

**Financial Statements
Year Ended
December 31, 2012**

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 financial statements of **American Task Force on Palestine** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **American Task Force on Palestine** as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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
December 17, 2013

American Task Force on Palestine

Statement of Financial Position

December 31, 2012

Assets	
Current assets	
Cash and cash equivalents	\$ 9,448
Accounts receivable	25,697
Total current assets	<u>35,145</u>
Property and equipment	
Furniture, equipment and software	66,961
Less - accumulated depreciation	(57,006)
Property and equipment - net	<u>9,955</u>
Other assets	
Security deposit	9,981
Total other assets	<u>9,981</u>
	<u>\$ 55,081</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 774
Deferred rent abatement	6,070
Total current liabilities	<u>6,844</u>
Long-term liabilities	
Deferred rent abatement	5,566
Total long-term liabilities	<u>5,566</u>
Total liabilities	<u>12,410</u>
Net assets	
Unrestricted	42,671
Total net assets	<u>42,671</u>
	<u>\$ 55,081</u>

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

American Task Force on Palestine

Statement of Activities

Year Ended December 31, 2012

Revenue

Contributions	\$ 300,960
Special events	181
Interest income	52

Total revenue	<u>301,193</u>
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Expenses

Program services	301,752
General and administrative	58,244
Fundraising expenses	38,159

Total expenses	<u>398,155</u>
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Change in net assets	(96,962)
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Net assets, unrestricted - beginning of year	<u>139,633</u>
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Net assets, unrestricted - end of year	<u>\$ 42,671</u>
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The accompanying notes are an integral part of these financial statements.

American Task Force on Palestine

Statement of Cash Flows

Year Ended December 31, 2012

Cash flows from operating activities

Change in net assets	\$ (96,962)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	8,970
Change in:	
Accounts receivable	(9,105)
Accounts payable and accrued expenses	(282)
Deferred rent abatement	<u>(6,070)</u>

Net cash from operating activities (103,449)

Cash flows from investing activities

Acquisition of property and equipment	<u>(1,179)</u>
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Net change in cash and cash equivalents (104,628)

Cash and cash equivalents - beginning of year 114,076

Cash and cash equivalents - end of year \$ 9,448

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

American Task Force on Palestine

Notes to Financial Statements

December 31, 2012

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, 2012.

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, 2012.

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 December 17, 2013, 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, 2012.

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 \$8,970 for 2012.

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. ATFP had no unrelated business income during 2012. The District of Columbia has recognized ATFP's tax-exempt status. The Association believes that it has support for any tax position taken and, therefore, does not have any uncertain tax positions that are material to the financial statements. At a minimum, the December 31, 2009 through 2012 tax years are open for examination by taxing authorities.

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 \$821 for 2012.

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, 2012.

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. Related Parties

Board members donated \$117,500 to ATFP during the year. Consulting fees paid to employees totaled \$33,750 during the year.

6. Lease Commitments

ATFP leases 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 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 total minimum rental commitment for the lease as of December 31, 2012, is due in future years as follows:

2013	\$ 130,221
2014	<u>122,371</u>
	<u>\$252,592</u>

Office rent expense, including accretion was \$120,883. This rent expense was offset by sublease income of \$42,000 from two tenants under month-to month agreements. One of these three sublease tenants is an organization that shares a common board member with ATFP.

7. 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 2012 the employee has repaid \$96,002 leaving a balance of \$14,212 at December 31, 2012, which is included in accounts receivable on the statement of financial position. Management believes that the former employee intends to repay the amount due in full.

8. Subsequent Events

ATFP held its Gala in October 2013. This event did not take place in 2012.

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American Task Force on Palestine

Schedule of Functional Expenses

Year Ended December 31, 2012

	Program Services	Support Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries	\$ 124,812	\$ 24,962	\$ 16,642	\$ 41,604	\$ 166,416
Payroll taxes	10,362	2,072	1,382	3,454	13,816
Employee benefits	22,832	4,566	3,044	7,610	30,442
Consulting fees	31,211	3,901	3,901	7,802	39,013
Rent and occupancy	59,643	11,928	7,952	19,880	79,523
Special events	7,239	-	-	-	7,239
Advertising	821	-	-	-	821
Travel and lodging	6,488	-	-	-	6,488
Supplies and office expense	8,285	2,367	1,183	3,550	11,835
Outreach	9,346	-	-	-	9,346
Professional fees	-	1,750	-	1,750	1,750
Telephone	3,349	1,395	837	2,232	5,581
Postage	632	211	211	422	1,054
Printing and copying	1,526	610	916	1,526	3,052
Internet	5,359	2,233	1,339	3,572	8,931
Taxes, licenses and permits	98	20	13	33	131
State registrations	-	-	460	460	460
Equipment expense	66	17	-	17	83
Depreciation	7,176	1,794	-	1,794	8,970
Intern stipend	415	-	-	-	415
Miscellaneous	6	1	1	2	8
Bank and credit card fees	2,086	417	278	695	2,781
	\$ 301,752	\$ 58,244	\$ 38,159	\$ 96,403	\$ 398,155

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