

ISLAMIC CENTER OF WASHINGTON
(A WASHINGTON NON-PROFIT PUBLIC CHARITY ORGANIZATION)
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OSAMA F. ELSHAMMA
CERTIFIED PUBLIC ACCOUNTANT
148116 BOTHELL WAY N.E.
SUITE 236
LAKE FOREST PARK, WA 98155
TEL: (206) 363-3049 FAX: (206) 417-9735
EMAIL: OELSHAMMA_CPA@MSN.COM

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FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2004**

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CERTIFIED PUBLIC ACCOUNTANT
14816 BOTHELL WAY N. E.
SUITE 236
LAKE FOREST PARK, WA 98155
TEL: (206) 363-3049 FAX: (206) 417-9735
EMAIL: OELSHAMMA_CPA@YAHOO.COM

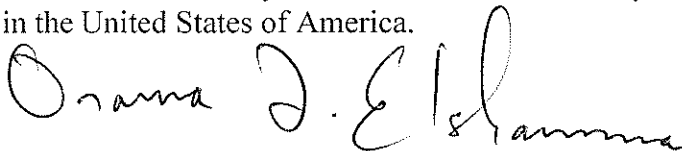
INDEPENDENT AUDITOR'S REPORT

MEMBERS OF THE EXECUTIVE COMMITTEE
OF THE ISLAMIC CENTER OF WASHINGTON

I have audited the accompanying Statement of Financial Position of the ISLAMIC CENTER OF WASHINGTON as of December 31, 2004, and the related Statement of Activities, Cash Flows and changes in Net Assets for the fiscal year then ended December 31, 2004. These financial statements are the responsibility of the ISLAMIC CENTER OF WASHINGTON's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. These standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Financial Position of the ISLAMIC CENTER OF WASHINGTON as of December 31, 2004, and the related Statement of Activities, Cash Flows and changes in Net Assets for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.



OSAMA F. ELSHAMMA, CPA
LAKE FOREST PARK, WASHINGTON

April 8, 2005

**ISLAMIC CENTER OF WASHINGTON
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2004**

ASSETS

Current Assets

CASH IN BANK (See note (3))		
Restricted	\$ 3,569	14.49%
Unrestricted	19,767	80.26%
Total CASH IN BANK	23,336	94.75%

Total Current Assets	23,336	94.75%
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Fixed Assets

Equipment (See note (4))	1,438	5.84%
Less: Accumulated Depreciation	(144)	-0.58%
Total Fixed Assets	1,294	5.25%

TOTAL ASSETS	\$ 24,630	100.00%
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LIABILITIES & NET ASSETS

NET ASSETS

Restricted Net Assets	\$ 3,569	14.49%
Unrestricted Net Assets	21,061	85.51%
Total Net Assets	24,630	100.00%

TOTAL LIABILITIES & NET ASSETS	\$ 24,630	100.00%
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The accompanying notes are an integral part to these financial statements

**ISLAMIC CENTER OF WASHINGTON
STATEMENT OF ACTIVITIES
JANUARY 1 THROUGH DECEMBER 31, 2004**

	<u>Amounts</u>	<u>% of Income</u>
<u>INCOME:</u>		
Contributions Income- General	\$ 64,065	55.39%
Contributions Income- Charity	28,319	24.48%
Donations- Fundraising Events	5,200	4.50%
Zakat Ramadan	17,079	14.77%
Miscellaneous Income	1,000	0.86%
Total Income	115,663	100.00%
<u>OPERATING EXPENSES:</u>		
Contributions		
General Charity	14,600	12.62%
Not-for-Profit Organization	11,204	9.69%
Zakat Ramadan	9,800	8.47%
Total Contributions	35,603	30.78%
Fundraising Expenses	400	0.35%
Bank Service Charges	15	0.01%
Hall Rental	7,175	6.20%
Insurance	3,775	3.26%
Licenses and Permits	500	0.43%
Custodian Services	19,868	17.18%
Miscellaneous	99	0.09%
Printing & Reproductions	2,000	1.73%
Postage and Delivery	13	0.01%
Program Expense	5,755	4.98%
Repairs & Maintenance	1,775	1.53%
Supplies	2,444	2.11%
Telephone	1,167	1.01%
Trash Disposal Expense	603	0.52%
Travel-Guest Speakers	630	0.54%
Utilities	9,449	8.17%
Depreciation & Amortization Expense	144	0.12%
Total Operating Expense	91,416	79.04%
Operating Income	\$ 24,247	20.96%

The accompanying notes are an integral part to these financial statements

ISLAMIC CENTER OF WASHINGTON
STATEMENT OF CASH FLOWS
JANUARY 1 THROUGH DECEMBER 31, 2004

OPERATING ACTIVITIES

Operating Income	\$	24,247
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Adjustments to reconcile Change in Income
to Net Cash Provided by Operating Activities

Depreciation & Amortization		144
Net cash provided by Operating Activities		24,391

INVESTING ACTIVITIES

Equipment Purchased		(1,438)
Net cash used by Investing Activities		(1,438)

Net cash increase for period		22,953
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Cash at beginning of period, 1/1/2004		383
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Cash at the end of period, 12/31/2004	\$	23,336
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The accompanying notes are an integral part to these financial statements

**ISLAMIC CENTER OF WASHINGTON
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2004**

Beginning of the Year Net Assets	\$ 383	1.56%
Changes in Net Assets	<u>24,247</u>	<u>98.44%</u>
End of Year Net Assets	<u><u>\$ 24,630</u></u>	<u><u>100.00%</u></u>

The accompanying notes are an integral part to these financial statements

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OSAMA F. ELSHAMMA, C.P.A.

**ISLAMIC CENTER OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

Note (1). NATURE OF THE ORGANIZATION

The Islamic Center of Washington – is incorporated in accordance with the laws of the State of Washington as a “Public Charity” Non-Profit Corporation. The purpose of the Corporation is to provide Islamic & Social activities within the framework of Islam, Charitable activities, and such other functions as to promote better understanding of Islam in the greater Seattle, Washington Area.

Note (2). SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No.117, Financial Statements of Not-for-Profit Organizations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Revenue Recognition

Contributions received are recorded as restricted, temporarily restricted, or permanently restricted support, depending on the existence and / or nature of any donor restrictions.

Contributed Services

The organization receives substantial amount of services donated by its members in carrying out the Center’s activities. No amounts have been incorporated in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

ISLAMIC CENTER OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS- CONTINUED

Income Taxes

The Organization is exempt from income taxes in accordance with Internal Revenue Service Code Section 501 (C) (3).

Note (3). CASH AND CASH EQUIVALENT

Cash and cash equivalents represent cash deposits at local financial institutions and short term investments maturing in (3) month or less that may be readily converted into cash. For the fiscal year ended December 31, 2004, cash and cash equivalents consisted of:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
General Fund	\$ 19,767		\$ 19,767
Charity Fund		\$ 624	624
Ramadan Fund		2,945	2,945
Total Cash & Cash Equivalent	<u>\$ 19,767</u>	<u>\$ 3,569</u>	<u>\$ 23,336</u>

Unrestricted Cash- General Fund: Such cash balance is available for use to meet currently maturing financial obligations, operating costs and expenses as they become due.

Restricted Cash- Charity Fund: The board has established this account for the charitable purpose of providing financial assistance to needy families and individuals within the Muslim community of the greater Seattle area.

Restricted Cash- Ramadan Fund: The "RAMADAN FUND ACCOUNT" is used to account for specific expenses incurred during the month of Ramadan including "IFTAR" expenses, additional supplies required as a result of providing Iftar to fasting Muslims, Special-purpose Imam's compensation and such other specifically related costs and expenses incurred during the Holly Month of Ramadan. Cash balance in the Ramadan fund account represents the unexpended fund balance.

ISLAMIC CENTER OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS- CONTINUED

Note (4). DEPRECIATION AND AMORTIZATION The Center capitalizes purchased assets at cost and recognizes donated assets at its Fair Market Value (FMV) of the asset received. Such assets are capitalized into the Long-Lived Assets Group of Accounts and depreciated or amortized over the assets' estimated useful or operable life using the straight line method for financial statement presentation and income tax reporting purposes. For the fiscal year ended December 31, 2004, Depreciation and Amortization expense amounted to \$ 144.00.

**ISLAMIC CENTER OF WASHINGTON
SCHEDULE OF AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

FINDING (D): DEFICIENCY IN THE INTERNAL CONTROL STRUCTURE OVER CASH

The Islamic Center of Washington did not have an established internal control policy or procedure to safeguard against misappropriation, mishandling, theft, or embezzlement of cash. The organization designated an accounting officer with full single-authority of collecting, counting, depositing and disbursement of cash without an oversight responsibility.

RECOMMENDATION FOR CORRECTIVE ACTION

I recommend that the organization establish such operational policies that require the following accounting procedures:

- 1. CASH COLLECTION COUNTING:** At least two members of the Masjid count the cash collected from members AND document it on an accounting form, sign and date the form by the respective members. Such members could be any designated persons from the community. After the cash counting, such form must be submitted to the treasurer along with the cash collected.
- 2. BANK DEPOSITS:** The treasurer should be the only designated person to make bank deposits to the respective bank accounts. The treasurer must recount the money collected and received and confirms the accuracy of the cash count, from step (1) above and prepare the related bank deposit. Any inaccuracies in the cash count, must be documented on the cash count form and corrected cash count be reflected on the bank deposit form. A weekly bank deposit is recommended for the organization.
- 3. CASH DISBURSEMENT:** The organization must require a minimum of two (2) signatures on all check disbursements written in amounts greater than a specified threshold such as a Three Hundred Dollars (\$ 300.00). The treasurer should be in charge of reviewing vendor's invoices and approve it for payment, prepare the check, sign the check and then obtain a secondary signature from any designated board member. The signed checks should then be mailed or handed to the vendor.

4. **CASH PAYMENTS TO VENDORS & OTHERS:** Such cash payments should be limited to payments of invoices or such other similar payments to amounts less than fifty dollars (\$ 50.00) without requiring board member's approval. Related invoices and cash payment receipts should be documented. Similarly, Credit card and ATM payments should be accompanied by receipts and accounted for appropriately.

MANAGEMENT' RESPONSE TO AUDIT FINDING # 1

Management agrees that the recommended corrective plan relating to audit finding # 1, stated above, will significantly reduce the risk of mishandling or misappropriation of cash and provides greater accountability. Management plans to implement such internal control policy and procedures over cash receipts and disbursements during the fiscal year 2005.

FINDING (2): FINANCIAL INSTITUTION DOES NOT VERIFY CHECK SIGNATURE ON CHECKS PRESENTED FOR PAYMENT WHICH COULD SIGNIFICANTLY INCREASE THE "RISK OF LOSS" OF THE CENTER'S CASH

During the course of my examination of the Center's financial statements for the year ended December 31, 2004, it has come to my attention that, BANK OF AMERICA, NORTHGATE BRANCH, where the organization maintains several bank accounts has misplaced, lost and could not find the required bank signature cards relating to the organization's cash accounts.

Accordingly, I have concluded that the bank DOES NOT VERIFY SIGNATURES on checks presented for payment. This, in effect, places the organization at significant "RISK OF LOSS" of cash due to a possible stolen check, misplaced checks, un-cancelled checks that could be made payable to anyone, signed by anyone and presented to the bank for payment. If this occurs, the organization could lose substantial amount of cash that could go undetected for months.

RECOMMENDATION FOR CORRECTIVE ACTION

Accordingly, as a matter of sound internal control policy and procedure, un-cancelled checks must be kept in a safe and secure place and only the treasurer should have access to those checks. In addition, the implementation of the recommend plan of action relating to audit finding # (1) stated above, by requiring a secondary signature on all checks written in amounts greater than \$ 300.00, it will further enhance the internal controls over cash and reduce the risk of loss

MANAGEMENT' RESPONSE TO AUDIT FINDING # 2

Management will require a secondary signature on checks written for amounts greater than \$ 300.

FINDING (3): RAMADAN FUND ACCOUNT WAS IMPROPERLY USED FOR CHARITY PAYMENTS DURING THE FISCAL YEAR ENDED DECEMBER 31, 2004

The Ramadan fund account was used to deposit funds collected during the Holly month of Ramadan from community contributions received in the form of "ZAKAT ELFITR". For the fiscal year ended December 31, 2004, the account was used for charity payments.

RECOMMENDATION FOR CORRECTIVE ACTION

Zakat funds received should be deposited directly into the Charity Fund Account and not the Ramadan Fund Account. Payments for Charity should be paid from of the Charity Fund Account.

MANAGEMENT' RESPONSE TO AUDIT FINDING # 3

Management plans to deposit Zakat money received into the Charity Fund Account and related disbursements for Charity will be paid directly from the Charity Fund Account and Not the Ramadan Fund Account.