

UNRWA USA NATIONAL COMMITTEE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2018

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 - 12

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
March 27, 2020

UNRWA USA NATIONAL COMMITTEE, INC.

Statement of Financial Position

December 31, 2018

Assets

Cash and cash equivalents	\$ 119,076
Grants and contributions receivable	84,282
Prepaid expenses and other assets	12,006
Property and equipment, net	<u>2,670</u>

Total assets \$ 218,034

Liabilities and Net Assets**Liabilities**

Accounts payable and accrued expenses	15,206
Accrued vacation	<u>33,072</u>

Total liabilities 48,278

Net Assets

Without donor restrictions	<u>169,756</u>
----------------------------	----------------

Total net assets 169,756

Total liabilities and net assets \$ 218,034

UNRWA USA NATIONAL COMMITTEE, INC.

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 3,914,876	\$ -	\$ 3,914,876
Grants	585,097	-	585,097
Other income	922	-	922
Net assets released from restrictions:			
Satisfaction of purpose restrictions	75,000	(75,000)	-
Total revenue and support	4,575,895	(75,000)	4,500,895
Expenses			
Program services:			
Urgent assistance	1,916,579	-	1,916,579
Food assistance	1,064,924	-	1,064,924
Mental health	744,963	-	744,963
Other programs	338,407	-	338,407
Total program services	4,064,873	-	4,064,873
Supporting services:			
General and administrative	270,408	-	270,408
Fundraising	62,654	-	62,654
Total supporting services	333,062	-	333,062
Total expenses	4,397,935	-	4,397,935
Change in Net Assets	177,960	(75,000)	102,960
Net Assets, beginning of year	(8,204)	75,000	66,796
Net Assets, end of year	\$ 169,756	\$ -	\$ 169,756

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total
	Urgent Assistance	Food Assistance	Mental Health	Other Programs		General and Administrative	Fundraising		
Grants	\$ 1,776,700	\$ 914,055	\$ 619,281	\$ 214,545	\$ 3,524,581	\$ -	\$ -	\$ -	\$ 3,524,581
Salaries and benefits	106,138	112,187	75,523	59,643	353,491	160,264	44,686	204,950	558,441
Office rent	-	-	-	30,050	30,050	16,996	15,025	32,021	62,071
Marketing and advertisement	30,606	9,898	681	15,594	56,779	1,688	1,820	3,508	60,287
Contract services	227	15,969	38,980	175	55,351	140	-	140	55,491
Credit card fees	-	-	-	-	-	39,105	-	39,105	39,105
Accounting	-	-	-	-	-	20,366	-	20,366	20,366
Travel	211	3,105	7,913	7,745	18,974	181	253	434	19,408
Supplies	-	6,850	1,051	181	8,082	1,777	-	1,777	9,859
Cultivation and stewardship	2,692	2,860	1,286	576	7,414	1,172	501	1,673	9,087
Payroll fees	-	-	-	83	83	6,961	-	6,961	7,044
Insurance	-	-	-	1,156	1,156	3,968	-	3,968	5,124
Technology	-	-	-	2,628	2,628	9,776	-	9,776	12,404
Professional development	-	-	-	533	533	3,650	-	3,650	4,183
Phone	-	-	-	858	858	1,647	369	2,016	2,874
Depreciation	-	-	-	107	107	962	-	962	1,069
Other expenses	5	-	248	4,533	4,786	1,755	-	1,755	6,541
Total Expenses	<u>\$ 1,916,579</u>	<u>\$ 1,064,924</u>	<u>\$ 744,963</u>	<u>\$ 338,407</u>	<u>\$ 4,064,873</u>	<u>\$ 270,408</u>	<u>\$ 62,654</u>	<u>\$ 333,062</u>	<u>\$ 4,397,935</u>

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.

Statement of Cash Flows

Year Ended December 31, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ 102,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,069
Change in operating assets and liabilities:	
Grants and contributions receivable	(84,282)
Prepaid expenses and other assets	(8,712)
Accounts payable and accrued expenses	(1,855)
Accrued vacation	<u>4,022</u>
Net cash provided by operating activities	<u>13,202</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(1,734)</u>
Net cash used in investing activities	<u>(1,734)</u>
Net Increase in Cash and Cash Equivalents	11,468
Cash and cash equivalents, beginning of year	<u>107,608</u>
Cash and cash equivalents, end of year	<u>\$ 119,076</u>

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2018

1. Nature of Operations

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.

Cash and Cash Equivalents

Cash and cash equivalents include money market accounts and all highly liquid investments with initial maturities of three months or less.

Grants and Contributions Receivable

Grants and contributions receivable represent amounts due from the Organization's various donors at December 31, 2018. There was no allowance for doubtful accounts recorded as the entire balance has been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

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

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- *Net Assets With Donor Restrictions* represent funds subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no net assets with donor restrictions at December 31, 2018.

Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses represents expenses by function and natural classification. The Organization incurs expense that directly related to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management based on the distribution of labor or estimates of time and effort incurred by personnel. Expenses allocated include salaries and benefits and office rent.

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.

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Principles

Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization’s net assets previously reported as restricted are now reported as net assets with donor restrictions. The Organization did not have any permanently restricted net assets.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued 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, 2020. Management is currently evaluating the impact of ASU 2016-02 on the Organization’s financial statements.

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements (continued)

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 annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2018-08 on the Organization's financial statements.

3. Property and Equipment

The Organization held the following property and equipment at December 31, 2018:

Equipment	\$	3,857
Less: accumulated depreciation		<u>(1,187)</u>
Property and equipment, net	\$	<u>2,670</u>

Depreciation expense for the year ended December 31, 2018 was \$1,069.

4. Lease

The Organization currently leases its office space under a month to month operating agreement. Rent expense was \$62,071 for the year ended December 31, 2018 and is included in office rent in the accompanying statement of functional expenses.

5. 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, 2018, the total transfer amount to UNRWA was \$3,524,581 and is included in grants in the accompanying statement of functional expenses.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2018

6. 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 \$14,126 during the year ended December 31, 2018 and is included in salaries and benefits in the accompanying statement of functional expenses.

7. Net Assets With Donor Restrictions

During the year ended December 31, 2018, releases from net assets with donor restrictions were for the following:

Subject to expenditures for specific purposes:	
Shelter repair (emergency assistance)	\$ 70,000
Mental health program	<u>5,000</u>
Total net assets released from donor restrictions	<u>\$ 75,000</u>

8. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year:

Cash and cash equivalents	\$ 119,076
Grants and contributions receivable	<u>84,282</u>
Total financial assets	<u>203,358</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 203,358</u>

The Organization's goal is to maintain financial assets to meet 4 – 6 months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments in a money market account. Due to the nature of the Organization and the timing of transfers to UNRWA, there are seasonal variations in the Organization's cash balances. The largest transfers typically take place in the second and fourth quarters of the year.

9. 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 unrelated business income tax liability for the year ended December 31, 2018.

9. Income Taxes (continued)

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, 2018 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, 2018, the statute of limitations for tax years ended December 31, 2015 through 2017 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.

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 27, 2020, 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, other than as noted in the paragraph below.

The COVID-19 outbreak has caused disruption for nonprofit organizations and other businesses and has resulted in significant volatility in the financial markets. There have been mandated and voluntary closings of businesses including cancellations of events and meetings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of restrictions on gatherings and potential economic impacts. At this time the potential related financial impact and duration cannot be reasonably estimated.