

ISLAMIC RELIEF USA  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
THEREON  
DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

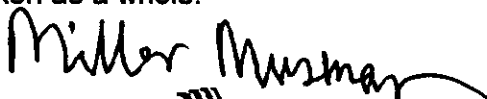
Board of Directors  
Islamic Relief USA

We have audited the accompanying statement of financial position of Islamic Relief USA (IRUSA) as of December 31, 2009 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the IRUSA's management. Our responsibility is to express an opinion on these financial statements based upon our audit. With regards to the valuation of gifts in-kind of \$68,573,355 as of December 31, 2009, which was valued by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included in gifts in-kind, is based solely on the report of the other auditors.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the accompanying statement of financial position referred to above present fairly, in all material respects, the financial position of Islamic Relief USA as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The statement of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respect in relation to the basic financial statements taken as a whole.

  
**MillerMusmar**

Reston, Virginia  
November 13, 2010

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**ISLAMIC RELIEF USA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**

**Assets**

<b>Current Assets:</b>	
Cash	\$ 20,970,778
Account receivable	933,274
Investments	182,272
Prepaid expenses	80,241
Travel advances	24,724
Total Current Assets	<u>22,191,289</u>
<b>Non-Current Assets:</b>	
Building and equipment, net	2,944,090
Land	1,303,279
Other assets	180,854
Total Non-Current Assets	<u>4,428,223</u>
Total Assets	<u><u>\$ 26,619,512</u></u>

**Liabilities and Net Assets**

<b>Liabilities:</b>	
Accounts payable	\$ 227,981
Accrued liabilities	12,785,990
Total Liabilities	<u>13,013,971</u>
<b>Net Assets:</b>	
Unrestricted	944,324
Temporarily restricted	12,661,217
Total Net Assets	<u>13,605,541</u>
Total Liabilities and Net Assets	<u><u>\$ 26,619,512</u></u>

The accompanying notes are an integral part of these financial statements

**ISLAMIC RELIEF USA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>
<b>Support</b>			
Contributions	\$ 7,162,047	\$ 27,327,763	\$ 34,489,810
Donated Stocks	65,105	-	65,105
In-kind contributions	112,754,319	-	112,754,319
Net assets released from restriction	<u>21,152,823</u>	<u>(21,152,823)</u>	<u>-</u>
Total Support	<u>141,134,294</u>	<u>6,174,940</u>	<u>147,309,234</u>
<b>Expenses</b>			
Program Services	136,993,074	-	136,993,074
Management and general	4,735,004	-	4,735,004
Fundraising	<u>4,243,882</u>	<u>-</u>	<u>4,243,882</u>
Total Expenses	<u>145,971,960</u>	<u>-</u>	<u>145,971,960</u>
<b>Other Income</b>			
Interest income	1,049	-	1,049
Unrealized gain on investments	<u>14,053</u>	<u>-</u>	<u>14,053</u>
Total Other Income	<u>15,102</u>	<u>-</u>	<u>15,102</u>
Change in net assets	<u>(4,822,564)</u>	<u>6,174,940</u>	<u>1,352,376</u>
Net assets, beginning of year	6,453,587	6,486,277	12,939,864
Prior period adjustment	<u>(686,699)</u>	<u>-</u>	<u>(686,699)</u>
Net assets, beginning of year as restated	5,766,888	6,486,277	12,253,165
Net assets, end of year	<u>\$ 944,324</u>	<u>\$ 12,661,217</u>	<u>\$ 13,605,541</u>

The accompanying notes are an integral part of these financial statements

**ISLAMIC RELIEF USA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2009**

<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ 1,352,376
Adjustments to reconcile change in net assets to net cash from operating activities:	
Unrealized gain on investments	(14,053)
Donated stocks	(65,105)
Prior period adjustment	(686,699)
Depreciation	200,592
(Increase) decrease in assets:	
Accounts receivable	(52,409)
Prepaid expenses	(7,179)
Travel advances	31,699
Other assets	(121,493)
Increase (decrease) in liabilities:	
Accounts payable	(3,946,672)
Accrued liabilities	12,106,161
<b>Net Cash from Operating Activities</b>	<u>8,797,218</u>
<b>Cash Flow From Investing Activities</b>	
Acquisition of furniture and equipment	<u>(300,202)</u>
<b>Net Increase in cash</b>	8,497,016
<b>Cash, beginning of year</b>	12,473,762
<b>Cash, end of year</b>	<u><u>\$ 20,970,778</u></u>

The accompanying notes are an integral part of these financial statements

**ISLAMIC RELIEF USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**Note 1 – Organization and Operations**

Islamic Relief USA (IRUSA), a 501(c) (3) was organized under the Nonprofit Public Benefit Corporation Law and Section 23701(f) of the California Revenue and Taxation Code. IRUSA provides relief and development work in underdeveloped and war torn countries. IRUSA provides food, clothing, and medicine to the needy on a worldwide basis through governmental organizations and relief agencies. IRUSA assists in the establishment and operation of training centers, schools, hospitals, clinics, and other projects that serve refugees throughout the world. The majority of IRUSA's programs are administered through grants with Islamic Relief Worldwide (IRW), which is based in the United Kingdom.

The IRUSA programs are as follows:

**Emergency and Relief**

The primary functions of these projects are 1) to survey and assess the needs of areas suffering from natural or a man-made disaster such as earthquakes, floods and wars, and provides immediate relief in the form of shelters, food packets and urgent medical care and 2) to distribute needed help to the homeless and the needy in the United States and abroad. IRUSA's projects include the rebuilding of homes, schools and hospitals after the immediate relief is provided.

**Ramadan Food Distribution**

The Ramadan Food Distribution, which occurs throughout the month of Ramadan, focuses on the distribution of food packages to needy families containing food staples such as rice, beans, sugar and cooking oil, in quantities meant to last for approximately one month.

**Udhiyah/Qurbani**

The Udhiyah/Qurbani Program is another seasonal food distribution program that focuses on providing meat to families who may otherwise not have reliable access to meat throughout the year. The typical package distributed to each family consists of 5kg of fresh meat, usually beef or lamb.

**Development Projects**

The objective of the development projects is to give people the confidence to participate in their own development and to secure their own future without the need for continuing external assistance. The projects include water, sanitation, health and nutrition programs, and income generation projects.

**Education and Training Projects**

These education projects provide adult literacy and language classes, school sponsorships, high school learning materials and equipment.

**Orphan Assistance Project**

The orphan assistance project provides healthcare, education, nutrition, income and shelter assistance to needy orphans worldwide.

**Income generation projects**

These projects are designed to increase sources of fixed income for poor families; restore and promote the local economy; support families and increase opportunities for success and continuous production.

**ISLAMIC RELIEF USA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Health and nutrition projects

These projects are designed to provide essential healthcare and medicine to poor communities using integrated health programs aimed at caring for children traumatized and injured by armed conflict and crisis; offer medical aid and care for mothers and children in areas that lack adequate health services.

Domestic Projects

Every Ramadan, Islamic Relief provides food, clothing, medical care, and social services to people living in the most poverty-stricken areas in the United States. Currently known as the 'Day of Dignity' and formerly known as 'Humanitarian Day', this project is now in its eighth year and has benefited thousands of Americans. Some of Islamic Relief's other domestic projects include the continuing support of the UMMA Community Clinic, toy drives for disadvantaged children, and community support programs. Working with mosques and community organizations, IRUSA also provides emergency financial assistance to families in need through its Zakah Program.

In addition, IRUSA supports the United Nations "Millennium Development Goals" and works on humanitarian projects that promote these following goals: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria and other diseases; (7) ensure environmental sustainability; and (8) promote global partnership for development.

**Note 2 – Summary of Significant Accounting Policies**

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of IRUSA and its wholly-owned nonprofit subsidiary, 88 Wheeler Foundation, LLC. The Wheeler foundation is a non-profit organization incorporated under the laws of Virginia. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of Accounting

IRUSA prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred.

Basis of Presentation

IRUSA follows Accounting Code Codification 958-10, "Not-For-Profit Entities," (SFAS No. 117, "Financial Statements of Not-for-Profit Organizations,") Under ASC 958-205. "Not-For-Profit Entities, Presentation of Financial Statements", the IRUSA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, restricted, and permanently restricted. At December 31, 2009, the Organization had no permanently restricted net assets.



**ISLAMIC RELIEF USA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Income Tax Status

IRUSA is exempt from federal income taxes under Section 501(c)(3) of Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Cash and Cash Equivalents

IRUSA considers all cash on hand, cash in banks, money market accounts, and highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Market value approximates carrying amounts.

Investments

Investments are stated at fair value. Investments acquired by gift or bequest are recorded at fair value at the date of donation.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets based on cost. The estimated useful lives of the assets range from three to ten years for furniture and equipment and up to forty years for building and improvements. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates and the difference could be significant.

Contributed Services

IRUSA received services donated by its members in carrying out IRUSA's mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958-605, "Not-for-Profit Entities, Revenue Recognition"

Contributions

Contributions are recorded as revenue in the year donation is received from the donor. Donor restricted contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions. Contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Recent Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued ASC 855-10 (SFAS No. 165), "Subsequent Events", which establishes standards of accounting for events that occur after the statement of financial position date, but before financial statements are issued. ASC 855-10 requires disclosure of the date through which an entity has evaluated subsequent events and the basis for the date. This standard is effective for interim or annual financial periods ending after June 15, 2009. See Note 13 for management's evaluation of subsequent events in accordance with ASC 855-10.

**ISLAMIC RELIEF USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

The FASB issued ASC 105-10 (SEAS No. 168), "Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles", which became the source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied by nongovernmental entities upon its effective date. This standard is effective for interim or annual financial periods ending after September 15, 2009. The financial statements include references to the ASC.

**Note 3 - Fair Value of Financial Instruments**

Accounting Standard Codification 820-10, "Fair Value Measurement Disclosure," (FASB Statement No. 157) establishes a framework for measuring fair value. That 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in the 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.

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.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Marketable Securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

**ISLAMIC RELIEF USA**  
**NOTES TO FINANCIAL STATEMENTS**  
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The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective 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.

The following table sets forth by level, within fair value hierarchy, the Organization's assets at fair value as of December 31, 2009:

Investment at Fair Value as of December 31, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable Securities	\$ 182,272	\$ -	\$ -	\$ 182,272

**Note 4 – Concentration of Risk**

Financial instruments that subject IRUSA to a concentration of credit risk consist of deposits with financial institutions that exceeded the Federal insurance limits of \$250,000. Funds in excess of Federal insurance limits totaled \$20,715,183 as of December 31, 2009. The at-risk amount changes daily depending on the actual account balances with the respective financial institution.

**Note 5 – Property and Equipment**

Property and equipment consist of the following at December 31, 2009:

Building	\$ 2,606,557
Furniture and equipment	607,726
Leasehold improvements	255,283
Website development in progress	<u>60,472</u>
Total cost	3,530,038
Accumulated depreciation and amortization	<u>(585,948)</u>
Property and equipment (net)	<u>\$ 2,944,090</u>

Depreciation expense for the year ended December 31, 2009 was \$200,592.

**ISLAMIC RELIEF USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**Note 6 – Support and Revenue**

The break down of the category of the contribution and in-kind donations for the year ended December 31, 2009 are as follows:

Qurbani & Aqiqa Programs	\$ 1,469,419
Feed the Needy Programs	621,138
Emergency Relief Programs & Services	115,926,680
Orphan Programs	6,136,287
Zakat, & Sadaqa, & Zakat-ul-fitr	5,781,479
International Development Programs	2,171,728
Palestine Program	11,630,636
Sadaqa Jaraya	3,524,446
Eid Gifts	8,173
Domestic Programs	39,248
Total	<u>\$ 147,309,234</u>

**Note 7 – Lease Commitment**

IRUSA leases office spaces under non-cancelable operating leases in multiple states. In addition, IRUSA leases a vehicle under non-cancelable operating lease. The future minimum non-cancelable lease payments under operating agreements are as follows:

Year ending December 31,	
2010	\$ 213,396
2011	134,182
2012	57,807
Total	<u>\$ 405,385</u>

Rent expense for the year ended December 31, 2009 was \$220,296.

**Note 8 – Related Party Transactions**

IRUSA administers various programs worldwide through grants with Islamic Relief Worldwide based in the United Kingdom, a related party. During 2009, IRUSA incurred \$20,031,373 in grant expenses in collaboration with IRW.

**Note 9 – Gifts-In-Kind**

During 2009 IRUSA received gifts-in-kind totaling \$112,754,319, which consists of pharmaceutical products of \$108,740,988 and other products totaling \$4,013,331. The value of the pharmaceutical products of \$68,573,355 was determined by other auditors, and is based solely on the report of the other auditors of the fair market value of the products at the time of shipment. The value of the non-pharmaceutical products is based on the fair market value at the time of donation.

**ISLAMIC RELIEF USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**Note 10 – Temporarily Restricted Net Assets**

At December 31, 2009, temporarily restricted net assets consist of funds designated for the following:

Palestine	\$ 9,884,267
Asia	963,487
Middle east	421,807
Zakat Al Fitr	634,477
Chechnya	9,530
Sadaqa and Sadaqa Jarayah	538,336
Water projects	209,313
Total	<u>\$ 12,661,217</u>

**Note 11 – Functional Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Note 12 – Compensated Absences**

Employees of IRUSA are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. Except for accrued vacation, no liability has been recorded in the accompanying financial statements for compensated absences. As of December 31, 2009, accrued vacation was \$152,133.

**Note 13 – Subsequent Events**

IRUSA has evaluated subsequent events through September 24, 2010. There were no events noted that required adjustments or disclosure in the financial statements.

**Note 14 – Prior Period Adjustment**

A prior period adjustment is made to record pledges made for international grants awarded as of December 31, 2008 that was not recorded. The adjustment decreases beginning unrestricted net assets by \$686,699 and increases accrued liabilities by \$686,699.

**Supplemental Information**

**ISLAMIC RELIEF USA**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2009**

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
In-Kind donations sent to relief sites	\$ 112,754,319	\$ -	\$ -	\$ 112,754,319
International grants	20,632,081	-	-	20,632,081
Handling and related costs	1,348,807	-	-	1,348,807
Domestic grants	837,173	-	-	837,173
Employee leasing and related expenses	582,520	2,853,414	1,383,167	4,819,101
Professional fees	211,008	228,979	31,154	471,141
Travel	280,781	219,920	551,195	1,051,896
Printing	105,399	18,151	159,472	283,022
Postage	44,758	72,491	112,564	229,813
Bank charges and credit card fees	-	-	379,712	379,712
Accounting & legal fees	-	384,450	96,025	480,475
Equipment and location rent	23,489	213,268	246,214	482,971
Insurance	5,077	38,102	708	43,887
Tax & licenses	39,593	44,846	1,230	85,669
Computer hardware and equipment	693	82,980	1,774	85,447
Professional education and training	2,882	8,550	28,009	39,441
Conference & meeting	59,914	36,725	483,240	579,879
Telecommunications	9,869	105,781	44,348	159,998
Office expenses	5,141	104,985	26,252	136,378
Depreciation	-	200,592	-	200,592
Catering	-	-	153,282	153,282
Honorarium	-	-	117,275	117,275
Advertising & marketing	35,188	113,915	377,954	527,057
Miscellaneous	14,382	7,855	50,307	72,544
<b>Total</b>	<b><u>\$ 136,993,074</u></b>	<b><u>\$ 4,735,004</u></b>	<b><u>\$ 4,243,882</u></b>	<b><u>\$ 145,971,960</u></b>

See independent auditor's report on supplemental information