

**Financial Statements
Year Ended
December 31, 2008**

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, 2008, 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, 2008, and the changes in its nets 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 9 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 29, 2009

American Task Force on Palestine

Statement of Financial Position

December 31, 2008

Assets

Current assets

Cash and cash equivalents	\$ 178,653
Investments	36,600
Accounts receivable	31,995
Prepaid expense	<u>19,000</u>

Total current assets	<u>266,248</u>
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Property and equipment

Furniture, equipment and software	60,429
Less - accumulated depreciation	<u>(28,002)</u>

Property and equipment - net	<u>32,427</u>
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Other assets

Security deposit	<u>5,050</u>
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<u>\$ 303,725</u>

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 389
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Net assets

Unrestricted	<u>303,336</u>
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<u>\$ 303,725</u>

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

American Task Force on Palestine

Statement of Activities

Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Revenue			
Contributions	\$ 347,656	\$ -	\$ 347,656
Special events	16,749	-	16,749
Gala	509,342	-	509,342
Investment income, net	(19,949)	-	(19,949)
Net assets released from restriction	16,773	(16,773)	-
Total revenue	870,571	(16,773)	853,798
Expenses			
Program services	588,577	-	588,577
General and administrative	94,118	-	94,118
Fundraising expenses	77,188	-	77,188
Total expenses	759,883	-	759,883
Change in net assets	110,688	(16,773)	93,915
Net assets - beginning of year	192,648	16,773	209,421
Net assets - end of year	\$ 303,336	\$ -	\$ 303,336

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

American Task Force on Palestine

Statement of Cash Flows

Year Ended December 31, 2008

Cash flows from operating activities

Change in net assets	\$ 93,915
Adjustments to reconcile to net cash from operating activities:	
Depreciation	6,985
Unrealized loss on investments	20,439
Change in:	
Accounts receivable	74,959
Prepaid expense	(19,000)
Accounts payable and accrued expenses	<u>(13,149)</u>

Net cash from operating activities 164,149

Cash flows from investing activities

Acquisition of property and equipment	(22,360)
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Cash flows from financing activities

Repayment of line of credit	<u>(50,000)</u>
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Net change in cash and cash equivalents 91,789

Cash and cash equivalents - beginning of year 86,864

Cash and cash equivalents - end of year \$ 178,653

Supplemental disclosure of cash flow information

Cash paid for interest	\$ 2,872
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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, 2008

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, 2008.

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. There was no depreciation expense 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 \$184 for 2008.

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, 2008.

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 2008.

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 has a \$100,000 unsecured line of credit from a bank, bearing interest at the bank's prime rate, expiring August 17, 2009, which is expected to be renewed. There was no balance outstanding on the line of credit at December 31, 2008. The note is due and payable in consecutive monthly payments of interest only, with principal and accrued interest due on demand. Interest expense was \$2,872 for the year. The line of credit is guaranteed by a former board member.

7. Fair Value Measurement

Effective January 1, 2008, ATFP adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* (SFAS 157), for reporting financial assets and liabilities at fair value. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

SFAS 157 establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements:

Level 1 – quoted prices in active market for identical assets or liabilities as of the reporting date;

Level 2 – quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves);

Level 3 – uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

The table below summarizes investments, by level, for items measured at fair value on a recurring basis at December 31, 2008:

	<u>Basis</u>	<u>Level 1</u>
Equity securities	<u>\$57,039</u>	<u>\$36,600</u>

Investment return consisted of the following at December 31, 2008:

Unrealized loss	\$(20,439)
Interest income	<u>490</u>
	<u><u>\$(19,949)</u></u>

8. Other matters

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. During 2008, the employee repaid \$78,219 leaving a balance of \$31,995 at December 31, 2008. Additional payments have been received in 2009, and management believes that the former employee intends to repay the amount due in full.

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American Task Force on Palestine

Schedule of Functional Expenses

Year Ended December 31, 2008

	Program Services	Support Services			Total	Total Expenses
		General and Administrative	Fundraising			
Salaries	86,581	\$ 36,075	\$ 21,645	\$	57,720	\$ 144,301
Rent and occupancy	36,728	15,303	9,182		24,485	61,213
Special events	31,007	-	-		-	31,007
Special events - Gala	197,083	-	-		-	197,083
OLPC Training	9,901	-	-		-	9,901
Consulting fees	127,200	-	31,800		31,800	159,000
Employee benefits	23,084	9,618	5,771		15,389	38,473
Advertising	184	-	-		-	184
Travel and lodging	28,542	-	-		-	28,542
Supplies and office expense	7,678	2,193	1,097		3,290	10,968
Outreach	12,896	-	-		-	12,896
Professional fees	-	16,235	-		16,235	16,235
Telephone	5,750	2,396	1,438		3,834	9,584
Postage	1,020	340	340		680	1,700
Fundraising	-	-	2,042		2,042	2,042
Payroll taxes	7,599	3,166	1,900		5,066	12,665
Internet	3,703	1,543	926		2,469	6,172
Taxes, licenses and permits	322	107	108		215	537
Equipment expense	95	24	-		24	119
Depreciation	5,588	1,397	-		1,397	6,985
Interest	-	2,872	-		2,872	2,872
Miscellaneous	2,666	-	(11)		(11)	2,655
Bank and credit card fees	950	2,849	950		3,799	4,749
Totals	\$ 588,577	\$ 94,118	\$ 77,188	\$	171,306	\$ 759,883

See report of independent auditors.