

UNRWA USA NATIONAL COMMITTEE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2017

UNRWA USA NATIONAL COMMITTEE, INC.

Table of Contents

December 31, 2017

Table of Contents

Independent Auditors' Report..... 1 - 2

Financial Statements

Statement of Financial Position..... 3

Statement of Activities..... 4

Statement of Functional Expenses..... 5

Statement of Cash Flows..... 6

Notes to Financial Statements..... 7 - 10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
UNRWA USA National Committee, Inc.

We have audited the accompanying financial statements of UNRWA USA National Committee, Inc. (the Organization), which comprise of the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses 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.

Auditors' 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 auditors' 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 auditors consider 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 UNRWA USA National Committee, Inc. as of December 31, 2017, 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.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
August 9, 2019

UNRWA USA NATIONAL COMMITTEE, INC.

Statement of Financial Position

December 31, 2017

Assets

| | | |
|-----------------------------|----|--------------|
| Cash | \$ | 107,608 |
| Prepaid expenses | | 3,294 |
| Property and equipment, net | | <u>2,005</u> |

Total assets \$ 112,907

Liabilities and Net Assets

Liabilities

| | | |
|---------------------------------------|--|---------------|
| Accounts payable and accrued expenses | | <u>46,111</u> |
|---------------------------------------|--|---------------|

Total Liabilities 46,111

Net Assets

| | | |
|------------------------|--|---------------|
| Unrestricted | | (8,204) |
| Temporarily restricted | | <u>75,000</u> |

Total net assets 66,796

Total liabilities and net assets \$ 112,907

UNRWA USA NATIONAL COMMITTEE, INC.

Statement of Activities

Year Ended December 31, 2017

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|------------------|
| Revenue and Support | | | |
| Contributions | \$ 2,503,688 | \$ 5,000 | \$ 2,508,688 |
| Grants | 415,047 | 70,000 | 485,047 |
| Interest income | 87 | - | 87 |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restrictions | 50,199 | (50,199) | - |
| Total revenue and support | <u>2,969,021</u> | <u>24,801</u> | <u>2,993,822</u> |
| Expenses | | | |
| Program services: | | | |
| UNRWA support and public awareness campaigns | 2,550,624 | - | 2,550,624 |
| Events | 71,978 | - | 71,978 |
| Total program services | <u>2,622,602</u> | <u>-</u> | <u>2,622,602</u> |
| Supporting services: | | | |
| General and administrative | 203,603 | - | 203,603 |
| Fundraising | 119,151 | - | 119,151 |
| Total supporting services | <u>322,754</u> | <u>-</u> | <u>322,754</u> |
| Total expenses | <u>2,945,356</u> | <u>-</u> | <u>2,945,356</u> |
| Change in Net Assets | 23,665 | 24,801 | 48,466 |
| Net Assets, beginning of year | <u>(31,869)</u> | <u>50,199</u> | <u>18,330</u> |
| Net Assets, end of year | <u>\$ (8,204)</u> | <u>\$ 75,000</u> | <u>\$ 66,796</u> |

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Functional Expenses
Year Ended December 31, 2017

| | Program Services | | | Supporting Services | | | |
|-----------------------------|--|------------------|------------------------------|-------------------------------|-------------------|---------------------------------|---------------------|
| | UNRWA Support and Public Awareness Campaigns | Events | Total Program Services | General and Administrative | Fundraising | Total Supporting Services | Total |
| Grants | \$ 2,156,829 | \$ - | \$ 2,156,829 | \$ - | \$ - | \$ - | \$ 2,156,829 |
| Salaries and benefits | 257,961 | - | 257,961 | 155,010 | 103,185 | 258,195 | 516,156 |
| Occupancy | 27,782 | - | 27,782 | 13,867 | 13,874 | 27,741 | 55,523 |
| Contract services | 13,763 | 37,590 | 51,353 | 707 | - | 707 | 52,060 |
| Marketing and advertisement | 41,805 | 2,104 | 43,909 | 2,815 | 1,560 | 4,375 | 48,284 |
| Travel | 11,523 | 13,165 | 24,688 | 187 | 427 | 614 | 25,302 |
| Postage and direct mail | 21,504 | 1,102 | 22,606 | 922 | - | 922 | 23,528 |
| Cultivation and stewardship | 6,416 | 6,186 | 12,602 | - | - | - | 12,602 |
| Permitting | - | 7,911 | 7,911 | - | - | - | 7,911 |
| Supplies | 224 | 3,266 | 3,490 | 1,180 | - | 1,180 | 4,670 |
| Professional fees | - | - | - | 770 | - | 770 | 770 |
| Other operating expenses | 12,817 | 654 | 13,471 | 28,145 | 105 | 28,250 | 41,721 |
| Total Expenses | \$ 2,550,624 | \$ 71,978 | \$ 2,622,602 | \$ 203,603 | \$ 119,151 | \$ 322,754 | \$ 2,945,356 |

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.

Statement of Cash Flows

Year Ended December 31, 2017

| | |
|---|-------------------|
| Cash Flows from Operating Activities | |
| Change in net assets | \$ 48,466 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 118 |
| Change in operating assets and liabilities: | |
| Prepaid expenses | (3,294) |
| Accounts payable and accrued expenses | <u>(3,345)</u> |
| Net cash provided by operating activities | <u>41,945</u> |
| Cash Flows from Investing Activities | |
| Purchase of property and equipment | <u>(2,123)</u> |
| Net cash used in investing activities | <u>(2,123)</u> |
| Net Increase in Cash | 39,822 |
| Cash, beginning of year | <u>67,786</u> |
| Cash, end of year | <u>\$ 107,608</u> |

See accompanying notes

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2017

1. Nature of Operations

The UNRWA USA National Committee, Inc. (the Organization) is a non-profit organization organized under the laws of New York whose main purpose is to provide support to United Nations Relief and Works Agency (UNRWA). The Organization's activities are primarily supported through contributions and grants.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Property and Equipment

Property and equipment over \$500 with a projected useful life exceeding one year are capitalized and recorded at cost or fair value at date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance are expensed when incurred.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time.

Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Revenue from all other sources is recognized when earned.

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 requires the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a nonprofit organization classified its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Organization for annual reporting periods beginning after December 31, 2018. Management is currently evaluating the impact of ASU 2018-08 on the Organization's financial statements.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2017

2. Summary of Significant Accounting Policies (continued)

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 and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Property and Equipment

The Organization held the following property and equipment at December 31, 2017:

| | | |
|--------------------------------|----|--------------|
| Equipment | \$ | 2,123 |
| Less: accumulated depreciation | | <u>(118)</u> |
| Property and equipment, net | \$ | <u>2,005</u> |

Depreciation expense for the year ended December 31, 2017 was \$118.

4. Lease

The Organization currently leases its office space under a month to month operating agreement. Rent expense was \$55,523 for the year ended December 31, 2017 and is included in occupancy in the accompanying statement of functional expenses.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2017:

| | | |
|---|----|---------------|
| Shelter repair (emergency assistance) | \$ | 70,000 |
| Mental health program | | <u>5,000</u> |
| Total temporarily restricted net assets | \$ | <u>75,000</u> |

6. Related Party Transactions

The Organization has an agreement with UNRWA that the Organization is required to send at least 75% of all individual giving campaign donations to UNRWA humanitarian programs in the Middle East and 100% of all contributions received through grants. During the year ended December 31, 2017, the total transfer amount to UNRWA was \$2,156,829 and is included in grants in the accompanying statement of functional expenses.

7. Retirement Plan

The Organization maintains a 401(k) plan (the Plan) for participating employees by matching their contribution. The Organization contributes a matching amount equal to 4% of an employee's gross earning after one full year of service. The employer contribution to the Plan was \$13,094 during the year ended December 31, 2017 and is included in salaries and benefits in the accompanying statement of functional expenses.

8. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. The Organization did not have any material unrelated business income tax liability for the year ended December 31, 2017.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2017 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. At December 31, 2017, the statute of limitations for tax years ended December 31, 2014 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

9. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 9, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.