

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

YEARS ENDED MARCH 31, 2022 AND 2021

BCM LLC
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ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Financial Statements

Years Ended March 31, 2022 and 2021

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Islamic Society of Orange County

Management is responsible for the accompanying financial statements of Islamic Society of Orange County (a nonprofit organization), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Supplementary Information

The supplementary information contained in pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.



Saipan, MP
June 1, 2022

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Statements of Financial Position
March 31, 2022 and 2021

<u>Assets</u>	2022	2021
Current assets:		
Cash and cash equivalents	\$ 1,118,538	1,539,079
Tuition receivable	29,746	79,995
Prepaid expenses and other current assets	36,780	34,657
Total current assets	1,185,064	1,653,731
Noncurrent assets:		
Restricted cash	389,177	233,647
Capital assets, net of accumulated depreciation	663,247	702,864
Deposit	300	300
Burial plots	605,699	104,600
Total noncurrent assets	1,658,423	1,041,411
Total Assets	\$ 2,843,487	2,695,142
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	168	299
Accrued expenses and other current liabilities	12,367	894,074
Unearned tuition	213,326	119,328
Total liabilities	225,861	1,013,701
Net assets:		
Net assets without donor restriction	2,291,054	1,448,185
Net assets with donor restriction	326,572	233,256
Total net assets	2,617,626	1,681,441
Total Liabilities and Net Assets	\$ 2,843,487	2,695,142

See accompanying notes and independent accountant's compilation report.

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Statements of Activities
For the Years Ended March 31, 2022 and 2021

	2022		
	Net Assets		
	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support:			
Tuition and fees	\$ 1,930,668	-	1,930,668
General donations	1,656,928	-	1,656,928
Zakat and sadaqa	-	349,001	349,001
Lunch, afterschool program and fieldtrips	161,508	-	161,508
Mortuary services	440,752	-	440,752
Membership dues	16,966	-	16,966
Sales and rentals	157,135	-	157,135
Fundraising	226,674	-	226,674
Other	56,575	-	56,575
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>255,685</u>	<u>(255,685)</u>	<u>-</u>
Total revenues, gains and other support	<u>4,902,891</u>	<u>93,316</u>	<u>4,996,207</u>
Expenses:			
Program services:			
Education	2,326,759	-	2,326,759
Mosque	<u>488,363</u>	<u>-</u>	<u>488,363</u>
Total program services	<u>2,815,122</u>	<u>-</u>	<u>2,815,122</u>
Supporting services:			
General and administrative	1,077,523	-	1,077,523
Fundraising	<u>37,137</u>	<u>-</u>	<u>37,137</u>
Total supporting services	<u>1,114,660</u>	<u>-</u>	<u>1,114,660</u>
Depreciation	<u>130,240</u>	<u>-</u>	<u>130,240</u>
Total expenses	<u>4,060,022</u>	<u>-</u>	<u>4,060,022</u>
Change in net assets	842,869	93,316	936,185
Net assets at beginning of the year	<u>1,448,185</u>	<u>233,256</u>	<u>1,681,441</u>
Net assets at end of the year	<u>\$ 2,291,054</u>	<u>326,572</u>	<u>2,617,626</u>

See accompanying notes and independent accountant's compilation report.

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Statements of Activities
For the Years Ended March 31, 2022 and 2021

	2021		
	Net Assets		
	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains and other support:			
Tuition and fees	\$ 1,748,676	-	1,748,676
General donations	428,082	-	428,082
Zakat and sadaqa	-	282,992	282,992
Lunch, afterschool program and fieldtrips	23,598	-	23,598
Mortuary services	-	-	-
Membership dues	18,330	-	18,330
Sales and rentals	155,432	-	155,432
Fundraising	299,012	-	299,012
Other	6,410	-	6,410
Net assets released from restrictions:			
Satisfaction of program restrictions	220,302	(220,302)	-
Total revenues, gains and other support	2,899,842	62,690	2,962,532
Expenses:			
Program services:			
Education	2,009,258	-	2,009,258
Mosque	430,520	-	430,520
Total program services	2,439,778	-	2,439,778
Supporting services:			
General and administrative	679,790	-	679,790
Fundraising	14,605	-	14,605
Total supporting services	694,395	-	694,395
Depreciation	116,506	-	116,506
Total expenses	3,250,679	-	3,250,679
Change in net assets	(350,837)	62,690	(288,147)
Net assets at beginning of the year	1,799,022	170,566	1,969,588
Net assets at end of the year	\$ 1,448,185	233,256	1,681,441

See accompanying notes and independent accountant's compilation report.

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Statements of Functional Expenses
For the Years Ended March 31, 2022 and 2021

Year ended March 31, 2022

	Program Services			Supporting Services			2022 Total	
	Education	Mosque	Total Program Services	Fundraising Expenses	General and Administrative	Total Supporting Services		Depreciation
Salaries and wages	\$ 1,397,046	80,229	1,477,275	-	552,892	552,892	-	2,030,167
Zakat, Sadaqa and Fitra	112,628	131,708	244,336	-	-	-	-	244,336
Payroll taxes	138,927	7,083	146,010	-	49,756	49,756	-	195,766
Employee benefits	118,836	1,634	120,470	-	51,131	51,131	-	171,601
Outside services	74,404	38,833	113,237	-	252,829	252,829	-	366,066
Utilities and telephone	68,652	31,305	99,957	-	14,750	14,750	-	114,707
Security	52,198	-	52,198	-	53,906	53,906	-	106,104
Supplies	68,219	30,685	98,904	-	12,279	12,279	-	111,183
Fieldtrips and school events	77,828	-	77,828	-	-	-	-	77,828
Fundraising	-	35,357	35,357	37,137	-	37,137	-	72,494
Insurance	41,851	15,312	57,163	-	11,008	11,008	-	68,171
Books and materials	66,879	-	66,879	-	-	-	-	66,879
Program expense	32,798	61,447	94,245	-	6,036	6,036	-	100,281
Repairs and maintenance	14,134	18,952	33,086	-	25,043	25,043	-	58,129
Bank and credit card charges	5,165	20,073	25,238	-	8,249	8,249	-	33,487
Rent	3,148	872	4,020	-	25,596	25,596	-	29,616
Taxes and licenses	47,655	3,458	51,113	-	6,585	6,585	-	57,698
Legal and professional	-	8,000	8,000	-	7,320	7,320	-	15,320
Professional and after school program	4,368	-	4,368	-	-	-	-	4,368
Advertising	1,122	2,130	3,252	-	30	30	-	3,282
Printing and postage	901	1,285	2,186	-	113	113	-	2,299
Depreciation	-	-	-	-	-	-	130,240	130,240
Total functional expenditures	\$ 2,326,759	488,363	2,815,122	37,137	1,077,523	1,114,660	130,240	4,060,022

See accompanying notes and independent accountant's compilation report.

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Statements of Functional Expenses
For the Years Ended March 31, 2022 and 2021

Year ended March 31, 2021

	Program Services			Supporting Services			Depreciation	2021 Total
	Education	Mosque	Total Program Services	Fundraising Expenses	General and Administrative	Total Supporting Services		
Salaries and wages	1,382,126	101,677	1,483,803	-	459,113	459,113	-	1,942,916
Zakat, Sadaqa and Fitra	116,293	58,328	174,621	-	-	-	-	174,621
Employee benefits	116,700	22,608	139,308	-	49,176	49,176	-	188,484
Payroll taxes	122,042	8,906	130,948	-	40,365	40,365	-	171,313
Utilities and telephone	50,899	39,860	90,759	-	5,137	5,137	-	95,896
Security	20,942	65,660	86,602	-	73,044	73,044	-	159,646
Outside services	55,734	28,002	83,736	-	10,715	10,715	-	94,451
Supplies	29,510	20,405	49,915	-	978	978	-	50,893
Program expense	7,770	30,025	37,795	-	-	-	-	37,795
Fieldtrips and school events	24,290	-	24,290	-	-	-	-	24,290
Books and materials	32,731	-	32,731	-	-	-	-	32,731
Repairs and maintenance	10,729	14,331	25,060	-	6,544	6,544	-	31,604
Insurance	12,070	12,070	24,140	-	3,309	3,309	-	27,449
Bank & credit card charges	4,333	17,872	22,205	-	106	106	-	22,311
Taxes and licenses	13,769	3,610	17,379	-	5,406	5,406	-	22,785
Professional & After School Program	5,542	-	5,542	-	-	-	-	5,542
Legal and professional	-	5,000	5,000	-	3,150	3,150	-	8,150
Rent	3,263	1,136	4,399	-	22,747	22,747	-	27,146
Printing and postage	96	1,021	1,117	-	-	-	-	1,117
Advertising	419	9	428	-	-	-	-	428
Fundraising	-	-	-	14,605	-	14,605	-	14,605
Depreciation	-	-	-	-	-	-	116,506	116,506
Total functional expenditures	\$ 2,009,258	430,520	2,439,778	14,605	679,790	694,395	116,506	3,250,679

See accompanying notes and independent accountant's compilation report.

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Statements of Cash Flows
For the Years Ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ 936,185	(288,147)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	130,240	116,506
(Increase) decrease in assets:		
Tuition receivable	50,249	66,106
Prepaid expenses and other current assets	(2,123)	(22,365)
Increase (decrease) in liabilities:		
Accounts payable	(131)	(647)
Accrued expenses and other current liabilities	(881,707)	863,619
Unearned tuition	93,998	(97,103)
	326,711	637,969
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of burial plots	(501,099)	(80,969)
Acquisition of capital assets	(90,623)	(42,154)
	(591,722)	(123,123)
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	(265,011)	514,846
Balances at beginning of year:		
Cash	1,539,079	1,110,945
Restricted cash	233,647	146,935
	\$ 1,772,726	1,257,880
Balances at end of year:		
Cash	1,118,538	1,539,079
Restricted cash	389,177	233,647
	\$ 1,507,715	1,772,726

See accompanying notes and independent accountant's compilation report.

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Notes to Financial Statements
March 31, 2022 and 2021

(1) Organization

The Islamic Society of Orange County (the Society) was established in 1976 as a nonprofit, non-political corporation which caters to the needs of the Muslim community by operating a religious organization according to the principles of the Islamic Faith. It provides educational seminars, religious services, and a full-time accredited Preschool to Eighth Grade Orange Crescent School (OCS). The Society's facilities can also be used for community gatherings, social occasions and mortuary services.

The Society's financial support is based primarily upon school fees, voluntary contributions and membership dues.

(2) Summary of Significant Accounting Policies

This summary of significant accounting policies of the Islamic Society of Orange County is presented to assist in understanding the Society's financial statements. The financial statements and notes are representations of the Society's management, who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

The financial statements of the Society are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Society is required to report information regarding its financial position and activities according to two classes of net assets: restricted and unrestricted.

These financial statements must classify an organization's assets, liabilities, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The two classes of net assets are now classified as one of the following types:

- Net Assets with donor restriction are those assets which are subject to donor-imposed stipulations that may or will be met, either by actions of the Society and/or the passage of time. When a donor restriction expires or is satisfied, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as assets released from restrictions.

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Notes to Financial Statements
March 31, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Financial Statement Presentation, Continued

- Net Assets without donor restriction are those assets that are not subject to donor-imposed stipulations or whose restrictions are met in the year received.

Revenues are reported as increases in net assets without donor restriction unless their use is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restriction. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Financial Reporting Framework

The financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, cash is defined as cash on hand, cash in savings and in checking accounts, and investments with an initial or remaining maturity of three months or less. The Society does not have any short-term investments that may be recognized as cash equivalents.

At March 31, 2022, the carrying amount of the Society's cash was \$1,507,715 and the corresponding bank balance was \$1,591,260. The Society maintains cash balances in a financial institution in southern California. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000 per depositor. At times, the balances are more than the federally insured limits. At March 31, 2022 and 2021, the uninsured bank balance was \$1,341,260 and \$1,586,293, respectively.

ISLAMIC SOCIETY OF ORANGE COUNTY
(A Nonprofit Organization)

Notes to Financial Statements
March 31, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Restricted Cash

Restricted cash represents donor restricted cash accounts for specific purposes.

Tuition Receivable and Allowance for Doubtful Accounts

Tuition receivable at March 31, 2022 and 2021 primarily represents monies owed for school tuition for the year then ended. Receivables are reviewed regularly by management and are recorded when management believes there is a high probability of collection. As substantially all amounts in tuition receivable at March 31, 2022 and 2021 were collected subsequent to year end, there is no allowance for doubtful accounts. The Society does not charge interest on overdue receivables, which are those that remain unpaid more than thirty days after the invoice date.

Capital Assets and Depreciation

Capital assets are stated at cost. The Society capitalizes all expenditures in excess of \$1,000 for property and equipment. Expenditures for major additions and improvements are capitalized. Minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation of capital assets is provided over the estimated useful lives of the respective assets on the straight-line basis as follows:

Buildings and improvements	10-20 years
Furniture and fixtures	15 years
Office equipment	5 years
Vehicles	5 years

Impairment of Long-lived Assets

The Society reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. There were no such events as of March 31, 2022 and 2021 and the Society did not recognize any impairment loss on property and equipment for the years then ended.

ISLAMIC SOCIETY OF ORANGE COUNTY
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Notes to Financial Statements
March 31, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Burial Plots

The Society provides Muslim burial services through a mortuary facility located on its premises. The Society also maintains a burial plot inventory regularly. Such burial plots are stated at cost.

Unearned Tuition

Unearned tuition reflects the amounts that have been billed for tuition relating to future periods.

Income Taxes

The Society is a nonprofit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society could be subject to taxes on net income derived from unrelated business activities. The Society does not believe it has unrelated business activities and as such, does not have any uncertain tax positions.

The Society adopted Financial Accounting Standards Board (FASB) ASC Topic 740, *Income taxes*, on April 1, 2019, and analyzed whether any particular item of income would meet the definition of an uncertain tax position as defined. The Society has determined that adoption of ASC Topic 740 did not materially impact its financial statements.

The Society is no longer subject to tax examinations by tax authorities for years before 2018. The Society shall record as current year expense any interest that may be assessed on prior year taxes. In the event that penalties and interest are assessed, such expenses are recorded separately from any income tax expense.

Contributions, Pledges, Membership Dues and Revenue Recognition

Contributions and pledges received are recorded as net assets without restriction and net assets with restriction depending on the existence and/or nature of any donor restrictions in the period received. Conditional contributions are recorded as support in the period the condition is met. Restricted contributions, if any, are reported as net assets with donor restriction and are then reclassified to net assets without donor restriction upon expiration of the restriction, usually when the funds are spent. Unconditional pledges are recorded as receivables in the year they are made, less a suitable allowance for uncollectible pledges as estimated by management.

Membership dues are recognized on all members in the membership year which runs from April 1 to March 31. Tuition fees for services income is recognized when the services are performed. Tuition fees received for future periods are accounted for as unearned tuition. Other income is recorded when received.

ISLAMIC SOCIETY OF ORANGE COUNTY
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Notes to Financial Statements
March 31, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Fundraising

Fundraising activities provide the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations. For the years ended March 31, 2022 and 2021, the Society's fundraising activities raised a total of \$226,674 and \$299,012, respectively, and incurred expenses of \$37,137 and \$14,605, respectively.

Donated Services

A number of the Society's members have donated significant amounts of time to help further the Society's programs. No amounts have been reflected in the financial statements for donated member services to the Society, as no objective basis is available to measure the value of such services.

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 activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred. The total advertising expense for the years ended March 31, 2022 and 2021 was \$3,282 and \$428, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures 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.

ISLAMIC SOCIETY OF ORANGE COUNTY
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Notes to Financial Statements
March 31, 2022 and 2021

(2) Summary of Significant Accounting Policies, Continued

Accounting Standards Adopted in 2021

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers. The guidance is codified at FASB ASC 606. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Society's revenue is composed of tuition and fees, donations, fundraising and other noninterest income. The scope of the guidance explicitly excludes net interest income as well as many other revenues for financial assets and liabilities including loans, leases, securities, and derivatives. Accordingly, the majority of the Society's revenues were not affected. Adoption of ASU 2014-09, which was effective for the Society on April 1, 2019, did not have a material impact on the Society's financial statements.

The Society also adopted ASU 2016-14 in 2021 (see note 9).

Performance Obligations

The Society records tuition and fees as deferred revenue as of the applicable enrollment date and are then recognized as revenue as it satisfies its obligation by providing education over the applicable school term. Students have the option to pay in full before the start of the school year or to pay in equal installments over a period of ten or twelve months.

(3) Restricted Cash

Restricted cash consists of the following at March 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Capital improvements	\$ 62,605	10,391
Zakat	<u>326,572</u>	<u>223,256</u>
Total	\$ <u>389,177</u>	<u>233,647</u>

ISLAMIC SOCIETY OF ORANGE COUNTY
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Notes to Financial Statements
March 31, 2022 and 2021

(4) Capital Assets

A summary of capital assets at March 31, 2022 and 2021 is as follows:

	Estimated Useful Lives		<u>2022</u>	<u>2021</u>
Buildings and improvements	10-20 years	\$	847,773	814,050
Office equipment	15 years		252,232	252,232
Furniture and fixtures	5 years		884,730	827,830
Vehicles	5 years		<u>3,000</u>	<u>3,000</u>
 Total			 1,987,735	 1,897,112
 Accumulated depreciation			 (<u>1,324,488</u>)	 (<u>1,194,248</u>)
 Capital assets, net		\$	 <u>663,247</u>	 <u>702,684</u>

Management believes that capital assets essentially served all functions and depreciation is therefore presented as unallocated in the Statement of Activities.

Depreciation expense for the years ended March 31, 2022 and 2021 was \$130,240 and \$116,506, respectively.

(5) Net Assets

Net assets with donor imposed restrictions at March 31, 2022 and 2021 include the unspent portion of the Zakat and Sadaqa funds (see note 6 below). The balance of these funds was \$326,572 and \$233,256 at March 31, 2022 and 2021, respectively.

(6) Zakat and Sadaqa

Zakat and Sadaqa represent granting of financial assistance to underprivileged community members. The community members make financial contributions to the Society to enable it to grant such assistance. For the years ended March 31, 2022 and 2021, the contributions received for this purpose were \$349,001 and \$282,992, respectively, and the assistance provided amounted to \$244,336 and \$174,621, respectively, which included tuition assistance to OCS students of \$112,628 and \$116,293, respectively. The assistance provided has been included in net assets released from restriction.

ISLAMIC SOCIETY OF ORANGE COUNTY
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Notes to Financial Statements
March 31, 2022 and 2021

(7) Sales and Rentals

The Society rents its kitchen and meeting rooms to community members. The society also receives rental income from the lease of its bookstore. All such rental income is included as a component of sales and rental revenues in the accompanying statements of activities.

(8) Fair Value of Financial Instruments

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands financial statement disclosure about fair value measurements. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy, which prioritizes the inputs to valuation technique used to measure fair value into three broad levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

Fair Value Option for Financial Assets and Financial Liabilities

ASC Topic 825, *Financial Instruments*, permits all entities to choose, at specified election dates, to measure eligible items as defined under the standard at fair value (the fair value option). A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred.

Fair Value of Financial Instruments

The carrying amounts reflected in the statement of financial position for cash and cash equivalents, tuition receivable, accounts payable and accrued liabilities approximate their respective fair values due to short maturities of those instruments.

ISLAMIC SOCIETY OF ORANGE COUNTY
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Notes to Financial Statements
March 31, 2022 and 2021

(9) Liquidity and Availability of Financial Assets

Accounting Standards Update ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* was implemented during the year ended March 31, 2021 and was applied to the financial statements in accordance with the transition guidance prescribed in the ASU, with enhanced disclosures about:

- The amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- The composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- The qualitative information that communicates how the Society manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
- The quantitative information, either on the face of the statement of financial position or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of the Society's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions.
- The amounts of expenses by both their natural classification and their functional classification. The analysis of expenses is provided in one location as a separate statement.
- The method(s) used to allocate costs among program and support functions.

The Society has \$1,148,285 of financial assets available within 1 year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$1,118,538 and accounts receivable of \$29,746. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

(10) Supplemental Cash Flow Information

The Society has adopted FASB ASU 2016-18, *Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. All cash and cash equivalents at March 31, 2022 and 2021 were detailed in the accompanying statements of cash flows.

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Notes to Financial Statements
March 31, 2022 and 2021

(11) Concentration of Credit Risk

The Society maintains its cash and cash equivalents in bank accounts that, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts. Management believes that the Society is not exposed to any significant credit risk related to cash and cash equivalents.

The Society has a credit risk concentration with respect to receivables and a geographic concentration related to the fact that substantially all of their donors are located in Orange and Los Angeles counties.

(12) Compensated absences

The Society's employees are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Society's policy is to recognize the costs of compensated absences when actually paid to employees.

(13) Profit Sharing Plan

The Society established a profit sharing plan (a "Section 401(k)" plan) on May 1, 2015. Employees are eligible to participate in the plan after they have worked for the Society for one year and have completed at least one thousand hours of service, regardless of age. Participants may elect to defer up to one hundred percent (100%) of their income under this plan, not to exceed IRC limits. The Society may make matching contributions at the owner's discretion. The Society contributed \$463 and \$-0- to the plan for the years ended March 31, 2022 and 2021, respectively.

(14) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through June 1, 2022, which is the date the financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

Years Ended March 31, 2022 and 2021

ISLAMIC SOCIETY OF ORANGE COUNTY
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Supplementary Information

Schedule of Revenues, Gains, and Other Support
For the Years Ended March 31, 2022 and 2021

	March 31, 2022			March 31, 2021		
	OCM	OCS	Total	OCM	OCS	Total
Local donation - general and food pantry	\$ 1,098,477	532,354	1,630,831	388,035	22,920	410,955
Kitchen contribution	26,097	-	26,097	17,127	-	17,127
Membership	16,966	-	16,966	18,330	-	18,330
Youth activities	-	-	-	-	-	-
Islamic weekend school - tuition	(34,751)	-	(34,751)	-	-	-
Sales and rentals (Rahma Café and Gr8 Finds Store)	120,101	37,034	157,135	143,574	11,858	155,432
Mortuary services	440,752	-	440,752	-	-	-
Orange Crescent School - registration	-	281,329	281,329	-	236,758	236,758
Orange Crescent School - tuition	-	1,740,145	1,740,145	-	1,511,918	1,511,918
Fundraising	136,898	89,775	226,673	215,989	83,023	299,012
Miscellaneous income	20,639	10,625	31,264	1,700	4,710	6,410
Field trip, food and after school program	-	130,765	130,765	-	23,598	23,598
Zakat and Sadaqa	349,001	-	349,001	281,891	1,101	282,992
	<u>349,001</u>	<u>-</u>	<u>349,001</u>	<u>281,891</u>	<u>1,101</u>	<u>282,992</u>
Total revenues, gains, and other support	<u>\$ 2,174,180</u>	<u>2,822,027</u>	<u>4,996,207</u>	<u>1,066,646</u>	<u>1,895,886</u>	<u>2,962,532</u>

See accompanying notes and independent accountant's compilation report.

ISLAMIC SOCIETY OF ORANGE COUNTY
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Supplementary Information

Schedule of Expenses

For the Years Ended March 31, 2022 and 2021

	March 31, 2022			March 31, 2021		
	OCM	OCS	Total	OCM	OCS	Total
Salaries	\$ 294,136	1,736,031	2,030,167	321,012	1,621,904	1,942,916
Zakat, Sadaqa, and Fitra	244,336	-	244,336	174,621	-	174,621
Payroll taxes	29,763	166,003	195,766	28,174	143,139	171,313
Security	74,470	66,991	141,461	102,182	57,464	159,646
Fringe benefits allowance	41,797	129,804	171,601	46,283	113,272	159,555
Utilities and trash	35,534	66,311	101,845	34,255	47,429	81,684
Property taxes, license, and payroll services	23,344	49,368	72,712	23,344	46,890	70,234
Teachers training and outside services	34,813	41,966	76,779	34,813	26,976	61,789
Director and officer, general and workers insurance	19,537	48,634	68,171	18,016	42,645	60,661
Program, food after school, and school events	49,776	50,505	100,281	29,013	16,206	45,219
Books (store and weekend school)	-	66,879	66,879	-	32,731	32,731
Janitorial supplies	23,216	19,495	42,711	23,216	9,352	32,568
Lease and equipment rental	12,428	17,188	29,616	11,751	15,395	27,146
Supplies, school and ISOC	5,026	61,475	66,501	-	26,236	26,236
Repairs, maintenance, and landscaping	21,096	37,034	58,130	13,887	6,005	19,892
Office supplies, postage, and miscellaneous dues	13,339	24,449	37,788	3,194	14,702	17,896
Printing, advertising, fundraising, and bank charges	22,527	52,256	74,783	6,963	10,515	17,478
Telephone	6,774	6,088	12,862	7,789	6,423	14,212
Special events expenses, travel, field trip, technology	-	81,578	81,578	1,012	7,881	8,893
Legal and professional	15,320	-	15,320	6,575	1,575	8,150
Mortuary services expenses	240,495	-	240,495	1,333	-	1,333
Total expenses before depreciation	1,207,727	2,722,055	3,929,782	887,433	2,246,740	3,134,173
Depreciation expense	55,182	75,058	130,240	48,315	68,191	116,506
Total expenses	<u>\$ 1,262,909</u>	<u>2,797,113</u>	<u>4,060,022</u>	<u>935,748</u>	<u>2,314,931</u>	<u>3,250,679</u>

See accompanying notes and independent accountant's compilation report.