompanying statement of activities.

(f) Contributions and Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. The Foundation reports gifts of cash and other assets as contributions 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 statement 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. 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.

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(g) Functional Allocation of Expenses

Costs are charged to program and supporting services (general and administration, and fundraising and development) 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.

(h) Fair Value of Financial Instruments Approximates Carrying Amount

Current U.S. generally accepted accounting principles defines fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about fair value measurements. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is:

Level 1- Valuation based on quoted prices for identical assets and liabilities in active markets.

Level 2- Valuation based on observable inputs other than quoted prices included in Level 1, such as quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3- Valuation based on unobservable inputs reflecting the Foundation's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Changes in the observable or unobservable attributes of valuation inputs may result in future reclassification between hierarchy levels.

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or 2 inputs are not available.

The following is a description of the valuation methodologies used for assets valued at fair value. There have been no changes in the methodologies used during the year ended December 31, 2020:

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Fair Value of Financial Instruments Approximates Carrying Amount - Continued

Money market funds and mutual funds are measured at quoted market prices for identical assets (Level 1).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Foundation believes the valuation methods are appropriate and consistent with other active market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The table below presents the balances of financial instruments measured at fair value on a recurring basis.

	Fair Value Measurements at December 31, 2020		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Charles Schwab Money Market Funds	\$ 239,220	\$ -	\$ -
Vanguard total bond market ETF	140,054	-	-
Vanguard mortgage back'd securities ETF	42,878	-	-
SPDR gold shares ETF	26,219	-	-
Total Investments	\$ 448,371	\$ -	\$ -

(i) Other Assets - Interest in Net Assets from a GJE 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.

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(j) 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.

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 Foundation 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, 2020.

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 ended 2016 and beyond.

**MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**NOTE 3 INTEREST IN NET ASSETS FROM SUPPORTING ORGANIZATIONS AND
NET ASSETS WITH DONOR RESTRICTIONS**

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 or the Council) and the Muslim Public Affairs Council Foundation (MPACF). These three organizations have separate boards of directors over which the Foundation does not exercise control.

GJE was established to operate exclusively for the benefit of the Council and the Foundation, and upon dissolution, 100% 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, 2020, the Foundation's interest in the net assets from a supporting organization is as follows:

100% interest in net assets of Global Justice Endowment	<u>\$ 2,343,938</u>
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NOTE 4 DEFERRED REVENUE

Deferred revenue at December 31, 2020 is comprised of a grant received during 2020 with donor-imposed conditions with a barrier and a right of return/right of release, which are initially recorded as deferred revenue. Revenue is recognized when the conditions are met.

Tides Foundation	<u>\$ 100,000</u>
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MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 5 COMMITMENTS

Operating leases

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, 2020 amounted to \$36,000. 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 December 31, 2024 to provide space to fulfill its charitable purposes (see Note 6). The Foundation received \$750 from MRI during the year ended December 31, 2020 (lower amount due to COVID-19) 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>
2021	\$ 36,000	\$ 9,000	\$ 27,000
2022	36,000	9,000	27,000
2023	36,000	9,000	27,000
2024	36,000	9,000	27,000
	<u>\$ 144,000</u>	<u>\$ 36,000</u>	<u>\$ 108,000</u>

Total rent expense paid by the Foundation for the year ended December 31, 2020 was \$36,000.

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 sublease 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, 2020**

NOTE 6 RELATED PARTY TRANSACTIONS -CONTINUED

During the year ended December 31, 2020, the Foundation received a \$35,000 contribution from Global Justice Endowment for support of the Foundation’s activities.

During the year ended December 31, 2020, approximately 91% of the Foundation’s payments were made to the Muslim Public Affairs Council (MPAC). These payments totaling \$1,385,360 during 2020 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 MPAC at December 31, 2020.

NOTE 7 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation'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, 2020.

Cash	\$	852,418
Grants receivable		41,200
Investments		448,371
PPP forgiven loan		<u>166,080</u>

Net financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>1,508,069</u></u>
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None of the net financial assets are subject to donor or other contractual restrictions outside the Foundation's mission that make them unavailable for general expenditure within one year of the statement of financial position's date. The Foundation receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Grants 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 incurred during the Foundation’s calendar year. The Foundation has a goal to maintain financial assets, which consist of cash on hand, to meet thirty plus days of normal operating expenses. The Foundation 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, 2020

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, 2020 there was no outstanding balance due on the line of credit. Management is currently working on the line of credit renewal.

NOTE 9 THE TABLE BELOW PRESENTS EXPENSES BY BOTH NATURE AND FUNCTION FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	General and Administration	Fundraising and Development	Total
MPAC - LA	\$ 1,385,360	\$ -	\$ -	\$ 1,385,360
Office and supplies	-	4,024	-	4,024
Office rent	-	36,000	-	36,000
Merchant charges	-	15,610	-	15,610
Professional services	-	5,065	7,519	12,584
Audit and bookkeeping	-	18,505	-	18,505
Insurance	-	3,065	-	3,065
	\$ 1,385,360	\$ 82,269	\$ 7,519	\$ 1,475,148

MUSLIM PUBLIC AFFAIRS COUNCIL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 10 SUBSEQUENT EVENTS AND EMPHASIS OF MATTER

- (a) The Foundation has evaluated events subsequent to December 31, 2020, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 7, 2021 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.

- (b) During February 2021 the Foundation was awarded a Paycheck Protection Program (PPP2) grant/loan of \$166,080, at 1% interest, due 5-years from its funding date. 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 salary, benefits and other eligible costs. This PPP loan may also be forgiven if a business restores its full-time employment and salary levels as they were at December 31, 2020. The Foundation has accounted for the loan using the "conditional-contribution model" in accordance with FASB ASC 958-605, with contribution revenue to be recognized when loan forgiveness was fully granted. The Foundation received full forgiveness on August 10, 2021.

- (c) On or about November/December 2020, the board of directors of the Foundation and of the Council amended their individual bylaws and agreed on a restructuring of the Council effective January 2021, whereby the Council would cease to administer all program services and perform all administrative duties of the Foundation, transfer all employees to the Foundation and remain on a dormant status for the time being.

- (d) 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 and the potential impact on the Organization cannot be reasonably estimated at this time.