

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

Muslim Advocates

December 31, 2007

Muslim Advocates

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities:	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Farmer & First, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

"Grow Your Business With Us"

INDEPENDENT AUDITORS' REPORT

August 1, 2008

Board of Directors
Muslim Advocates
San Francisco, CA

We have audited the accompanying statement of financial position of the Muslim Advocates (a nonprofit corporation), as of December 31, 2007 and the related statements of activities, functional expenses and statement of cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on the 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 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 the financial statements referred to above present fairly, in all material respects, the financial position of the Muslim Advocates as of December 31, 2007 and the results of its operations, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Farmer & First, PC

Warren, RI

Muslim Advocates
STATEMENT OF FINANCIAL POSITION
December 31, 2007

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	236,353
Accounts receivable		14,980
Pledge receivables, net of allowance for uncollectible		11,000
Grant receivable		125,000
Prepaid expenses		11,879
Total current assets		399,212

PROPERTY AND EQUIPMENT:

Office equipment		4,521
Less: accumulated depreciation		36
Property and equipment, net		4,485

OTHER ASSETS

Security deposits		3,338
-------------------	--	-------

TOTAL ASSETS	\$	407,035
--------------	----	---------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable - trade	\$	25,189
Accrued expenses		898
Total current liabilities		26,087

NET ASSETS:

Unrestricted		67,940
Temporarily restricted		313,008
Total net assets		380,948

TOTAL LIABILITIES AND NET ASSETS	\$	407,035
----------------------------------	----	---------

The accompanying notes are an integral part of these statements.

Muslim Advocates
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Total
	<u> </u>	<u> </u>	<u> </u>
SUPPORT & REVENUE:			
Grants/Contributions	84,549	379,100	463,649
Investment income	83	-	83
Miscellaneous income	346	-	346
Net assets released from restriction	<u>66,092</u>	<u>(66,092)</u>	<u>-</u>
Total support & revenue	<u>151,070</u>	<u>313,008</u>	<u>464,078</u>
EXPENSES:			
Program services:			
Racial Profiling	25,164		25,164
Muslim Charity Works	52,330		52,330
Supporting services:			
Management & general	21,458	-	21,458
Fundraising	<u>18,541</u>	<u>-</u>	<u>18,541</u>
Total expenses	<u>117,493</u>	<u>-</u>	<u>117,493</u>
CHANGE IN NET ASSETS	33,577	313,008	346,585
NET ASSETS, January 1, 2007	<u>34,363</u>	<u>-</u>	<u>34,363</u>
NET ASSETS, December 31, 2007	<u><u>\$ 67,940</u></u>	<u><u>\$ 313,008</u></u>	<u><u>\$ 380,948</u></u>

The accompanying notes are an integral part of these statements.

Muslim Advocates
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	Program Services			Supporting Services			
	Racial Profiling	Muslim Charity Works	Total Program Services	Management & General	Fund- Raising	Total Support	Functional Expenses
Salaries	\$ 16,845	\$ 42,102	\$ 58,947	\$ 14,839	\$ 7,082	\$ 21,921	\$ 80,868
Payroll taxes	1,371	3,131	4,502	1,192	564	1,756	6,258
Benefits	831	2,020	2,851	738	351	1,089	3,940
Total payroll-related expenses	19,047	47,253	66,300	16,769	7,997	24,766	91,066
Travel	546	2,332	2,878	-	6,454	6,454	9,332
Occupancy	1,564	1,565	3,129	1,404	-	1,404	4,533
Professional fees	2,703	-	2,703	817	-	817	3,520
Bad debts	-	-	-	-	2,675	2,675	2,675
Printing and publications	331	-	331	15	1,346	1,361	1,692
Insurance	348	347	695	259	-	259	954
Supplies	-	133	133	504	38	542	675
Telephone	299	299	598	58	7	65	663
Bank charges	-	-	-	527	-	527	527
Postage and shipping	6	-	6	289	24	313	319
Web hosting	120	-	120	126	-	126	246
Depreciation	-	-	-	36	-	36	36
Miscellaneous	200	401	601	654	-	654	1,255
Totals	<u>\$ 25,164</u>	<u>\$ 52,330</u>	<u>\$ 77,494</u>	<u>\$ 21,458</u>	<u>\$ 18,541</u>	<u>\$ 39,999</u>	<u>\$ 117,493</u>

The accompanying notes are an integral part of these statements.

Muslim Advocates
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2007

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Increase in net assets	\$ 346,585
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	36
Decrease (increase) in operating assets:	
Accounts receivable	(14,980)
Pledge receivable	(11,000)
Grant receivable	(125,000)
Prepaid expenses	(11,879)
Security deposits	(3,338)
Increase (decrease) in operating liabilities:	
Accounts payable - trade	17,112
Accrued expenses	898
Net cash provided by operating activities	198,434
CASH FLOWS USED BY INVESTING ACTIVITIES:	
Purchase of property and equipment	(4,521)
NET INCREASE IN CASH AND CASH EQUIVALENTS	193,913
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	42,440
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 236,353
Interest paid during the year	\$ -

The accompanying notes are an integral part of these statements.

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

1. Nature of Activities

Muslim Advocates (a non-profit organization) was incorporated in Washington, DC on February 4, 2005 to provide leadership through civic education and serve as a legal resource to promote the full and meaningful participation in American public life..

2. Basis of Accounting

The organization recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

3. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The organization had no permanently restricted net assets as of December 31, 2007.

4. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

5. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life.

Additions and improvements that add materially to productive capacity, or extend the life of an asset, are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The estimated lives used in determining depreciation are:

Equipment	5 – 7 years
-----------	-------------

6. Income Taxes

The Organization is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the organization has been classified as an organization that is not a private foundation under Section 590(a)(1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the year ended December 31, 2007.

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

7. Donated Material and Contributed Services

Numerous unpaid volunteers have made significant contributions of their time to the management of the Organization and to the delivery of its program services. The value of the donated time is not determinable and, as such, is not reflected in these financial statements.

8. Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

9. Functional Allocation of Expenses

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

10. Grants and Contract Awards

The Organization receives grants from private grantors for various purposes. Grants and contract awards not yet received are accrued. The Organization defers grants and contract revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

11. **Promises to Give**

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are due in less than one year.

12. **Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2007 represent grants that have been received and designated as temporarily restricted by the grantor. As these funds are expended, the temporary restrictions expire and the temporarily restricted net assets are reclassified to unrestricted net assets on the statement of financial position.

	<u>Grant Awards</u>	<u>Net Assets Released</u>	<u>Balance 12/31/07</u>
Racial Profiling	\$ 249,000	\$ 15,972	\$ 233,028
Muslim Charity Works	<u>130,100</u>	<u>50,120</u>	<u>79,980</u>
Total	<u>\$ 379,100</u>	<u>\$ 66,092</u>	<u>\$313,008</u>

Muslim Advocates
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE C - COMMITMENTS

1. The Organization is obligated under the following rental leases:

<u>Lessor</u>	<u>Location</u>	<u>Term/ Exp. Date</u>	<u>Terms</u>
500 Sansome LLC	500 Sansome St, San Francisco, CA, Ste #102	One year Oct 31, 2008	\$1.669 per month

The future minimum rental commitments under operating leases as of December 31, 2007 are as follows:

For the year ending December 31, 2008	\$16,689
---------------------------------------	----------