

**Financial Statements
Year Ended
December 31, 2009**

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, 2009, 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, 2009, 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 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
March 24, 2010

American Task Force on Palestine

Statement of Financial Position

December 31, 2009

Assets

Current assets

Cash and cash equivalents	\$ 254,446
Investments	33,685
Accounts receivable	16,995
Prepaid expense	27,981
Lease incentive asset	15,245

Total current assets 348,353

Property and equipment

Furniture, equipment and software	64,023
Less - accumulated depreciation	<u>(32,555)</u>

Property and equipment - net 31,468

Other assets

Security deposit	9,981
Lease incentive asset	<u>5,128</u>

Total other assets 15,109

\$ 394,929

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 14,091
Deferred revenue	100,000
Deferred sublease revenue	1,500
Deferred rent abatement	<u>6,071</u>

Total current liabilities 121,662

Long-term liabilities

Deferred rent liability	<u>23,777</u>
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Total liabilities 145,439

Net assets

Unrestricted	<u>249,490</u>
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\$ 394,929

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

American Task Force on Palestine

Statement of Activities

Year Ended December 31, 2009

	<u>Unrestricted</u>
Revenue	
Contributions	\$ 92,023
Special events	1,594
Gala	623,055
Investment income, net	<u>(2,490)</u>
Total revenue	<u>714,182</u>
Expenses	
Program services	549,241
General and administrative	136,199
Fundraising expenses	<u>82,588</u>
Total expenses	<u>768,028</u>
Change in net assets	(53,846)
Net assets - beginning of year	<u>303,336</u>
Net assets - end of year	<u>\$ 249,490</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, 2009

Cash flows from operating activities

Change in net assets	\$ (53,846)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	9,678
Unrealized loss on investments	2,915
Loss on disposal of property and equipment	217
Change in:	
Accounts receivable	15,000
Prepaid expense	(8,981)
Lease incentive asset	(20,373)
Security deposit	(4,931)
Accounts payable and accrued expenses	13,702
Deferred revenue	100,000
Deferred sublease revenue	1,500
Deferred rent abatement	29,848

Net cash from operating activities

84,729

Cash flows from investing activities

Acquisition of property and equipment	(8,936)
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Net change in cash and cash equivalents

75,793

Cash and cash equivalents - beginning of year

178,653

Cash and cash equivalents - end of year

\$ 254,446

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

American Task Force on Palestine

Notes to Financial Statements

December 31, 2009

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 and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

ATFP receives contributions from the general public. Unless specifically restricted by the donor, all contributions are considered to be available for general use.

ATFP classifies its resources for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions. The financial statements report separately by class of net assets as follows:

Unrestricted net assets include revenue and expenses associated with the principal mission of ATFP that are not restricted by donor stipulation.

Unrestricted board designated amounts are those designated for specific purpose determined by the board of directors. There were no unrestricted board designated amounts at December 31, 2009.

Temporarily restricted net assets are grants or gifts which have been 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. There were no temporarily restricted net assets at December 31, 2009.

Permanently restricted net assets are grants or gifts that require, by donor restriction, that the corpus be invested in perpetuity, and only the income is available for program operations in accordance with donor restriction. ATFP has no permanently restricted net assets.

In preparing these financial statements, ATFP has evaluated events and transactions for potential recognition or disclosure through March 24, 2010, the date the financial statements were available to be issued.

Estimates

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

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.

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, 2009.

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 \$9,678 for 2009.

Income Taxes

ATFP is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, except on unrelated business income. The Organization had no unrelated business income during 2009. The District of Columbia has 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. There were no advertising expenses for 2009.

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, 2009.

4. Related Party Transactions

Until November, 2009, ATFP sub-leased office space under a verbal, month-to-month agreement from a member of the Board of Directors and President of ATFP. Rent was \$5,050 per month, and increased to \$6,550 per month in March. The security deposit of one month's rent was returned by the landlord when the sub-lease agreement ended. Rental expense paid to the related party was \$69,050 for 2009.

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

During July 2009, ATFP renewed a \$100,000 unsecured line of credit from a bank, bearing interest at greater of the bank's prime rate plus 1.25% or the floor rate (5%). The line of credit will expire on August 17, 2010. There was no balance outstanding on the line of credit at December 31, 2009. The note is due and payable in consecutive monthly payments of interest only, with principal and accrued interest due on demand. The line of credit is guaranteed by a former board member. The interest rate for the line of credit which expired August 17, 2009 was at the bank's prime rate. There was no use of the line of credit, or interest expense thereon, during 2009.

7. Fair Value Measurement

Accounting standards require reporting financial assets and liabilities at fair value. Fair value is defined 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.

Accounting standards establish 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, 2009:

	<u>Basis</u>	<u>Level 1</u>
Equity securities	<u>\$57,039</u>	<u>\$33,685</u>

Investment return consisted of the following at December 31, 2009:

Unrealized loss	\$(2,915)
Interest income	<u>425</u>
	<u>\$(2,490)</u>

8. Lease Commitments

On December 1, 2009, ATFP moved to new leased office space under a five-year agreement that expires December 1, 2014. The lease provides for a base annual rent of \$119,768 with provisions for annual rent escalations, and additional charges that may include real estate taxes and operating expenses. The landlord provided a \$30,354 total lease incentive in the form of a deferred rent abatement, which is being accreted over five years and is included as a reduction in rent expense. The abatement of the lease incentive asset is as follows: \$9,981 in 2009, \$15,245 in 2010 and \$5,128 in 2011.

The total minimum rental commitment for the lease as of December 31, 2009, is due in future years as follows:

2010	\$115,052
2011	107,961
2012	126,736
2013	130,221
2014	<u>122,371</u>
	<u>\$602,341</u>

Total office rent expense, including rent paid to related parties, and accretion was \$78,525. This rent expense was offset by sublease income of \$4,250 from three tenants under month-to-month agreements. One of these three sub-lease tenants is an organization that shares common board members with ATFP.

9. Deferred Revenue

During 2009, ATFP received a \$100,000 grant disbursement from HHS, which is shown as deferred revenue on the statement of financial position. The award is to be used to promote values of moderation, pragmatism and peace.

10. 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 and 2009, the employee has repaid \$93,219 leaving a balance of \$16,995 at December 31, 2009. 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, 2009

	Program Services	Support Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries	\$ 161,579	\$ 67,325	\$ 40,395	\$ 107,720	\$ 269,299
Rent and occupancy	47,793	19,914	11,948	31,862	79,655
Special events	3,710	-	-	-	3,710
Special events - Gala	159,080	-	-	-	159,080
Consulting fees	39,280	-	9,820	9,820	49,100
Employee benefits	20,731	8,638	5,182	13,820	34,551
Travel and lodging	27,816	-	-	-	27,816
Supplies and office expense	13,659	3,903	1,951	5,854	19,513
Outreach	18,462	-	-	-	18,462
Professional fees	-	18,170	-	18,170	18,170
Telephone	4,283	1,784	1,071	2,855	7,138
Postage	3,104	1,034	1,035	2,069	5,173
Fundraising	-	-	1,403	1,403	1,403
Payroll taxes	12,938	5,390	3,235	8,625	21,563
Internet	4,396	1,832	1,099	2,931	7,327
Taxes, licenses and permits	210	70	70	140	350
Depreciation	7,742	1,936	-	1,936	9,678
Software	828	276	276	552	1,380
Contributions	15,000	-	-	-	15,000
Miscellaneous	6,656	2,663	3,993	6,656	13,312
Bank and credit card fees	1,061	3,184	1,061	4,245	5,306
Business Insurance	196	80	49	129	325
Seminars	500	-	-	-	500
Loss of disposal of assets	217	-	-	-	217
Totals	\$ 549,241	\$ 136,199	\$ 82,588	\$ 218,787	\$ 768,028

See report of independent auditors.