

Islamic Relief USA and Affiliates

Consolidated Financial Report
December 31, 2020

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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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited IRUSA's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
August 10, 2021

Islamic Relief USA and Affiliates

**Consolidated Balance Sheet
December 31, 2020
(With Comparative Totals for 2019)**

	2020	2019
Assets		
Cash	\$ 45,854,817	\$ 49,651,303
Investments	19,414,414	11,878,547
Accounts receivable	15,833	395,406
Grant advances	57,712,274	10,367,836
Other assets	1,020,579	3,488,772
Inventory – in-kind	-	9,655,731
Property and equipment, net	4,552,609	4,727,410
	<u>\$ 128,570,526</u>	<u>\$ 90,165,005</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,861,426	\$ 3,932,598
Grants payable	3,051,947	9,189,278
Note payable	2,200,319	-
Total liabilities	<u>7,113,692</u>	<u>13,121,876</u>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions	56,962,260	36,557,578
With donor restrictions	64,494,574	40,485,551
	<u>121,456,834</u>	<u>77,043,129</u>
	<u>\$ 128,570,526</u>	<u>\$ 90,165,005</u>

See notes to consolidated financial statements.

Islamic Relief USA and Affiliates

**Consolidated Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 48,518,511	\$ 60,667,294	\$ 109,185,805	\$ 80,934,074
In-kind contributions	12,000	-	12,000	9,655,731
Net assets released from restriction	36,658,271	(36,658,271)	-	-
Total support and revenue	85,188,782	24,009,023	109,197,805	90,589,805
Expenses:				
Program services	52,034,086	-	52,034,086	49,853,083
Management and general	4,319,630	-	4,319,630	4,035,746
Fundraising	13,707,232	-	13,707,232	16,099,467
Total expenses	70,060,948	-	70,060,948	69,988,296
Change in net assets before other income	15,127,834	24,009,023	39,136,857	20,601,509
Other income:				
Foreign currency exchange gain	21,031	-	21,031	8,039
Realized and unrealized gain on investments, net	5,119,747	-	5,119,747	2,440,286
Other income	136,070	-	136,070	111,784
Total other income	5,276,848	-	5,276,848	2,560,109
Change in net assets	20,404,682	24,009,023	44,413,705	23,161,618
Net assets:				
Beginning	36,557,578	40,485,551	77,043,129	53,881,511
Ending	\$ 56,962,260	\$ 64,494,574	\$ 121,456,834	\$ 77,043,129

See notes to consolidated financial statements.

Islamic Relief USA and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020											2019 Total
	Program Services							Total Program Services	Management and General	Fundraising	Total	
Emergency Response & Preparedness	Orphan Support	Food Security & Livelihood	Health & Nutrition	Education	Water, Sanitation & Hygiene	U.S. Programs						
International grants	\$ 5,175,787	\$ 11,890,426	\$ 6,766,774	\$ 716,047	\$ 3,283,301	\$ 1,129,044	\$ -	\$ 28,961,379	\$ -	\$ -	\$ 28,961,379	\$ 18,443,566
In-kind donations sent to relief sites	-	-	-	9,667,731	-	-	-	9,667,731	-	-	9,667,731	18,751,322
Employee leasing and related expenses	498,809	1,145,922	652,137	1,009,473	316,423	108,810	613,420	4,344,994	1,335,043	7,710,931	13,390,968	13,172,783
Handling and related costs	-	-	-	90,817	-	-	-	90,817	-	-	90,817	5,594,172
Domestic grants	-	-	-	-	-	-	6,365,027	6,365,027	-	-	6,365,027	2,024,308
Advertising and marketing	142,288	326,881	186,026	287,958	90,262	31,039	174,982	1,239,436	1,543,065	2,366,033	5,148,534	1,971,767
Venue and catering	27	61	35	54	17	6	33	233	-	97,791	98,024	1,408,562
Travel	10,249	23,546	13,400	20,742	6,502	2,236	12,604	89,279	37,776	185,382	312,437	1,555,003
Events and sponsorship	3,246	7,457	4,244	6,569	2,059	708	3,992	28,275	16,000	804,771	849,046	1,239,488
Bank charges and credit card fees	45,139	103,698	59,014	91,350	28,634	9,847	55,510	393,192	489,481	749,233	1,631,906	1,127,428
Professional fees	20,798	47,780	27,191	42,090	13,193	4,537	25,577	181,166	37,518	140,020	358,704	639,085
Equipment and location rent	9,942	22,840	12,998	20,121	6,307	2,169	12,227	86,604	113,371	290,063	490,038	589,382
Printing	14,131	32,463	18,474	28,597	8,964	3,082	17,378	123,089	153,563	238,215	514,867	433,365
Computer hardware and equipment	10,657	24,482	13,933	21,567	6,760	2,325	13,106	92,830	116,038	182,004	390,872	453,698
Depreciation	4,133	9,495	5,404	8,364	2,622	902	5,083	36,003	122,809	83,437	242,249	408,023
Artist performance and honorarium	356	818	465	720	226	78	438	3,101	4,300	158,677	166,078	645,549
Postage	2,702	6,207	3,532	5,468	1,714	589	3,322	23,534	4,850	197,090	225,474	219,980
Tax and licenses	9,978	22,924	13,046	20,194	6,330	2,177	12,271	86,920	108,650	173,001	368,571	183,893
Accounting and legal fees	12,901	29,638	16,867	26,109	8,184	2,814	15,865	112,378	42,248	94,462	249,088	364,503
Telecommunications	4,210	9,672	5,504	8,520	2,671	918	5,177	36,672	56,314	86,348	179,334	174,242
Office expenses	4,551	10,454	5,950	9,210	2,887	993	5,596	39,641	34,021	53,514	127,176	266,921
Insurance	3,633	8,346	4,750	7,352	2,305	792	4,468	31,646	39,557	64,809	136,012	137,987
Professional education and training	16	37	21	32	10	3	20	139	61,394	30,329	91,862	149,101
Conference and meeting	-	-	-	-	-	-	-	-	3,632	1,122	4,754	34,168
	\$ 5,973,553	\$ 13,723,147	\$ 7,809,765	\$ 12,089,085	\$ 3,789,371	\$ 1,303,069	\$ 7,346,096	\$ 52,034,086	\$ 4,319,630	\$ 13,707,232	\$ 70,060,948	\$ 69,988,296

See notes to consolidated financial statements.

Islamic Relief USA and Affiliates

**Consolidated Statement of Cash Flows
Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 44,413,705	\$ 23,161,618
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized/unrealized (gain) loss on investments, net	(5,167,253)	(2,485,376)
Depreciation expense	242,249	408,023
Loss on disposal of property and equipment	-	3,276
Donated investments	(1,410,594)	(1,328,641)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	379,573	(177,096)
Inventory – in-kind	9,655,731	9,095,591
Grant advances	(47,344,438)	(10,368,463)
Prepaid expenses and other assets	2,468,193	(2,722,486)
Increase (decrease) in:		
Accounts payable	(2,071,172)	2,071,147
Grants payable	(6,137,331)	(18,093,991)
Net cash used in operating activities	(4,971,337)	(436,398)
Cash flows from investing activities:		
Purchase of property and equipment	(67,448)	(974,958)
Sales of investments	-	187,197
Purchase of investments	(958,020)	(1,230,355)
Net cash used in investing activities	(1,025,468)	(2,018,116)
Cash flows from financing activities:		
Proceeds from note payable	2,200,319	-
Net cash provided by financing activities	2,200,319	-
Net decrease in cash	(3,796,486)	(2,454,514)
Cash:		
Beginning	49,651,303	52,105,817
Ending	\$ 45,854,817	\$ 49,651,303

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 Response and Preparedness: 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.

Orphan Support: The orphan support projects provide 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 orphans, which may include healthcare, livelihood support, food assistance or education.

Health and Nutrition Programs: 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.

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

Water, Sanitation and Hygiene Programs: These Water, Sanitation and Hygiene projects help build water systems, and ensure communities have a sustainable source of clean water for years to come. Additionally, the projects aim to improve access to safe, hygienic and gender-friendly sanitation facilities.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

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

U.S. Programs: 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 13th year and has benefited thousands of Americans.

Food Security and Livelihood Program: The Food Security and Livelihood Program is made up of multiple smaller project consisting of:

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 and cooking oil.

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.

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.

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.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

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

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 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.

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, 2020.

Grant advances: Represents cash paid to grantees for which some condition was not yet met. Conditions of a grant or contribution include the completion of project tasks and related expenditures.

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.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

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

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.

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, 2020, was \$5,148,534.

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.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

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

Use of estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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, 2020.

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 2017.

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, 2019, from which the summarized information was derived.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. IRUSA is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. This ASU is effective for IRUSA beginning on January 1, 2022. IRUSA is currently evaluating the impact of this new guidance on its consolidated financial statements.

Subsequent events: IRUSA evaluated subsequent events through August 10, 2021, which is the date the consolidated financial statements were available to be issued.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

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, 2020, 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	\$ 45,854,817
Accounts receivable	15,833
Investments	19,414,414
Total financial assets	<u>65,285,064</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>64,494,574</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 790,490</u></u>

Note 3. Investments

Investments at December 31, 2020, consist of the following:

Common stock	\$ 10,350,981
Exchange traded funds	794,822
Cash and money market accounts	103,156
Mutual funds	1,372,668
Alternative investment	6,792,787
	<u><u>\$ 19,414,414</u></u>

Investment income, net, for the year ended December 31, 2020, consist of the following:

Realized and unrealized gain on investments	\$ 5,167,253
Investment fees	(47,506)
	<u><u>\$ 5,119,747</u></u>

Note 4. Property and Equipment

Property and equipment and accumulated depreciation consist of the following at December 31, 2020:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net
Land	-	\$ 1,303,279	\$ -	\$ 1,303,279
Building and building improvements	3 - 40 years	3,930,575	914,904	3,015,671
Furniture and equipment	3 - 7 years	699,210	479,551	219,659
Vehicles	3 - 5 years	35,000	21,000	14,000
		<u>\$ 5,968,064</u>	<u>\$ 1,415,455</u>	<u>\$ 4,552,609</u>

Depreciation expense for the year ended December 31, 2020, was \$242,249.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 5. Restricted Net Assets

Changes in net assets with donor restrictions during the year ended December 31, 2020, are as follows:

	Beginning Balance	Additions	Releases From Restrictions	Ending Balance
Development	\$ 1,724,946	\$ 2,564,055	\$ (389,899)	\$ 3,899,102
Education and training	137,618	205,979	(12,242)	331,355
Emergency and relief	7,961,278	17,396,620	(8,414,442)	16,943,456
Health and nutrition	175,044	1,390,470	(1,565,514)	-
Income generation	148,023	362,864	(173,037)	337,850
Orphans	12,683,196	19,867,944	(14,469,348)	18,081,792
Udhiya/Qurbani and Feed the Needy	1,934,192	11,055,233	(9,171,409)	3,818,016
Zakat and Sadaqa	15,721,254	7,824,129	(2,462,380)	21,083,003
	<u>\$ 40,485,551</u>	<u>\$ 60,667,294</u>	<u>\$ (36,658,271)</u>	<u>\$ 64,494,574</u>

Note 6. Contributions

The breakdown of the category of contributions for the year ended December 31, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Development	\$ -	\$ 2,564,055	\$ 2,564,055
Education and training	-	205,979	205,979
Emergency and relief	-	17,396,620	17,396,620
Health and nutrition	-	1,390,470	1,390,470
Income generation	23,769,823	362,864	24,132,687
Orphans	-	19,867,944	19,867,944
Udhiya/Qurbani and Feed the Needy	-	11,055,233	11,055,233
Zakat and Sadaqa	24,748,688	7,824,129	32,572,817
	<u>\$ 48,518,511</u>	<u>\$ 60,667,294</u>	<u>\$ 109,185,805</u>

Note 7. 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 \$362,283 for the year ended December 31, 2020.

Note 8. 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.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 8. Fair Value Measurements (Continued)

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.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at December 31, 2020:

	Total	Level 1	Level 2	Level 3
Common stock:				
Technology	\$ 4,406,499	\$ 4,406,499	\$ -	\$ -
Financial services	1,164,465	1,164,465	-	-
Consumer goods	1,832,701	1,832,701	-	-
Healthcare	1,163,071	1,163,071	-	-
Energy	1,052,503	1,052,503	-	-
Industrial goods	347,036	347,036	-	-
Services	269,275	269,275	-	-
Communications services	65,514	65,514	-	-
Real estate	17,542	17,542	-	-
Consumer services	16,958	16,958	-	-
Public utilities	15,417	15,417	-	-
Total common stock	10,350,981	10,350,981	-	-
Mutual funds:				
Large growth	1,104,300	1,104,300	-	-
Large blend	198,686	198,686	-	-
Emerging market bond	69,682	69,682	-	-
Total mutual funds	1,372,668	1,372,668	-	-
Exchange traded funds	794,822	794,822	-	-
Other investments measured at net asset value (NAV) (1)	6,792,787	-	-	-
	\$ 19,311,258	\$ 12,518,471	\$ -	\$ -

(1) In accordance with ASC Topic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalents) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 8. Fair Value Measurements (Continued)

The table below reconciles total investments to the consolidated balance sheet at December 31, 2020:

Investment held at fair value – Level 1	\$ 12,518,471
Investments measured at NAV, equity private fund	<u>6,792,787</u>
	19,311,258
Investment held at cost	<u>103,156</u>
	<u><u>\$ 19,414,414</u></u>

The following table sets forth additional disclosures of IRUSA's investments whose fair value is estimated using NAV per share (or its equivalent) at December 31, 2020:

Strategy Category	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate (a)	\$ 284,004	\$ -	Quarterly	270 Days
Venture capital (b)	1,188,764	325,040	At dissolution	-
Private equity funds (c)	<u>5,320,019</u>	<u>567,500</u>	At dissolution	-
	<u><u>\$ 6,792,787</u></u>	<u><u>\$ 892,540</u></u>		

- (a) This category includes investments in funds that focus on gains through investments in real assets, specifically real assets within the real estate ventures. The fair value of investments in this category has been estimated using the NAV per share of the investments.
- (b) This category includes investments in funds that pursue venture and buyout strategies to generate investments returns. The fair value of investments in this category has been estimated using the NAV per share of the investments.
- (c) This category includes investments in private equity funds that will seek investments in a diversified pool of underlying top-tier U.S. private equity, global private equity, ex-U.S. and global venture capital funds. The fair value of investments in this category has been estimated using the NAV per share of the investments.

Note 9. Paycheck Protection Program Loan

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) was signed into law to provide emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic. Under CARES, certain small businesses and organizations are eligible to receive loan funds under Section 7(a) of the Small Business Act. Loans made under this section of CARES, known as the Paycheck Protection Program (PPP), are forgivable to the extent certain requirements are met. The loan program is administered by the Small Business Administration (SBA).

Islamic Relief USA and Affiliates

Notes to Consolidated Financial Statements

Note 9. Paycheck Protection Program Loan (Continued)

IRUSA made an analysis of the adverse economic effect the pandemic would likely have on its operations and determined that it was eligible to apply for a PPP loan, submitted the required application and supporting documentation, and received PPP loan funds in the amount of \$2,200,319 in early April 2020. IRUSA intends to apply for forgiveness during the year ended December 31, 2020. Due to the amount of the loan, it is likely that the documentation supporting the request for forgiveness will be subject to audit by the SBA. IRUSA elected to treat these funds as a loan under ASC 470 until IRUSA receives formal notification of the forgiveness.

If the loan is not forgiven, it would mature on April 18, 2022, and can be prepaid without penalty. The loan has a fixed interest rate of 1%. Principal and interest payments commenced on November 16, 2020. Future principal payments on the loan in accordance with the loan agreement would be \$979,015 and \$1,221,304 for the years ending December 31, 2021 and 2022, respectively.

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.

COVID-19 Pandemic: 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.