Financial Statements
Year Ended
December 31, 2010

American Task Force on Palestine

Dalal & Company
Certified Public Accountants

American Task Force on Palestine

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Dalal & Company
Certified Public Accountants

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, 2010, 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, 2010, 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 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dalal & Company

Alexandria, Virginia
August 9, 2011

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American Task Force on Palestine

Statement of Financial Position

December 31, 2010

Assets	
Current assets	
Cash and cash equivalents	$ 306,235
Investments	37,304
Accounts receivable	16,885
Lease incentive asset	5,128
Total current assets	365,552
Property and equipment	
Furniture, equipment and software	66,036
Less - accumulated depreciation	(42,063)
Property and equipment - net	23,973
Other assets	
Security deposit	9,981
Total other assets	9,981
	$ 399,506
Liabilites and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	$ 9,812
Deferred sublease revenue	750
Deferred rent abatement	6,071
Total current liabilities	16,633
Long-term liabilities	
Deferred rent liability	17,706
Total long-term liabilities	17,706
Total liabilities	34,339
Net assets	
Unrestricted	365,167
	$ 399,506

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

American Task Force on Palestine

Statement of Activities

Year Ended December 31, 2010

Revenue	
Contributions	$ 319,456
Special events	2,987
Gala	538,038
Investment income, net	4,622
Grant	100,000
Total revenue	965,103
Expenses	
Program services	643,573
General and administrative	130,357
Fundraising expenses	75,496
Total expenses	849,426
Change in net assets	115,677
Net assets, unrestricted - beginning of year	249,490
Net assets, unrestricted - end of year	$ 365,167

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

American Task Force on Palestine

Statement of Cash Flows

Year Ended December 31, 2010

Cash flows from operating activities	
Change in net assets	$ 115,677
Adjustments to reconcile to net cash from operating activities:	
Depreciation	9,508
Unrealized loss on investments	(3,619)
Change in:	
Accounts receivable	110
Prepaid expense	27,981
Lease incentive asset	15,245
Accounts payable and accrued expenses	(4,279)
Deferred revenue	(100,000)
Deferred sublease revenue	(750)
Deferred rent abatement	(6,071)
Net cash from operating activities	53,802
Cash flows from investing activities	
Acquisition of property and equipment	(2,013)
Net change in cash and cash equivalents	51,789
Cash and cash equivalents - beginning of year	254,446
Cash and cash equivalents - end of year	$ 306,235

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

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 August 9, 2011, 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, 2010.

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 $9,508 for 2010.

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 2010. 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. Advertising expenses were $8,108 for 2010.

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. The uninsured balance at December 31, 2010 was $9,434.

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

5. 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, 2010:

	Basis	Level 1
Equity securities	$57,317	$37,304

Investment return consisted of the following at December 31, 2010:

Unrealized gain	$3,342
Interest income	1,280
	$4,622

6. 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, 2010, is due in future years as follows:

2011	$ 118,216
2012	126,736
2013	130,221
2014	122,371
	$497,544

Office rent expense, including accretion was $113,972. This rent expense was offset by sublease income of $51,000 from three tenants under month-to month agreements. One of these three sub-lease tenants is an organization that shares a common board member with ATFP.

7. Grant Income

During 2009, ATFP received a $100,000 grant disbursement from HHS. The award was to be used to promote values of moderation, pragmatism and peace. During 2010, ATFP held a conference in Dubai to satisfy this grant.

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 through 2010 the employee has repaid $93,329 leaving a balance of $16,885 at December 31, 2010. 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, 2010

	Program Services	Support Services: General and Administrative	Support Services: Fundraising	Support Services: Total	Total Expenses
Salaries	$ 172,561	$ 71,900	$ 43,140	$ 115,040	$ 287,601
Rent and occupancy	38,134	15,889	9,533	25,422	63,556
Special events	11,414	-	-	-	11,414
Special events - Gala	171,125	-	-	-	171,125
Dubai conference	100,000	-	-	-	100,000
Consulting fees	14,760	-	3,690	3,690	18,450
Employee benefits	21,656	9,023	5,414	14,437	36,093
Advertising	8,108	-	-	-	8,108
Travel and lodging	23,085	-	-	-	23,085
Supplies and office expense	8,925	2,550	1,275	3,825	12,750
Outreach	18,784	-	-	-	18,784
Professional fees	-	13,110	-	13,110	13,110
Telephone	4,846	2,019	1,212	3,231	8,077
Postage	1,964	654	654	1,308	3,272
Printing and copying	1,748	699	1,049	1,748	3,496
Payroll taxes	14,899	6,208	3,725	9,933	24,832
Internet	6,356	2,648	1,589	4,237	10,593
Taxes, licenses and permits	45	15	15	30	75
State registrations	-	-	2,743	2,743	2,743
Meals and entertainment	81	-	-	-	81
Equipment expense	169	42	-	42	211
Depreciation	7,606	1,902	-	1,902	9,508
Software	323	107	107	214	537
Contributions	5,000	-	-	-	5,000
Miscellaneous	450	64	128	192	642
Bank and credit card fees	1,118	3,353	1,118	4,471	5,589
Business Insurance	416	174	104	278	694
Grant	10,000	-	-	-	10,000
	$ 643,573	$ 130,357	$ 75,496	$ 205,853	$ 849,426

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