

Muslim Aid America
dba Muslim Aid USA
(a nonprofit Virginia corporation)
McLean, Virginia

Financial Statements

December 31, 2021 and 2020



MAUSA
Muslim Aid USA

Muslim Aid USA

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Independent Auditors' Report

To the Board of Directors
Muslim Aid America dba Muslim Aid USA
McLean, Virginia

Opinion

We have audited the accompanying financial statements of Muslim Aid America dba Muslim Aid USA ("Muslim Aid USA") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Muslim Aid USA as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of Muslim Aid USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Muslim Aid USA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Muslim Aid USA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Muslim Aid USA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Altruic Advisors, CPAs

Certified Public Accountants

Washington, D.C.
November 17, 2022

Muslim Aid USA

Statements of Financial Position

December 31	2021	2020
ASSETS		
Current Assets		
Cash	\$ 3,746,386	\$ 1,621,312
Investments	192,215	19,127
Pledges and grants receivable, net	98,097	78,938
Total current assets	<u>4,036,698</u>	<u>1,719,377</u>
Equipment		
Computer equipment	5,879	5,081
Less accumulated depreciation	(2,733)	(1,615)
Net equipment	<u>3,146</u>	<u>3,466</u>
Total assets	<u>\$ 4,039,844</u>	<u>\$ 1,722,843</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,168	\$ 34,867
Accrued wages and payroll taxes	19,233	19,233
Grants payable	648,747	473,811
Total current liabilities	<u>671,148</u>	<u>527,911</u>
Net Assets (Deficit)		
Without donor restrictions	(165,928)	(150,905)
With donor restrictions	3,534,624	1,345,837
Total net assets	<u>3,368,696</u>	<u>1,194,932</u>
Total liabilities and net assets	<u>\$ 4,039,844</u>	<u>\$ 1,722,843</u>

Muslim Aid USA

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support			
Contributions and grants	\$ 565,719	\$ 8,421,768	\$ 8,987,487
In-kind contributions	-	7,973,161	7,973,161
Net assets released from restrictions			
Satisfaction of purpose restrictions	14,127,204	(14,127,204)	-
Release of timing restrictions	78,938	(78,938)	-
Total operating support	<u>14,771,861</u>	<u>2,188,787</u>	<u>16,960,648</u>
Operating Expenses			
Program services	<u>13,992,720</u>	-	<u>13,992,720</u>
Supporting services			
General and administrative	416,835	-	416,835
Fundraising	402,873	-	402,873
Total supporting services	<u>819,708</u>	-	<u>819,708</u>
Total operating expenses	<u>14,812,428</u>	-	<u>14,812,428</u>
Total operating support in excess (deficit) of operating expenses	<u>(40,567)</u>	<u>2,188,787</u>	<u>2,148,220</u>
Other Changes			
Investment income	<u>25,544</u>	-	<u>25,544</u>
Change in Net Assets	<u>(15,023)</u>	<u>2,188,787</u>	<u>2,173,764</u>
Net Assets (Deficit), Beginning of Year	<u>(150,905)</u>	<u>1,345,837</u>	<u>1,194,932</u>
Net Assets (Deficit), End of Year	<u>\$ (165,928)</u>	<u>\$ 3,534,624</u>	<u>\$ 3,368,696</u>

The accompanying Notes are an integral
part of these financial statements

Muslim Aid USA

Statement of Activities

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributions and grants	\$ 40,902	\$ 4,430,138	\$ 4,471,040
In-kind donations	-	5,766,559	5,766,559
Net assets released from restrictions			
Satisfaction of purpose restrictions	9,314,376	(9,314,376)	-
Release of timing restrictions	28,395	(28,395)	-
Total operating support	<u>9,383,673</u>	<u>853,926</u>	<u>10,237,599</u>
Operating Revenue			
Special event, net	<u>33,878</u>	<u>-</u>	<u>33,878</u>
Total operating support and revenue	<u>9,417,551</u>	<u>853,926</u>	<u>10,271,477</u>
Operating Expenses			
Program services	<u>8,939,088</u>	<u>-</u>	<u>8,939,088</u>
Supporting services			
General and administrative	132,924	-	132,924
Fundraising	490,456	-	490,456
Total supporting services	<u>623,380</u>	<u>-</u>	<u>623,380</u>
Total operating expenses	<u>9,562,468</u>	<u>-</u>	<u>9,562,468</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>(144,917)</u>	<u>853,926</u>	<u>709,009</u>
Other Changes			
Investment income	<u>107</u>	<u>-</u>	<u>107</u>
Change in Net Assets	<u>(144,810)</u>	<u>853,926</u>	<u>709,116</u>
Net Assets (Deficit), Beginning of Year	<u>(6,095)</u>	<u>491,911</u>	<u>485,816</u>
Net Assets (Deficit), End of Year	<u>\$ (150,905)</u>	<u>\$ 1,345,837</u>	<u>\$ 1,194,932</u>

The accompanying Notes are an integral
part of these financial statements

Muslim Aid USA

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services					
	Education and Livelihood	Emergency Program	Food Security	Health Care	Orphan Support	Religious Dues
Salaries and wages	\$ 1,462	\$ 57,065	\$ 49,710	\$ 10,143	\$ 18,915	\$ 29,789
Benefits	221	8,624	7,513	1,533	2,859	4,501
Payroll taxes	111	4,343	3,783	772	1,440	2,267
Total personnel costs	<u>1,794</u>	<u>70,032</u>	<u>61,006</u>	<u>12,448</u>	<u>23,214</u>	<u>36,557</u>
In-kind contributions	-	7,973,161	-	-	-	-
Grants and program support	21,246	1,800,984	893,287	-	558,514	699,376
Advertising and marketing	4,339	288,530	111,897	9,255	43,759	93,011
Handling costs	-	25,245	-	-	-	606,036
Merchant and bank fees	-	-	1,939	-	-	-
Copying, printing, and postage	-	-	110,510	-	-	-
Consulting and contracting fees	992	62,998	24,955	1,773	10,003	21,262
Occupancy	207	13,179	5,220	371	2,092	4,448
Travel	-	133	-	-	-	-
Professional fees	97	6,163	2,441	173	979	2,080
Bad debt expense	-	-	-	-	-	-
Licenses and dues	-	-	-	-	-	-
Miscellaneous	175	-	-	-	-	-
Insurance	-	-	-	-	-	-
Information technology	-	-	-	-	-	-
Office expenses	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Total expenses	<u>\$ 28,850</u>	<u>\$ 10,240,425</u>	<u>\$ 1,211,255</u>	<u>\$ 24,020</u>	<u>\$ 638,561</u>	<u>\$ 1,462,770</u>

The accompanying Notes are an integral part of these financial statements

Muslim Aid USA

Statement of Functional Expenses (continued)

Year ended December 31, 2021

	Program Services (continued)		Supporting Services			Total Expenses
	Wash Program	Total	General and Administrative	Fundraising	Total	
Salaries and wages	\$ 43,313	\$ 210,397	\$ 73,879	\$ 172,612	\$ 246,491	\$ 456,888
Benefits	6,546	31,797	11,165	26,087	37,252	69,049
Payroll taxes	3,296	16,012	5,622	13,136	18,758	34,770
Total personnel costs	53,155	258,206	90,666	211,835	302,501	560,707
In-kind contributions	-	7,973,161	-	-	-	7,973,161
Grants and program support	262,474	4,235,881	-	-	-	4,235,881
Advertising and marketing	54,829	605,620	30,786	175,176	205,962	811,582
Handling costs	-	631,281	-	-	-	631,281
Merchant and bank fees	-	1,939	157,099	-	157,099	159,038
Copying, printing, and postage	-	110,510	32,247	15,862	48,109	158,619
Consulting and contracting fees	12,533	134,516	7,037	-	7,037	141,553
Occupancy	2,622	28,139	2,212	-	2,212	30,351
Travel	-	133	28,511	-	28,511	28,644
Professional fees	1,226	13,159	14,001	-	14,001	27,160
Bad debt expense	-	-	26,624	-	26,624	26,624
Licenses and dues	-	-	13,284	-	13,284	13,284
Miscellaneous	-	175	6,458	-	6,458	6,633
Insurance	-	-	2,470	-	2,470	2,470
Information technology	-	-	2,206	-	2,206	2,206
Office expenses	-	-	2,116	-	2,116	2,116
Depreciation	-	-	1,118	-	1,118	1,118
Total expenses	\$ 386,839	\$ 13,992,720	\$ 416,835	\$ 402,873	\$ 819,708	\$ 14,812,428

The accompanying Notes are an integral part of these financial statements

Muslim Aid USA

Statement of Functional Expenses

Year ended December 31, 2020

	Program Services					
	Education and Livelihood	Emergency Program	Food Security	Health Care	Orphan Support	Religious Dues
Salaries and wages	\$ 987	\$ 38,172	\$ 33,259	\$ 6,780	\$ 12,668	\$ 19,922
Benefits	147	5,701	5,315	1,013	1,892	2,976
Payroll taxes	78	3,012	2,624	535	1,000	1,572
Total personnel costs	1,212	46,885	41,198	8,328	15,560	24,470
In-kind contributions	-	-	-	-	-	5,766,559
Grants and program support	55,844	457,395	353,243	132,369	268,330	576,120
Advertising and marketing	717	59,726	29,429	5,524	9,199	14,467
Handling costs	-	31,440	21,170	-	-	254,826
Consulting and contracting fees	3,442	67,742	46,799	6,471	12,092	19,015
Copying, printing, and postage	15	46,048	32,611	105	196	308
Merchant and bank fees	12,172	12,172	12,172	12,172	12,172	12,172
Occupancy	178	6,898	4,835	1,222	2,283	3,591
Licenses and dues	-	-	-	-	-	-
Travel	-	13,791	-	-	-	-
Professional fees	-	-	-	-	-	-
Information technology	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Office expenses	-	169	-	-	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous	129	56	-	-	-	-
Total expenses	\$ 73,709	\$ 742,322	\$ 541,457	\$ 166,191	\$ 319,832	\$ 6,671,528

The accompanying Notes are an integral part of these financial statements

Muslim Aid USA

Statement of Functional Expenses (continued)

Year ended December 31, 2020

	Program Services (continued)		Supporting Services			Total Expenses
	Wash Program	Total	General and Administrative	Fundraising	Total	
Salaries and wages	\$ 28,963	\$ 140,751	\$ 49,417	\$ 115,461	\$ 164,878	\$ 305,629
Benefits	3,991	21,035	3,897	9,065	12,962	33,997
Payroll taxes	2,101	10,922	15,423	22,984	38,407	49,329
Total personnel costs	35,055	172,708	68,737	147,510	216,247	388,955
In-kind contributions	-	5,766,559	-	-	-	5,766,559
Grants and program support	323,852	2,167,153	-	-	-	2,167,153
Advertising and marketing	19,339	138,401	-	265,052	265,052	403,453
Handling costs	-	307,436	-	-	-	307,436
Consulting and contracting fees	28,419	183,980	13,309	-	13,309	197,289
Copying, printing, and postage	412	79,695	11,128	77,894	89,022	168,717
Merchant and bank fees	12,172	85,204	-	-	-	85,204
Occupancy	4,800	23,807	1,688	-	1,688	25,495
Licenses and dues	-	-	16,464	-	16,464	16,464
Travel	-	13,791	1,548	-	1,548	15,339
Professional fees	-	-	10,114	-	10,114	10,114
Information technology	-	-	4,790	-	4,790	4,790
Insurance	-	-	2,935	-	2,935	2,935
Office expenses	-	169	1,637	-	1,637	1,806
Depreciation	-	-	574	-	574	574
Miscellaneous	-	185	-	-	-	185
Total expenses	\$ 424,049	\$ 8,939,088	\$ 132,924	\$ 490,456	\$ 623,380	\$ 9,562,468

The accompanying Notes are an integral part of these financial statements

Muslim Aid USA

Statements of Cash Flows

Increase (Decrease) in Cash

Years ended December 31	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 2,173,764	\$ 709,116
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,118	574
Donated stock	(97,543)	(19,020)
Unrealized gains	(19,520)	(107)
Increase (decrease) from changes in assets and liabilities		
Pledges and grants receivable	(19,159)	(50,543)
Accounts payable	(31,699)	25,455
Accrued wages and payroll taxes	-	5,139
Grants payable	174,936	473,811
Net cash provided by operating activities	<u>2,181,897</u>	<u>1,144,425</u>
Cash Flows From Investing Activities		
Net purchases of investments	(56,025)	-
Purchases of equipment	(798)	(3,248)
Net cash used by investing activities	<u>(56,823)</u>	<u>(3,248)</u>
Net Increase in Cash	2,125,074	1,141,177
Cash, Beginning of Year	<u>1,621,312</u>	<u>480,135</u>
Cash, End of Year	<u>\$ 3,746,386</u>	<u>\$ 1,621,312</u>

Muslim Aid USA

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Muslim Aid America dba Muslim Aid USA (“the Organization”) is a nonprofit organization, that provides help to people who are victims of natural disasters or conflict. The Organization also helps those who are suffering from poverty, hunger, disease, illiteracy, discrimination, homelessness, debt, unemployment, injustice, deprivation, or lack of skills and economic opportunities. The Organization's support is derived principally from contributions and grants.

Description of Program Services:

Education and Livelihood. Supports the building of classrooms, schools, wash facilities, and greenhouses in communities around the world. These activities provide education support and sources of income.

Emergency Program. The Organization responds to various emergencies, natural and man-made, around the world. Food essentials and medical aid are provided as well as transitional shelters.

Food Security. Provides food and other essential items to internally displaced persons, refugees, and other poverty-stricken families.

Health Care. Supports various health, nutritional, medical commodities, and pharmaceuticals to communities around the world.

Orphan Support. The Organization provides a vital lifeline for many vulnerable young children all over the world. Projects include seasonal back-to-school, home repair, and religious dues.

Religious Dues. In Islam, it is tradition to pay various religious dues (Zakat, Sadaqah Jariyah, Zakat-UI-Fitr, Fidyah/Kaffara, and Aqiqah). The Organization receives religious dues from Muslims and funds received are used to support the needy around the world.

Wash Program. Provides access to safe water for drinking and other purposes and deep water wells with solar and/or hand pumps. The project also secures laboratory testing of water from the drilled well to ensure that the water is safe for drinking.

Description of Supporting Services:

General and Administrative. Includes the functions necessary to provide support to the Organization's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising. Provides the structure necessary to encourage and secure private financial support from individuals, foundations, governments, and corporations, including donations and pledges received during special events.

Muslim Aid USA

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Use of 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.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, they reflect all significant receivables, payables, and other liabilities.

Cash. Cash includes, but is not limited to, currency on hand, demand deposits with banks or financial institutions, and other accounts with general characteristics of demand deposits.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Muslim Aid USA

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued)

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity Securities. The Organization values securities with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other 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. There have been no changes in the methodologies used at December 31, 2021 and 2020.

In general, investments are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Pledges and Grants Receivable. Pledges and grants receivable are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to the allowance account based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to the receivables account. As of December 31, 2021 and 2020, management has recorded an allowance for doubtful pledges of \$26,624 and \$0, respectively. Conditional promises to give are recorded when the conditions on which they depend are substantially met.

Equipment. The Organization capitalizes all expenditures for equipment in excess of \$600 and a useful life of more than one year. Equipment is recorded at cost for purchased items, while repair and maintenance items are charged to expense as incurred. Donations of equipment are capitalized at their estimated fair value at the time of receipt. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the assets, which is generally four to five years. Depreciation expense was \$1,118 and \$574 for the years ended December 31, 2021 and 2020, respectively.

Muslim Aid USA

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2021 and 2020.

Basis of Net Asset Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, receiving rents, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions. Net assets resulting from gifts of cash or other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

Contributed Services. Contributed services are recognized if the services received satisfy the criteria for recognition. The contributions of services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services for the years ended December 31, 2021 and 2020.

A substantial number of other individuals have made contributions of their time to assist the Organization in a variety of tasks and services. The value of these services is not recorded in the accompanying financial statements, as these services do not meet the criteria for recognition.

Contributions and Grants. Contributions and grants are recognized when the amounts are received. Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts are recognized.

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Total advertising expense for the years ended December 31, 2021 and 2020 was \$811,582 and \$403,453, respectively.

Muslim Aid USA

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private organization. Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expense was incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through November 17, 2022, the date at which the financial statements were available for release.

Note 2 – Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis, by fair value hierarchy, as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds	\$ 180,571	\$ -	\$ -	\$ 180,571
Corporate stocks	11,644	-	-	11,644
Total assets at fair value	<u>\$ 192,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,215</u>

The following table summarizes the Organization's fair value of assets measured on a recurring basis, by fair value hierarchy, as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Corporate stocks	\$ 19,127	\$ -	\$ -	\$ 19,127
Total assets at fair value	<u>\$ 19,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,127</u>

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2021 and 2020, there were no significant transfers in or out of fair value levels.

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Notes to Financial Statements

December 31, 2021 and 2020

Note 2 – Fair Value Measurements (continued)

Net investment earnings consisted of the following for the years ended December 31:

	2021	2020
Investment income	\$ 6,025	\$ -
Net realized and unrealized gain on investments	19,519	107
	<u>\$ 25,544</u>	<u>\$ 107</u>

Note 3 – Net Assets with Donor Restrictions

The balances of net assets with donor restrictions at December 31, 2021 are as follows:

	January 1, 2021			December 31, 2021
	Balance	Additions	Releases	Balance
<i>Purpose Restrictions:</i>				
Capacity and livelihood	\$ 5,846	\$ 33,989	\$ 26,448	\$ 13,387
Education program	16,689	27,416	6,621	37,484
Emergency fund	306,409	11,644,986	10,240,647	1,710,748
Feed the Needy	120,749	668,182	530,530	258,401
Food aid	9,542	198,365	103,421	104,486
Health care program	32,438	109,752	32,898	109,292
Orphan support	41,094	619,282	653,549	6,827
Qurbani	60,661	678,403	643,475	95,589
Religious dues	354,153	1,540,518	1,506,879	387,792
WASH program	319,318	775,939	382,736	712,521
<i>Time Restrictions</i>	78,938	98,097	78,938	98,097
	<u>\$ 1,345,837</u>	<u>\$16,394,929</u>	<u>\$14,206,142</u>	<u>\$ 3,534,624</u>

The balances of net assets with donor restrictions at December 31, 2020 are as follows:

	January 1, 2020			December 31, 2020
	Balance	Additions	Releases	Balance
<i>Purpose Restrictions:</i>				
Capacity and livelihood	\$ 443	\$ 6,830	\$ 1,427	\$ 5,846
Education program	815	23,403	7,529	16,689
Emergency fund	28,959	1,170,976	893,526	306,409
Feed the Needy	14,537	327,151	220,939	120,749
Food aid	-	57,086	47,544	9,542
Health care program	2,289	208,028	177,879	32,438
Orphan support	-	390,626	349,532	41,094
Qurbani	14,528	439,158	393,025	60,661
Religious dues	401,945	6,677,633	6,725,425	354,153
WASH program	-	816,868	497,550	319,318
<i>Time Restrictions</i>	28,395	78,938	28,395	78,938
	<u>\$ 491,911</u>	<u>\$10,196,697</u>	<u>\$ 9,342,771</u>	<u>\$ 1,345,837</u>

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Notes to Financial Statements

December 31, 2021 and 2020

Note 4 – Special Event

The Organization derived net revenue from the following special event during the year ended December 31, 2020:

	Somalia Emergency
Revenue	\$ 59,080
Less direct costs	(25,202)
Net revenue	<u>\$ 33,878</u>

Note 5 – In-kind Contributions

The Organization received the following in-kind contributions during the year ended December 31, 2021, all of which were recorded at fair value at the date of donation:

Donated medical supplies	\$ 7,267,642
Donated food	<u>705,519</u>
	<u>\$ 7,973,161</u>

The Organization received the following in-kind contributions during the year ended December 31, 2020, all of which were recorded at fair value at the date of donation:

Donated medical supplies	\$ 5,274,559
Donated food	<u>492,000</u>
	<u>\$ 5,766,559</u>

Note 6 – Commitment

The Organization leases office space under a one-year operating lease agreement that expired in April 2022 with monthly payments of \$2,385. Rent expense, excluding utilities and maintenance, was \$27,400 and \$24,960 for the years ended December 31, 2021 and 2020, respectively.

Future annual minimum lease payments required under the noncancelable operating lease are as follows at December 31, 2021:

Year ended December 31	
<u>2022</u>	<u>\$ 9,540</u>
	<u>\$ 9,540</u>

Note 7 – Retirement Plan

Beginning in 2021, the Organization maintains a 401(k) plan covering all employees who have completed at least six months of service and are at least 18 years of age. The Organization makes a safe harbor matching contribution of 100% of an employee's deferrals up to \$3,000. Amounts contributed by the Organization were \$6,000 for the year ended December 31, 2021.

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Notes to Financial Statements

December 31, 2021 and 2020

Note 8 – Liquidity and Availability of Resources

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of four months budgeted operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended December 31, 2021, the level of liquidity and reserves was managed within the policy requirements.

The Organization's financial assets available for general expenditures within one year are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	\$ 3,746,386	\$ 1,621,312
Investments	192,215	19,127
Pledges and grants receivable	<u>98,097</u>	<u>78,938</u>
Financial assets available for general expenditures within one year	<u>\$ 4,036,698</u>	<u>\$ 1,719,377</u>

All of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all net asset restrictions as of December 31, 2021 will be fully released during the next fiscal year.

Note 9 – Concentrations of Credit Risk

Support and Revenue Concentration. The Organization had one donor who compromised 35% and 49% of total support and revenue for the years ended December 31, 2021 and 2020, respectively.

Bank Deposits. The Organization maintained cash balances in excess of federally insured limits at certain times during the years ended December 31, 2021 and 2020.