

ISLAMIC NETWORKS, INC.

Financial Statements

December 31, 2010 and 2009

Table of Contents

Page

Independent Auditors' Report.....	1
Statements of Financial Position as of December 31, 2010 and 2009.....	2
Statements of Activities for the years ended December 31, 2010 and 2009	3
Statement of Functional Expenses for the year ended December 31, 2010 with comparative totals for the year ended December 31, 2009.....	4
Statements of Cash Flows for the years ended December 31, 2010 and 2009	5
Notes to Financial Statements as of December 31, 2010 and 2009	6

BOITANO, SARGENT & LILLY, LLP

Certified Public Accountants

1760 THE ALAMEDA
SAN JOSE, CALIFORNIA 95126
TELEPHONE (408) 287-2123

Certified Staff

CHRIS C. MADRID
D. JIMMIE MACHLAN
JAMES WAI
ANTHIE KARVOUNIS
CRYSTAL HOFER
KEVIN EPES
ALICE BOYD
JOE CASEY
KATHY McFARLAND

FRANK L. BOITANO
STEVEN F. BOITANO
H. OGDEN LILLY

LOUIS F. BOITANO
(1947-2008)
FRANCES V. SARGENT
(1957-1988)

www.bsicpa.com
FAX (408) 294-1856

Independent Auditors' Report

To the Board of Directors of
Islamic Networks, Inc.

We have audited the accompanying statements of financial position of Islamic Networks, Inc. (a nonprofit organization) dba Islamic Networks Group, Interfaith Networks Group, ING, ISB, and IFSB, as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 Islamic Networks, Inc. as of December 31, 2010 and 2009 and the changes in its net assets and statements of functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


BOITANO, SARGENT & LILLY, LLP

San Jose, California
June 25, 2011

ISLAMIC NETWORKS, INC.
 Statements of Financial Position
 December 31, 2010 and 2009

Assets

	2010	2009
Current assets		
Cash and cash equivalents	\$ 43,511	\$ 11,973
Short-term investments	13,311	17,131
Promises to give	170,485	109,535
Prepaid expenses	12,571	16,313
Total current assets	239,878	154,952
Property and equipment		
Equipment and furniture	34,229	32,375
Accumulated depreciation	(28,672)	(25,025)
Net property and equipment	5,557	7,350
Total assets	\$ 245,435	\$ 162,302

Liabilities and net assets

Current liabilities		
Accounts payable	\$ 11,155	\$ 10,047
Accrued expenses	28,391	27,385
Notes payable	24,350	-
Total current liabilities	63,896	37,432
Net assets		
Unrestricted net assets	181,539	124,870
Total liabilities and net assets	\$ 245,435	\$ 162,302

The accompanying notes are an integral part of these financial statements.

ISLAMIC NETWORKS, INC.
 Statements of Activities
 For the years ended December 31, 2010 and 2009

	2010	2009
Unrestricted net assets		
Public support, revenue and reclassifications		
Contributions	\$ 371,546	\$ 403,985
Private foundation grants	70,000	129,060
Special events income	14,205	13,007
Realized/unrealized gain	3,034	488
Net assets released from restrictions	-	66,571
Total public support, revenue and reclassifications	458,785	613,111
 Expenses		
Program services		
Islamic speakers bureau	149,695	256,506
Interfaith speakers bureau	105,998	143,755
National partners	66,951	30,693
Support services		
Management and general	50,327	49,883
Fundraising	29,145	46,511
Total expenses	402,116	527,348
 Increase in unrestricted net assets	56,669	85,763
 Temporarily restricted net assets		
Contributions	-	18,820
Net assets released from restrictions	-	(66,571)
Decrease in temporarily restricted net assets	-	(47,751)
 Change in net assets	56,669	38,012
 Net assets, beginning of year	124,870	86,858
 Net assets, end of year	\$ 181,539	\$ 124,870

The accompanying notes are an integral part of these financial statements.

ISLAMIC NETWORKS, INC.
Statement of Functional Expenses
For the year ended December 31, 2010
with comparative totals for year ended December 31, 2009

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>	
	<u>Islamic speakers bureau</u>	<u>Interfaith speakers bureau</u>	<u>National partners</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>2010</u>	<u>2009</u>
Salaries and benefits							
Salaries and wages	\$ 84,503	\$ 55,014	\$ 34,749	\$ 29,740	\$ 4,697	\$ 208,703	\$ 316,141
Employee benefits	2,327	1,515	957	819	129	5,747	14,538
Total salaries and benefits	<u>86,830</u>	<u>56,529</u>	<u>35,706</u>	<u>30,559</u>	<u>4,826</u>	<u>214,450</u>	<u>330,679</u>
Services and supplies							
Building and equipment rental	21,342	13,892	8,776	7,511	1,186	52,707	60,795
Depreciation	1,476	961	607	520	82	3,646	3,470
Marketing and promotion	6,176	12,903	8,150	-	21,720	48,949	56,752
Insurance	3,712	2,417	1,526	1,306	206	9,167	9,162
Office expenses	6,608	4,302	2,717	2,325	367	16,319	12,737
Office supplies	1,578	1,028	649	556	88	3,899	4,298
Printing and copying	5,262	3,426	2,164	1,852	292	12,996	5,899
Professional fees	9,909	6,112	3,860	3,304	-	23,185	23,105
Training	4,611	3,002	1,896	1,623	256	11,388	14,521
Travel	2,191	1,426	900	771	122	5,410	5,930
Total services and supplies	<u>62,865</u>	<u>49,469</u>	<u>31,245</u>	<u>19,768</u>	<u>24,319</u>	<u>187,666</u>	<u>196,669</u>
Total expenses	<u>\$ 149,695</u>	<u>\$ 105,998</u>	<u>\$ 66,951</u>	<u>\$ 50,327</u>	<u>\$ 29,145</u>	<u>\$ 402,116</u>	<u>\$ 527,348</u>

The accompanying notes are an integral part of these financial statements.

ISLAMIC NETWORKS, INC.
Statements of Cash Flows
For the years ended December 31, 2010 and 2009

	2010	2009
Operating activities		
Change in net assets	\$ 56,669	\$ 38,012
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,646	3,470
Decrease (increase) in operating assets		
Promises to give	(60,950)	(109,535)
Prepaid expenses	3,742	4,199
Increase (decrease) in operating liabilities		
Accounts payable	1,108	7,471
Accrued expenses	1,006	(3,723)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,221	(60,106)
Investing activities		
Purchases of short-term investments	3,820	(13,668)
Purchases of fixed assets	(1,853)	(2,318)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,967	(15,986)
Investing activities		
Proceeds from borrowing	24,350	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	24,350	-
Net increase (decrease) in cash and cash equivalents	31,538	(76,092)
Cash and cash equivalents, beginning of year	11,973	88,065
Cash and cash equivalents, end of year	\$ 43,511	\$ 11,973

The accompanying notes are an integral part of these financial statements.

ISLAMIC NETWORKS, INC
Notes to Financial Statements
December 31, 2010 and 2009

Note 1 - Organization and nature of activities

Islamic Networks, Inc. (ING) is an educational outreach organization based in the San Francisco Bay Area with affiliates throughout the U.S. Founded in 1993, ING promotes interfaith dialogues and education about world religions. Utilizing trained and certified speakers, ING annually delivers thousands of presentations and other educational programs in schools, colleges and universities, law enforcement agencies, corporations, healthcare facilities, and community organizations. ING reaches hundreds of groups and tens of thousands of individuals a year at the local, grassroots level, thereby building bridges among people of all faiths.

Note 2 - Summary of significant accounting policies

- (a) Promises to give
Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which they are received. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. As of December 31, 2010 and 2009, the Organization deemed all outstanding pledges were fully collectible within the next twelve months.
- (b) Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.
- (c) Cash and cash equivalents
Cash and cash equivalents include highly liquid investments with original maturities of ninety days or less, excluding cash received with a donor-imposed restriction that limits its use to long-term purposes. Periodically throughout the year, the Organization may maintain a balance in a bank account in excess of the federally insured limit of \$250,000.
- (d) Property and equipment
Property and equipment are capitalized at cost. The Organization capitalizes expenditures for property and equipment in excess of \$500. Lesser amounts are expensed. Depreciation is computed on the straight-line method over the estimated useful life of the asset, ranging for 3-7 years.
- (e) Investments
Investments in marketable securities are stated at their readily determinable fair value. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.
- (f) Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (g) Functional allocation of expenses
Expenses are allocated based on time spent for program, general and management, and fundraising. Indirect costs are allocated based on the relative degree of benefit.

ISLAMIC NETWORKS, INC
Notes to Financial Statements
December 31, 2010 and 2009

Note 2 - Summary of significant accounting policies (continued)

- (h) Income taxes
The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.
- (i) Reclassification
Certain 2009 items may have been reclassified to conform with the 2010 financial statement presentation.

Note 3 - Fair value measurements

The Organization's financial assets and liabilities carried at fair value have been classified into a three-tier hierarchy based on *Financial Accounting Standards for Fair Value Measurements (FASB ASC 820)*. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level I – Quoted prices in active markets for identical investments.

Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of models or other valuation methodologies.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

The following table presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

	<u>Fair Value</u>	<u>Fair Value Measurement at Reporting Date Using</u>
		<u>Quoted Prices In Active Markets For Identical Assets (Level I)</u>
<u>December 31, 2010</u>		
Short term investments	\$ 13,311	\$ 13,311
<u>December 31, 2009</u>		
Short term investments	\$ 17,131	\$ 17,131

Note 4 - Compensated absences

The Organization has a combined vacation and sick pay compensation policy. Vacation and sick time is accumulated on the basis of length of service. Benefits may be accrued up to a total of one and half times the annual allowance, after which no further time is accrued. At December 31, 2010 and 2009, an accrual for this obligation is included in accrued expenses in the amount of \$2,792 and \$3,570, respectively.

ISLAMIC NETWORKS, INC
Notes to Financial Statements
December 31, 2010 and 2009

Note 5 - Accrued expenses

Accrued expenses primarily consist of accrued payroll related expenses and audit fees.

Note 6 - Notes payable

During 2010, the executive director loaned the Organization \$25,000 for short-term operational needs. As of December 31, 2010, the balance of this loan was \$5,500. The Organization also borrowed \$29,500 from a former board member. As of December 31, 2010, the balance of this loan was \$18,850. Both loans are interest-free loans and will be re-paid within the next twelve months.

Note 7 - Lease obligations

The Organization has a lease obligation for 3031 Tisch Way, San Jose, California through April 30, 2015. Monthly payments are \$4,565 with an annual cost of living adjustment. The yearly minimum future lease payments are as follows:

Fiscal Year	Lease Payment
2011	\$ 55,900
2012	57,580
2013	59,460
2014	61,424
2015 and thereafter	20,692
	\$ 255,056

Note 8 - Concentration - major donors

The Organization has concentrations of risk as a result of contributions from major donors. Contributions from the top three donors, as a percentage of total contributions for the years ended December 31, 2010 and 2009, are as follows:

	Contribution percentage	
	2010	2009
Donor 1	17%	19%
Donor 2	17%	11%
Donor 3	14%	7%

Note 9 - Evaluation of subsequent events

Subsequent events have been evaluated through June 25, 2011, which is the date the financial statements were available to be issued.