

**Financial Statements
Year Ended
December 31, 2005**

American Task Force on Palestine

**Dalal &
Company**
Certified Public Accountants

American Task Force on Palestine

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Report of Independent Auditors

Board of Directors
American Task Force on Palestine

We have audited the accompanying statement of financial position of the **American Task Force on Palestine** as of December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the **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 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 **American Task Force on Palestine** as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Dalal + Company

Alexandria, Virginia
May 26, 2006

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American Task Force on Palestine

Statement of Financial Position

December 31, 2005

Assets

Current assets

Cash and cash equivalents \$ 43,995

Property and equipment

Furniture, equipment and software 22,721
Less - accumulated depreciation (13,816)

Property and equipment - net 8,905

Other assets

Security deposit 5,050

\$ 57,950

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses 4,989
Loan payable 10,000

Total current liabilities 14,989

Net assets - unrestricted

42,961

\$ 57,950

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

American Task Force on Palestine

Statement of Activities

Year Ended December 31, 2005

Revenue	
Contributions	\$ 319,602
Special events	67,838
Other	456
Total revenue	<u>387,896</u>
Expenses	
Program services	271,833
General and administrative	89,966
Fundraising expenses	59,365
Total expenses	<u>421,164</u>
Change in net assets	(33,268)
Net assets - unrestricted - beginning of year	<u>76,229</u>
Net assets - unrestricted - end of year	<u>\$ 42,961</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, 2005

Cash flows from operating activities

Change in net assets	\$ (33,268)
Adjustments to reconcile to net cash from operating	
Depreciation	2,430
Change in:	
Accounts receivable	26,740
Accounts payable and accrued expenses	(9,561)
Net cash from operating activities	<u>(13,659)</u>

Cash flows from financing activities

Proceeds from loan payable	<u>10,000</u>
Net cash from financing activities	<u>10,000</u>

Net change in cash and cash equivalents (3,659)

Cash and cash equivalents - beginning of year 47,654

Cash and cash equivalents - end of year \$ 43,995

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

American Task Force on Palestine

Notes to Financial Statements

December 31, 2005

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 interest 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 private donations from the public.

2. Summary of Significant Accounting Policies

Basis of accounting

The financial statements are prepared using the accrual basis of accounting.

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

Accounts receivable are stated at the amount management expects to collect from outstanding balances. ATFP provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. There were no accounts receivable at December 31, 2005.

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. Depreciation expense was \$2,430 for the year.

Financial Statement Presentation

ATFP is required to report information regarding its financial position and activities according to three classes or 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 purpose 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 as December 31, 2005.

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 Costs

ATFP uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expense totaled \$14,457 for 2005.

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.

Concentration 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, 2005, the ATFP did not exceed the insured amount at any institution.

3. Related Party Transactions

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 month rent is held by the landlord. Rental expense was \$60,600 for 2005.

A Board member has loaned ATFP \$10,000. The loan bears no interest and is repayable on demand.

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

Board of Directors
American Task Force on Palestine

Our report on our audit of the basic financial statements of the **American Task Force on Palestine** for 2005 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.

A handwritten signature in blue ink that reads "Dalal & Company".

Alexandria, Virginia
May 26, 2006

American Task Force on Palestine
Schedule of Functional Expenses

Year Ended December 31, 2005

	Program Services	Support Services		Total Expenses
		General and Administrative	Fundraising	
Salaries	\$ 106,799	\$ 44,500	\$ 26,700	\$ 71,200
Rent	36,360	15,150	9,090	24,240
Special events	8,326	-	-	8,326
Consulting fees	7,275	-	1,819	1,819
Employee benefits	16,988	7,079	4,247	11,326
Advertising	14,457	-	-	14,457
Travel and lodging	24,322	-	-	24,322
Printing and copying	695	278	417	695
Supplies and office expense	9,288	2,654	1,327	3,981
Outreach	11,471	-	-	11,471
Professional fees	-	9,325	-	9,325
Telephone	4,994	2,081	1,248	3,329
Postage	3,850	1,283	1,283	2,567
Fundraising expenses	-	-	7,618	7,618
Payroll taxes	8,297	3,457	2,074	5,532
Internet expense	3,712	1,547	928	2,475
Taxes, licenses and permits	65	22	22	44
Meals and entertainment	2,425	-	-	2,425
Equipment expense	1,200	300	-	300
Depreciation	1,944	486	-	486
Miscellaneous	8,360	1,194	2,388	3,583
Translation	800	-	-	800
Bank and credit card fees	204	611	204	814
Totals	\$ 271,833	\$ 89,966	\$ 59,365	\$ 149,331
				\$ 421,164

See report of independent auditors on supplemental information.