

Islamic Relief USA and Affiliates

Consolidated Financial Report
December 31, 2019

Contents

Independent auditor's report	1-2
Financial statements	
Consolidated balance sheet	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-17

Independent Auditor's Report

Board of Directors
Islamic Relief USA

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Islamic Relief USA and Affiliates (collectively, IRUSA), which comprise the consolidated balance sheet as of December 31, 2019, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Relief USA and Affiliates as of December 31, 2019, 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.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, IRUSA adopted the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective method. This had a significant effect on the total grant expenses recognized for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited IRUSA's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
August 27, 2020

Islamic Relief USA and Affiliates

Consolidated Balance Sheet
December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Assets		
Cash	\$ 49,651,303	\$ 52,105,817
Investments	11,878,547	7,021,372
Accounts receivable	395,406	218,310
Grant advances and other assets	13,856,608	765,659
Inventory – in-kind	9,655,731	18,751,322
Property and equipment, net	4,727,410	4,163,751
	<u>\$ 90,165,005</u>	<u>\$ 83,026,231</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,932,598	\$ 1,861,451
Grants payable	9,189,278	27,283,269
Total liabilities	<u>13,121,876</u>	<u>29,144,720</u>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions	36,557,578	31,877,428
With donor restrictions	40,485,551	22,004,083
	<u>77,043,129</u>	<u>53,881,511</u>
	<u>\$ 90,165,005</u>	<u>\$ 83,026,231</u>

See notes to consolidated financial statements.

Islamic Relief USA and Affiliates

Consolidated Statement of Activities Year Ended December 31, 2019 (With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and revenue:				
Contributions	\$ 34,821,057	\$ 46,113,017	\$ 80,934,074	\$ 78,493,381
In-kind contributions	9,655,731	-	9,655,731	29,415,863
Net assets released from restriction	27,631,549	(27,631,549)	-	-
Total support and revenue	72,108,337	18,481,468	90,589,805	107,909,244
Expenses:				
Program services	49,853,083	-	49,853,083	63,734,039
Management and general	4,035,746	-	4,035,746	4,656,724
Fundraising	16,099,467	-	16,099,467	14,571,725
Total expenses	69,988,296	-	69,988,296	82,962,488
Change in net assets before other income	2,120,041	18,481,468	20,601,509	24,946,756
Other income:				
Foreign currency exchange gain	8,039	-	8,039	219,908
Realized/unrealized gain (loss) on investments, net	2,440,286	-	2,440,286	(289,475)
Other income	111,784	-	111,784	22,984
Total other income	2,560,109	-	2,560,109	(46,583)
Change in net assets	4,680,150	18,481,468	23,161,618	24,900,173
Net assets:				
Beginning	31,877,428	22,004,083	53,881,511	28,981,338
Ending	\$ 36,557,578	\$ 40,485,551	\$ 77,043,129	\$ 53,881,511

See notes to consolidated financial statements.

Islamic Relief USA and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2019 (With Comparative Totals for 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
International grants	\$ 18,443,566	\$ -	\$ -	\$ 18,443,566	\$ 37,422,889
In-kind donations sent to relief sites	18,751,322	-	-	18,751,322	10,967,541
Employee leasing and related expenses	3,413,416	1,900,231	7,859,136	13,172,783	12,021,950
Handling and related costs	5,594,172	-	-	5,594,172	5,481,917
Domestic grants	2,024,308	-	-	2,024,308	5,476,481
Advertising and marketing	48,935	30,427	1,892,405	1,971,767	2,414,104
Venue and catering	61,710	2,585	1,344,267	1,408,562	1,485,869
Travel	478,975	171,717	904,311	1,555,003	1,435,703
Events and sponsorship	155,945	10,448	1,073,095	1,239,488	1,212,726
Bank charges and credit card fees	-	1,127,283	145	1,127,428	1,085,519
Professional fees	284,364	39,205	315,516	639,085	510,766
Equipment and location rent	80,731	100,859	407,792	589,382	480,367
Printing	1,513	37,839	394,013	433,365	459,978
Computer hardware and equipment	102,060	119,864	231,774	453,698	438,995
Depreciation	70,531	164,367	173,125	408,023	340,988
Artist performance and honorarium	6,613	3,143	635,793	645,549	325,353
Postage	11,044	7,811	201,125	219,980	282,129
Tax and licenses	80,184	37,137	66,572	183,893	248,762
Accounting and legal fees	79,729	97,849	186,925	364,503	221,763
Telecommunications	38,333	47,045	88,864	174,242	220,072
Office expenses	60,952	69,457	136,512	266,921	200,580
Insurance	28,950	35,530	73,507	137,987	90,160
Professional education and training	17,786	21,198	110,117	149,101	81,400
Conference and meeting	17,944	11,751	4,473	34,168	56,476
	\$ 49,853,083	\$ 4,035,746	\$ 16,099,467	\$ 69,988,296	\$ 82,962,488

See notes to consolidated financial statements.

Islamic Relief USA and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 23,161,618	\$ 24,900,173
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized/unrealized (gain) loss on investments, net	(2,485,376)	289,475
Depreciation expense	408,023	340,988
Loss on disposal of property and equipment	3,276	-
Donated investments	(1,328,641)	(1,136,841)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(177,096)	(216,436)
Inventory – in-kind	9,095,591	(18,448,322)
Prepaid expenses and other assets	(13,090,949)	27,607
Increase (decrease) in:		
Accounts payable	2,071,147	581,458
Grants payable	(18,093,991)	4,710,316
Net cash (used in) provided by operating activities	(436,398)	11,048,418
Cash flows from investing activities:		
Purchase of property and equipment	(974,958)	(308,351)
Sales of investments	187,197	-
Purchase of investments	(1,230,355)	(728,511)
Net cash used in investing activities	(2,018,116)	(1,036,862)
Net (decrease) increase in cash	(2,454,514)	10,011,556
Cash:		
Beginning	52,105,817	42,094,261
Ending	\$ 49,651,303	\$ 52,105,817

See notes to consolidated financial statements.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Islamic Relief USA and Affiliates is comprised of the following entities: Islamic Relief USA, 88 Wheeler Foundation, LLC (Wheeler Foundation) and IRUSA WAQF (WAQF), collectively referred to as IRUSA. Islamic Relief USA, a 501(c)(3) organization, was organized under the Nonprofit Public Benefit Corporation Law and Section 23701(f) of the California Revenue and Taxation Code. Islamic Relief USA provides food, clothing and medicine on a worldwide basis through governmental organizations and relief agencies. Islamic Relief USA assists in the establishment and operation of training centers, schools, hospitals, clinics and other projects that serve refugees throughout the world. The majority of Islamic Relief USA's programs are administered through grants with Islamic Relief Worldwide (IRW), which is based in the United Kingdom. Islamic Relief USA also provides aid to underprivileged populations throughout the United States, and a disaster response team assists in emergency situations across the country.

Wheeler Foundation is a single member limited liability company used to purchase and hold real estate property.

WAQF is a 501(c)(3) supporting organization used to grow funds to support future administrative costs for IRUSA.

Islamic Relief USA's mission is to provide relief and development in a dignified manner regardless of gender, race or religion and works to empower individuals in their communities and give them a voice in the world.

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 man-made disasters such as earthquakes, floods and wars and to provide 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 supplementary food packages to needy families. They contain food staples such as rice, beans, sugar, cooking oil, etc.

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 approximately five pounds of fresh or frozen 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 projects: The orphan assistance project provides cash stipends to orphans throughout the world and may be used to support their education, health, nutrition, shelter and other needs. Orphan support projects also provide services for the vulnerable and needy families of the orphan, which may include healthcare, livelihood support, food assistance or education.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income generation projects: These projects are designed to help individuals acquire the skills they need to develop a reliable means of earning income, help communities prosper by boosting the local economy and by creating jobs.

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

Domestic projects: Every year, IRUSA hosts Day of Dignity™ events nationwide. IRUSA partners with and provides grant support to implementing grassroots organizations in each of the local communities where Day of Dignity™ is hosted. The event connects homeless, needy and vulnerable individuals to medical care providers, food assistance, clothing assistance and other social services and programs available to them. IRUSA has provided gifts-in-kind at these events in the form of hygiene kits and school kits. First held in 2004, Day of Dignity™ is now in its thirteenth year and has benefited thousands of Americans.

In addition, IRUSA supports the United Nations' sustainable development goals and works on humanitarian projects that promote the following goals: (1) end poverty in all its forms everywhere; (2) end hunger, achieve food security and improved nutrition and promote sustainable agriculture; (3) ensure healthy lives and promote well-being for all at all ages; (4) ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; (5) achieve gender equality and empower all women and girls; (6) ensure availability and sustainable management of water and sanitation for all; (7) ensure access to affordable, reliable, sustainable and modern energy for all; (8) promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; (9) build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation; (10) reduce income inequality within and among countries; (11) make cities and human settlements inclusive, safe, resilient and sustainable; (12) ensure sustainable consumption and production patterns; (13) take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy; (14) conserve and sustainably use the oceans, seas and marine resources for sustainable development; (15) protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss; (16) promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; (17) strengthen the means of implementation and revitalize the global partnership for sustainable development.

A summary of IRUSA's significant accounting policies follows:

Principles of consolidation: All intercompany accounts and transactions between IRUSA and the Wheeler Foundation and WAQF have been eliminated in the consolidated financial statements.

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

Basis of presentation: IRUSA follows Accounting Standards Codification (ASC) 958-10, Not-for-Profit Entities. Under ASC 958-205, Not-for-Profit Entities, Presentation of Financial Statements, IRUSA is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with or without donor restrictions.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets without donor restrictions: Represents resources whose use is not restricted by donor stipulations and are available for the support of general operating activities.

Net assets with donor restrictions: Represents resources unavailable for use in the current period because of the existence of time and/or donor-imposed restrictions that remain unsatisfied at year-end or resources whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of IRUSA. Income earned from contributions is classified as either net assets with donor restrictions or net assets without donor restrictions in accordance with donor stipulations.

Financial risk: IRUSA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. IRUSA has not experienced any losses in such accounts. IRUSA believes it is not exposed to any significant financial risk on cash.

Investments: Investments are stated at fair value. Investments acquired by gift or bequest are initially recorded at fair value at the date of donation. Cash held for long-term investments is reported as investments.

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. The majority of IRUSA's receivables are comprised mainly of amounts billed on grants, which are billable when allowable expenditures are incurred on an approved grant. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. There was no provision for doubtful accounts at December 31, 2019.

Property and equipment: Property and equipment purchases over \$5,000 are capitalized and stated at cost. Depreciation is provided using the straight-line method over estimated useful lives of the assets based on cost. The estimated useful lives of the assets range from 3 to 10 years for furniture and equipment and up to 40 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.

Impairment of long-lived assets: IRUSA reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Grants payable: Grants are recognized as liabilities in the year IRUSA makes the unconditional commitment and communicates it to the grantee. These are typically paid within the next fiscal year.

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

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions: Unconditional contributions are recorded as support at fair value in the year a donation is received from the donor. Conditional contributions are recognized when the condition has been substantially met. Unconditional contributions with donor-imposed restrictions are reported as net assets with donor restrictions. When the stipulated purpose has been met or time constraint met, the contribution is reported as net assets without restriction.

In-kind contributions: Donated materials for use in IRUSA's operations are recorded as in-kind contribution revenue and expense at their estimated fair value, based on published wholesale prices or independent supplier quotations. When donated material is in transit, IRUSA maintains the gifts-in-kind as inventory at their estimated fair value. Donated materials are used exclusively for IRUSA's humanitarian assistance programs.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Employee leasing and related expenses are allocated based on estimates of time and efforts. Accounting, legal, insurance and other operating costs are allocated based on salary expense. Depreciation is allocated based on headcount.

Advertising and marketing costs: IRUSA follows the policy of charging the production costs of advertising and marketing to expense (as incurred). Advertising and marketing expense for the year ended December 31, 2019, was \$1,971,768.

Employee leasing and related expenses: IRUSA has entered into an employee leasing agreement with TriNet, a licensed professional employer organization, to share several important employer responsibilities. Therefore, as co-employers, IRUSA and TriNet have agreed that TriNet is the employer of record for administrative purposes and issues payroll, administers benefits and provides certain human resources services while IRUSA retains the responsibility as the worksite employer for directing their day-to-day work and IRUSA's business affairs.

Foreign currency transactions: Expenses that are incurred in foreign currencies are converted into U.S. dollars at the rate of exchange in effect during the month of the transaction. Gains and losses from foreign currency transactions are included in change in net assets.

Use of estimates: The preparation of the consolidated financial statements 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: IRUSA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, IRUSA qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. There was no net tax liability for unrelated business income tax at December 31, 2019.

Management has evaluated IRUSA's tax positions and has concluded that IRUSA has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of the guidance for uncertainty in income taxes. IRUSA files tax returns in the U.S. federal jurisdictions. Generally, IRUSA is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2016.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Comparative financial information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with IRUSA's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Adoption of recent accounting pronouncement: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where IRUSA is a resource recipient, the ASU is applicable to contributions received for the fiscal year ended December 31, 2019, and IRUA adopted this amendment on a modified prospective basis. The adoption did not have a material impact on the reported net assets as of January 1, 2019. Where IRUSA is a resource provider, the ASU is effective for the fiscal year ending December 31, 2020. IRUSA early adopted the resource provider provisions of the ASU using the modified prospective method during the year ended December 31, 2019. As a result, grants that were approved during 2019 with period of performance (POP) of 2020, has not been recorded as expense and grants payable for the year ended December 31, 2019 due to the barriers and return of funds for those grants. Additionally, cash disbursed for grants with POP of 2020 has been recorded as advances on the consolidated balance sheet at December 31, 2019.

Upcoming accounting pronouncement: In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update modify the requirement of disclosures on fair value measurements in Topic 820. The amendments remove the requirement to make certain disclosures and modify certain disclosures for Level 3 fair value measurements. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2019. Early adoption is permitted.

Note 2. Liquidity

IRUSA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments.

The following table reflects the IRUSA's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the consolidated balance sheet date because of contractual restrictions. Amounts not available include net assets with donor restrictions not expected to be met within a year.

Financial assets at year-end:	
Cash	\$ 49,651,303
Accounts receivable	395,406
Investments	11,878,547
Total financial assets	<u>61,925,256</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>40,485,551</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 21,439,705</u></u>

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments

Investments at December 31, 2019, consist of the following:

Common stock	\$ 6,138,561
Exchange traded funds	674,793
Cash and money market accounts	64,036
Mutual funds	1,001,910
Alternative investment	3,999,247
	<u>\$ 11,878,547</u>

Investment income, net, for the year ended December 31, 2019, consist of the following:

Realized and unrealized gain on investments	\$ 2,485,376
Investment fees	(45,090)
	<u>\$ 2,440,286</u>

Note 4. Property and Equipment

Property and equipment and accumulated depreciation consist of the following at December 31, 2019:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net
Land	-	\$ 1,303,279	\$ -	\$ 1,303,279
Building and building improvement	3 - 40 years	3,930,575	809,920	3,120,655
Furniture and equipment	3 - 7 years	1,139,584	857,109	282,475
Vehicles	3 - 5 years	35,000	13,999	21,001
		<u>\$ 6,408,438</u>	<u>\$ 1,681,028</u>	<u>\$ 4,727,410</u>

Depreciation expense for the year ended December 31, 2019, was \$408,023.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 5. Restricted Net Assets

Changes in net assets with donor restrictions for time and purpose during 2019 are as follows:

	Beginning Balance	Additions	Releases From Restrictions	Ending Balance
Development	\$ 1,063,316	\$ 781,283	\$ (119,653)	\$ 1,724,946
Education and training	-	147,030	(9,412)	137,618
Emergency and relief	3,890,406	11,945,151	(7,874,279)	7,961,278
Health and nutrition	101,960	73,084	-	175,044
Income generation	-	387,917	(239,894)	148,023
Orphans	7,979,560	15,912,584	(11,208,948)	12,683,196
Udhiya/Qurbani and Feed the Needy	781,869	7,584,728	(6,432,405)	1,934,192
Zakat and Sadaqa	8,186,972	9,281,240	(1,746,958)	15,721,254
	<u>\$ 22,004,083</u>	<u>\$ 46,113,017</u>	<u>\$ (27,631,549)</u>	<u>\$ 40,485,551</u>

Note 6. Contributions

The breakdown of the category of contributions for the year ended December 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Development	\$ -	\$ 9,281,240	\$ 9,281,240
Education and training	-	15,912,584	15,912,584
Emergency and relief	-	11,945,151	11,945,151
Health and nutrition	-	7,584,728	7,584,728
Income generation	20,467,812	73,084	20,540,896
Orphans	-	781,283	781,283
Udhiya/Qurbani and Feed the Needy	-	387,917	387,917
Zakat and Sadaqa	14,353,245	147,030	14,500,275
	<u>\$ 34,821,057</u>	<u>\$ 46,113,017</u>	<u>\$ 80,934,074</u>

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 7. Gifts-In-Kind

During 2019, IRUSA received gifts-in-kind totaling \$9,655,731, which consisted of \$6,826,051 in pharmaceutical products and \$2,829,680 in non-pharmaceutical products. Gifts-in-kind were intended for distribution in the following locations:

	Valued Amounts (USD)
Niger	\$ 5,761,862
Yemen	2,322,657
Afghanistan	938,988
Mali	632,224
	<u>\$ 9,655,731</u>

Gifts-in-kind support is recognized in circumstances in which IRUSA has sufficient discretion over the use and disposition of the items to recognize a contribution.

Types of Gifts-In-Kind

Pharmaceutical products: Include prescription and nonprescription drugs, such as general anesthetics, local anesthetics, preoperative medications, analgesics/antipyretics/anti-inflammatory/anti-rheumatic drugs, anthelmintics, antibiotics, anti-leprosy drugs, anti-malarial drugs, anti-herpes drugs, anti-migraine drugs, anti-anemia drugs (iron), anti-coagulants, anti-anginals, anti-fungal drugs, topical antibiotic creams, anti-pruritic lotions, astringents/disinfectants/antiseptics, antacids/anti-ulcer drugs, anti-hemorrhoidal drugs, oral rehydration salts, insulins and other anti-diabetic agents, water for injections and vitamins/minerals. These drugs are distributed internationally to treat various ailments that affect beneficiaries of all ages.

Non-pharmaceutical products: Consist of non-drug medical supplies and equipment (such as sutures, scalpels, bandages, gloves and wheelchairs), newborn supplies, hygiene kits, bedding and blankets and orphans' supplies such as children's clothing, toys and school supplies. These non-pharmaceutical products were distributed to beneficiaries: (1) to the needy within the United States during Islamic Relief USA's annual Day of Dignity™ and (2) internationally to those most in need, typically in areas affected by human and natural disaster.

Valuation Methodology

Pharmaceutical products: IRUSA uses fair market value for pharmaceutical donations received from January 1, 2019 through December 31, 2019.

Non-pharmaceutical products: The value of the non-pharmaceutical products are provided by the donor and is based on the fair market value at the time of donation.

Inventory: IRUSA reports gifts-in-kind expense when it distributes the gifts-in-kind for program use. IRUSA's policy is to distribute gifts-in-kind as promptly as possible, undistributed gifts-in-kind are recorded as inventory. For the year ended December 31, 2019, pharmaceutical products valued at \$9,655,731 remained in customs, awaiting clearance for shipment to beneficiaries.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 8. Retirement Plan

IRUSA has a defined contribution 401(k) retirement plan for its leased employees. All full-time leased employees who have over a year of service are eligible to participate. Each year, IRUSA matches each employee's plan contribution in an amount not exceeding 6% of that employee's annual salary. IRUSA contributed \$370,335 for the year ended December 31, 2019.

Note 9. Fair Value Measurements

IRUSA follows the Fair Value Measurement Topic of the ASC. This topic establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. This topic enables the reader of the consolidated financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, IRUSA performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 9. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Common stock:				
Technology	\$ 2,316,727	\$ 2,316,727	\$ -	\$ -
Financial services	907,334	907,334	-	-
Consumer goods	897,052	897,052	-	-
Healthcare	817,683	817,683	-	-
Energy	378,281	378,281	-	-
Industrial goods	251,684	251,684	-	-
Capital goods	238,000	238,000	-	-
Services	232,764	232,764	-	-
Communications services	60,699	60,699	-	-
Real estate	15,849	15,849	-	-
Consumer services	11,884	11,884	-	-
Public utilities	10,604	10,604	-	-
Total common stock	6,138,561	6,138,561	-	-
Mutual funds:				
Large growth	819,672	819,672	-	-
Large blend	116,246	116,246	-	-
Emerging market bond	65,992	65,992	-	-
Total mutual funds	1,001,910	1,001,910	-	-
Exchange traded funds	674,793	674,793	-	-
Other investments measured at net asset value (NAV)	3,999,247	3,999,247	-	-
	\$ 11,814,511	\$ 11,814,511	\$ -	\$ -

The table below reconciles total investments to the consolidated balance sheet at December 31, 2019:

Investment held at fair value - Level 1	\$ 7,815,264
Investment held at cost	64,036
Investments measured at NAV, equity private fund	3,999,247
	<u>\$ 11,878,547</u>

The equity private fund is valued at its NAV per share on a monthly basis. The underlying assets of the fund are publicly traded securities for which there exists a broad, active market and the fund's shares can be redeemed without penalty quarterly with 60 days' written notice. The equity private fund's investment objective is to achieve long-term capital appreciation by investing in publicly traded equity securities of both U.S. and non-U.S. issuers, including issuers in emerging markets, but may also opportunistically make investments in other asset classes. As of December 31, 2019, there was \$997,500 in unfunded commitments. In accordance with ASC Topic 820-10, the equity private fund is measured at fair value using the NAV per share (or its equivalent) practical expedient and has not been classified in the fair value hierarchy.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies

Litigation: From time to time, IRUSA is involved in claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position, changes in net assets or cash flows.

Note 11. Subsequent Events

IRUSA evaluated subsequent events through August 27, 2020, which is the date the consolidated financial statements were available to be issued.

In January 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and in March 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact IRUSA’s activities. Management is continually monitoring the impact of COVID-19 and will adjust activities should there be a significant impact on the economy.

Under the CARES Act, IRUSA applied for the Paycheck Protection Program (PPP) loan and received \$2,200,320 during 2020. Management expects the full amount to be forgiven.