

**Financial Statements
Year Ended
December 31, 2007**

American Task Force on Palestine



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** (a nonprofit organization) as of December 31, 2007, 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, 2007, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 8 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.

Dalal & Company

Alexandria, Virginia
May 21, 2008

American Task Force on Palestine

Statement of Financial Position

December 31, 2007

Assets

Current assets

Cash and cash equivalents	\$ 86,864
Investments	57,039
Accounts receivable	<u>106,954</u>

Total current assets	<u>250,857</u>
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Property and equipment

Furniture, equipment and software	38,069
Less - accumulated depreciation	<u>(21,017)</u>

Property and equipment - net	<u>17,052</u>
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Other assets

Security deposit	<u>5,050</u>
	<u>\$ 272,959</u>

Liabilities and Net Assets

Current liabilities

Line of credit	\$ 50,000
Accounts payable and accrued expenses	<u>13,538</u>

Total current liabilities	<u>63,538</u>
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Net assets

Unrestricted, restated	192,648
Temporarily restricted	<u>16,773</u>

Total net assets	<u>209,421</u>
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	<u>\$ 272,959</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, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Contributions	\$ 394,534	\$ -	\$ 394,534
Palestinian humanitarian appeal	-	114,856	114,856
Special events	17,503	-	17,503
Gala	294,551	-	294,551
Interest income	568	-	568
Net assets released from restriction	117,000	(117,000)	-
Total revenue	<u>824,156</u>	<u>(2,144)</u>	<u>822,012</u>
Expenses			
Program services	614,837	-	614,837
General and administrative	93,597	-	93,597
Fundraising expenses	73,861	-	73,861
Total expenses	<u>782,295</u>	<u>-</u>	<u>782,295</u>
Change in net assets	<u>41,861</u>	<u>(2,144)</u>	<u>39,717</u>
Net assets - beginning of year (as previously reported)	108,840	18,917	127,757
Restatement (See Note 5)	<u>41,947</u>	<u>-</u>	<u>41,947</u>
Net assets - beginning of year (as restated)	<u>150,787</u>	<u>18,917</u>	<u>169,704</u>
Net assets - end of year	<u>\$ 192,648</u>	<u>\$ 16,773</u>	<u>\$ 209,421</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, 2007

Cash flows from operating activities

Change in net assets	\$ 39,717
Adjustments to reconcile to net cash from operating activities:	
Depreciation	4,246
Change in:	
Accounts receivable	(25,462)
Donated investments	(57,039)
Prepaid expense	4,976
Accounts payable and accrued expenses	<u>(32,556)</u>

Net cash from operating activities (66,118)

Cash flows from investing activities

Acquisition of property and equipment	<u>(8,528)</u>
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Net cash from investing activities (8,528)

Cash flows from financing activities

Borrowings on line of credit	<u>50,000</u>
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Net cash from financing activities 50,000

Net change in cash and cash equivalents (24,646)

Cash and cash equivalents - beginning of year 111,510

Cash and cash equivalents - end of year \$ 86,864

Supplemental disclosure of cash flow information

Cash paid for interest	\$ 522
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The accompanying notes are an integral part of these financial statements.

American Task Force on Palestine

Notes to Financial Statements

December 31, 2007

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. Management believes all accounts receivable are collectible, and no provision is required for uncollectible accounts, as of December 31, 2007.

Investments

Investments in marketable securities are reported in the statement of financial position at fair market value. Realized and unrealized gains and losses are included in the statement of activities. Fair value is determined by quoted market price. Realized gains or losses are calculated using specific identification.

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 \$4,246 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.

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 \$986 for 2007.

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.

3. Concentration of Credit Risk

ATFP maintains cash in bank accounts which, at times, may exceed federally insured limits. ATFP has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash. There was no uninsured balance at December 31, 2007.

4. 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 2007.

5. 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 values of these services are not included in the financial statements.

6. Line of Credit

ATFP obtained a one year \$100,000 unsecured line of credit from a bank on August 17, 2007, bearing interest at the bank's prime rate. The balance outstanding on the line of credit was \$50,000 and the bank's prime rate was 7.25% at December 31, 2007. The note is due and payable in consecutive monthly payments of interest only, with principal and accrued interest due on demand. Interest expense was \$522 for the year. The line of credit is guaranteed by a board member.

7. Donated investments

In December 2007, ATFP received shares of stock of a publicly traded company valued at \$57,039 at the date of donation. \$5,000 of this amount was applied to a gala sponsorship, with the balance treated as a contribution. ATFP intends to sell these shares when the market value increases.

8. Restatement

These financial statements were restated to properly include additional expenses for the 2006 Gala which were billed and settled subsequent to year end. As a result, beginning unrestricted net assets decreased by \$38,758.

In January 2008, ATFP's management became aware of certain transactions involving alleged fraud and embezzlement by an employee. The employee allegedly opened a bank account in his name dba ATFP and deposited ATFP contributions to this account. Management identified evidence of such alleged transactions occurring from 2005 through January 2008, totaling \$110,214. A receivable for the amounts due from 2005 through 2007 has been set up as a receivable as of December 31, 2007 in the amount of \$106,954. Of this total, \$26,249 related to 2007 and has been reflected in contributions income and as a receivable as of December 31, 2007. The amounts from 2005 and 2006 have been recorded as a restatement of beginning unrestricted net assets resulting in an increase in the amount of \$80,705. Subsequently, ATFP terminated the employee due to the alleged transactions. This former employee pledged to repay all funds taken from the ATFP, and started to make repayments in 2008.

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American Task Force on Palestine

Schedule of Functional Expenses

Year Ended December 31, 2007

	Program Services	Support Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries	90,205	\$ 37,585	\$ 22,551	\$ 60,136	\$ 150,341
Rent and occupancy	36,666	15,278	9,166	24,444	61,110
Special events	19,474	-	-	-	19,474
Special events - Gala	139,976	-	-	-	139,976
Palestinian humanitarian appeal	117,000	-	-	-	117,000
Consulting fees	76,774	-	19,193	19,193	95,967
Employee benefits	22,649	9,437	5,662	15,099	37,748
Advertising	986	-	-	-	986
Travel and lodging	51,636	-	-	-	51,636
Supplies and office expense	11,038	3,153	1,577	4,730	15,768
Outreach	17,840	-	-	-	17,840
Professional fees	-	15,230	-	15,230	15,230
Telephone	6,251	2,604	1,563	4,167	10,418
Postage	5,758	1,920	1,920	3,840	9,598
Fundraising	-	-	8,555	8,555	8,555
Payroll taxes	7,666	3,194	1,916	5,110	12,776
Internet	3,581	1,493	896	2,389	5,970
Taxes, licenses and permits	319	107	107	214	533
Equipment expense	1,389	347	-	347	1,736
Depreciation	3,397	849	-	849	4,246
Intern stipend	1,088	-	-	-	1,088
Software	114	38	38	76	190
Interest	-	522	-	522	522
Miscellaneous	438	62	125	187	625
Bank and credit card fees	592	1,778	592	2,370	2,962
Totals	\$ 614,837	\$ 93,597	\$ 73,861	\$ 167,458	\$ 782,295

See report of independent auditors.