

*Financial Statements
Year Ended
December 31, 2004*

American Task Force on Palestine

Goodman
& COMPANY

Certified Public Accountants
Financial Planning
Specialized Services

American Task Force on Palestine

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Report of Independent Auditors

Certified Public Accountants
Financial Planning
Specialized Services

Board of Directors
American Task Force on Palestine

We have audited the accompanying statement of financial position of ***American Task Force on Palestine*** as of December 31, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of ***American Task Force on Palestine***. 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 ***American Task Force on Palestine*** as of December 31, 2004, 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.

McLean, Virginia
January 18, 2005

Goodman & Company, LLC

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American Task Force for Palestine

Statement of Financial Position

December 31, 2004

Assets

Current assets

Cash and cash equivalents	\$ 47,654
Accounts receivable	<u>26,740</u>

Total current assets	<u>74,394</u>
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Property and equipment

Furniture, equipment and software	22,721
Less - accumulated depreciation	<u>(11,386)</u>

Property and equipment - net	<u>11,335</u>
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Other assets

Security deposit	<u>5,050</u>
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\$ 90,779	<u><u>90,779</u></u>
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Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 14,550
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Net assets - unrestricted	<u>76,229</u>
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\$ 90,779	<u><u>90,779</u></u>
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The accompanying notes are an integral part of these financial statements.

American Task Force on Palestine

Statement of Activities

Year Ended December 31, 2004

Revenue	
Contributions	\$ 383,192
Special events	7,045
Other	<u>120</u>
Total revenue	<u>390,357</u>
Expenses	
Program services	303,820
General and administrative	84,523
Fundraising expenses	<u>60,852</u>
Total expenses	<u>449,195</u>
Change in net assets	(58,838)
Net assets - unrestricted - beginning of year	<u>135,067</u>
Net assets - unrestricted - end of year	<u>\$ 76,229</u>

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

American Task Force on Palestine

Statement of Cash Flows

Year Ended December 31, 2004

Cash flows from operating activities

Change in net assets	\$ (58,838)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	1,783
Change in:	
Accounts receivable	4,487
Prepaid expenses	1,285
Security deposit	(3,386)
Accounts payable and accrued expenses	(4,759)
Net cash from operating activities	<u>(59,428)</u>

Cash flows from investing activities

Acquisitions of property and equipment	<u>(3,331)</u>
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Net change in cash and cash equivalents

(62,759)

Cash and cash equivalents - beginning of year

110,413

Cash and cash equivalents - end of year

\$ 47,654

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

American Task Force on Palestine

Notes to Financial Statements

December 31, 2004

1. Organization and Nature of Activities

The *American Task Force on Palestine* (ATFP) is a nonpartisan, not-for-profit corporation organized under the laws of the District of Columbia. ATFP aims to articulate the national security interests of the United States in establishing a Palestinian state, and promote awareness of the far-reaching benefits that Palestinian statehood will have for the United States. ATFP is supported primarily through public contributions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the ATFP are in accordance with accounting principles generally accepted in the United States of America applied on a basis consistent with that of the preceding years. Outlined below are those policies considered particularly significant.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, ATFP considers all highly liquid securities with a purchased maturity of three months or less to be cash equivalents.

Accounts Receivable

ATFP classifies all accounts receivable as current assets. ATFP provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Management believes all significant accounts receivable are collectible, and therefore, no allowance for doubtful accounts has been established as of December 31, 2004.

Property and Equipment

Property and equipment is stated at cost, or at the estimated fair value at date of donation. Expenditures for major additions and improvements are capitalized while minor replacements, maintenance, and repairs are charged to expense as incurred. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years. ATFP's policy is to capitalize fixed assets purchased with a value greater than \$500.

Financial Statement Presentation

ATFP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The financial statements report amounts separately by class of net assets as follows:

Unrestricted amounts are those currently available at the discretion of ATFP for use in the ATFP's operations and those resources invested in property or equipment.

Unrestricted board designated amounts are those designated for specific purposes determined by the board of directors.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

ATFP had only unrestricted net assets at December 31, 2004.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Income Taxes

ATFP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The District of Columbia has also recognized ATFP's tax-exempt status.

Advertising

ATFP uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expense totaled \$20,891 for 2004.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Allocation of Expenses

The costs of providing 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.

Concentrations of Credit Risk

ATFP maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2004, the ATFP did not exceed the insured amount at any institution.

3. Related Party Lease

ATFP sub-leases office space under a verbal, month-to-month agreement from a member of the Board of Directors and President of ATFP. The current rent is \$5,050 per month. A security deposit of one months rent is held by the landlord. Rental expense was \$ 66,150 for 2004.

4. Donated Services

The Services of the President and the accountant are donated to the Organization and are valued by the Board of Directors to be \$200,000. The value of these services are not included in the financial statements.

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Report of Independent Auditors on Supplemental Information

Certified Public Accountants
Financial Planning
Specialized Services

Board of Directors
American Task Force on Palestine

Our report on our audit of the basic financial statements of ***American Task Force on Palestine*** for 2004 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McLean, Virginia
January 18, 2005

A handwritten signature in cursive script that reads "Goodman & Company LLC".

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American Task Force on Palestine

Schedule of Functional Expenses

Year Ended December 31, 2004

	Program Services	Support Services			Total Supporting Services	Total Expenses
		General and Administrative		Fundraising		
		Administrative				
Salaries	\$ 73,167	\$ 30,486	\$ 18,292	\$ 48,778	\$ 121,945	
Rent	39,690	16,538	9,922	26,460	66,150	
Special events	43,284	-	-	-	43,284	
Consulting fees	18,370	-	4,593	4,593	22,963	
Employee benefits	12,560	5,234	3,140	8,374	20,934	
Advertising	20,891	-	-	-	20,891	
Travel and lodging	20,290	-	-	-	20,290	
Printing and copying	10,033	4,013	6,020	10,033	20,066	
Supplies and office expense	10,694	3,055	1,528	4,583	15,277	
Outreach	15,100	-	-	-	15,100	
Professional fees	-	12,609	-	12,609	12,609	
Telephone	7,031	2,930	1,758	4,688	11,719	
Postage	6,247	2,082	2,082	4,164	10,411	
Fundraising expenses	-	-	9,213	9,213	9,213	
Payroll taxes	5,421	2,259	1,355	3,614	9,035	
Internet expense	5,254	2,189	1,313	3,502	8,756	
Taxes, licenses and permits	3,231	1,077	1,077	2,154	5,385	
Meals and entertainment	4,777	-	-	-	4,777	
Equipment expense	3,450	863	-	863	4,313	
Depreciation	1,426	357	-	357	1,783	
Miscellaneous	1,183	169	338	507	1,690	
Translation	1,200	-	-	-	1,200	
Bank and credit card fees	221	662	221	883	1,104	
Intern stipend	300	-	-	-	300	
Totals	\$ 303,820	\$ 84,523	\$ 60,852	\$ 145,375	\$ 449,195	

See report of independent auditors on supplemental information.