

UNRWA USA NATIONAL COMMITTEE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2019

(With Summarized Comparative Information for the Year Ended December 31, 2018)

UNRWA USA NATIONAL COMMITTEE, INC.

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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 the statement of financial position as of December 31, 2019, 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, 2019, 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 to the financial statements, the Organization has adopted new accounting guidance, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
June 11, 2021

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Financial Position
December 31, 2019
(With Summarized Comparative Information for 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 184,895	\$ 119,076
Contributions receivable	588,010	84,282
Prepaid expenses and other assets	9,778	12,006
Property and equipment, net	<u>5,618</u>	<u>2,670</u>
Total assets	<u>\$ 788,301</u>	<u>\$ 218,034</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 55,918	\$ 15,206
Accrued vacation	<u>4,586</u>	<u>33,072</u>
Total liabilities	<u>60,504</u>	<u>48,278</u>
Net Assets		
Without donor restrictions	714,137	169,756
With donor restrictions	<u>13,660</u>	<u>-</u>
Total net assets	<u>727,797</u>	<u>169,756</u>
Total liabilities and net assets	<u>\$ 788,301</u>	<u>\$ 218,034</u>

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Activities
Year Ended December 31, 2019
(With Summarized Comparative Information for 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Contributions	\$ 3,772,860	\$ 745,663	\$ 4,518,523	\$ 4,499,973
Other income	530	-	530	922
Net assets released from restrictions:				
Satisfaction of purpose restrictions	732,003	(732,003)	-	-
Total revenue and support	4,505,393	13,660	4,519,053	4,500,895
Expenses				
Program services:				
Education	1,675,916	-	1,675,916	-
Relief and social services	836,247	-	836,247	-
Urgent assistance	475,671	-	475,671	1,916,579
Food assistance	-	-	-	1,064,924
Mental health	-	-	-	744,963
Other programs	321,473	-	321,473	338,407
Total program services	3,309,307	-	3,309,307	4,064,873
Supporting services:				
Management and general	595,047	-	595,047	270,408
Fundraising	56,658	-	56,658	62,654
Total supporting services	651,705	-	651,705	333,062
Total expenses	3,961,012	-	3,961,012	4,397,935
Change in Net Assets	544,381	13,660	558,041	102,960
Net Assets, beginning of year	169,756	-	169,756	66,796
Net Assets, end of year	\$ 714,137	\$ 13,660	\$ 727,797	\$ 169,756

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Functional Expenses
Year Ended December 31, 2019
(With Summarized Comparative Information for 2018)

	2019								2018	
	Program Services				Total Program Services	Supporting Services			Total	Total
	Education	Relief and Social Services	Urgent Assistance	Other Programs		Management and General	Fundraising	Total Supporting Services		
Grants to UNRWA	\$ 1,469,520	\$ 785,430	\$ 358,794	\$ 175,000	\$ 2,788,744	\$ -	\$ -	\$ -	\$ 2,788,744	\$ 3,524,581
Salaries and related expenses	144,754	22,270	89,079	77,944	334,047	186,244	38,972	225,216	559,263	558,441
Contract services	29,251	12,502	-	32,016	73,769	89,224	-	89,224	162,993	55,641
Professional services	-	-	-	-	-	100,451	-	100,451	100,451	20,366
Bank and credit card fees	-	-	-	-	-	86,005	-	86,005	86,005	39,105
Occupancy	15,202	2,339	9,355	8,186	35,082	19,295	4,093	23,388	58,470	62,071
Marketing and advertising	680	11,013	14,673	2,270	28,636	19,704	5,231	24,935	53,571	60,287
Travel	6,776	377	769	14,483	22,405	20,461	1,683	22,144	44,549	19,408
Office expenses	-	100	2,060	28	2,188	24,398	3,584	27,982	30,170	8,731
Cultivation and stewardship	2,423	1,918	361	5,367	10,069	7,007	2,881	9,888	19,957	9,087
Supplies	1,727	38	143	3,416	5,324	7,390	10	7,400	12,724	9,859
Insurance	-	-	195	1,854	2,049	9,324	-	9,324	11,373	5,124
Other expenses	5,583	260	242	909	6,994	25,544	204	25,748	32,742	25,234
Total Expenses	\$ 1,675,916	\$ 836,247	\$ 475,671	\$ 321,473	\$ 3,309,307	\$ 595,047	\$ 56,658	\$ 651,705	\$ 3,961,012	\$ 4,397,935

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Cash Flows
Year Ended December 31, 2019
(With Summarized Comparative Information for 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 558,041	\$ 102,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,511	1,069
Change in operating assets and liabilities:		
Contributions receivable	(503,728)	(84,282)
Prepaid expenses and other assets	2,228	(8,712)
Accounts payable and accrued expenses	40,712	(1,855)
Accrued vacation	<u>(28,486)</u>	<u>4,022</u>
Net cash provided by operating activities	<u>70,278</u>	<u>13,202</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(4,459)</u>	<u>(1,734)</u>
Net cash used by investing activities	<u>(4,459)</u>	<u>(1,734)</u>
Net Increase in Cash	65,819	11,468
Cash, beginning of year	<u>119,076</u>	<u>107,608</u>
Cash, end of year	<u><u>\$ 184,895</u></u>	<u><u>\$ 119,076</u></u>

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2019

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 contribution.

2. Summary of Significant Accounting Policies

Basis of Accounting

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.

Contributions Receivable

Contributions receivable represent amounts due from the Organization's various contributors and are recorded at their net present realizable value. The balance of contributions receivable at December 31, 2019 is expected 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 at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the accounts and the resulting gain or loss is included in revenue or expense.

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 general operations.
- *Net Assets With Donor Restrictions* represent funds that are 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. The Organization did not have any donor-imposed restrictions which are perpetual in nature at December 31, 2019.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions

Contributions without conditions are recognized upon notification of the award and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met, only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the accompanying statement of activities as net assets released from restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are recognized in revenue once the conditions on which they depend have been met. Amounts received in advance of the conditions being met are recorded as deferred revenue. The Organization did not have any conditional contributions at December 31, 2019.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Organization incurs expenses that directly relate 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 on a consistent basis among program and supporting services benefited based on the distribution of labor. Expenses allocated include salaries and related expenses, occupancy and other expenses.

Changes in Accounting Principles

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Organization adopted ASU 2018-08 using a modified prospective approach. The implementation of ASU 2018-08 did not have a material effect on the Organization's financial positions, results of operations, or cash flows. There was no cumulative effect of a change in accounting principle recorded related to the adoption of ASU 2018-08 on January 1, 2019. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Principles (continued)

Effective January 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The core principle of ASU 2014-09 requires the recognition of revenue for exchange and partial exchange transactions when, or as goods or services are delivered, in the amount that reflects the consideration to which the organization is entitled in exchange for what has been delivered. The ASU requires that the Organization use the following five step process: 1) Identify exchange agreements or partial exchange agreements that create a contract; 2) Identify their performance obligations; 3) Determine the transaction price; 4) Allocate the transaction price among the performance obligations; 5) Recognize revenue at the point in time when, or over the time period during which, a performance obligation is recognized. The adoption of the ASU did not impact the change in net assets.

Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (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, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The core principles of ASU 2020-07 address the measurement of nonfinancial contributions and increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendments in the update are to be applied on a retrospective basis. ASU 2020-07 is effective for non-public entities for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact of ASU 2016-02 and ASU 2020-07 on the Organization's financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Summarized Comparative Information

The accompanying financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018 from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2019 financial statement presentation.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2019

3. Property and Equipment

The Organization held the following property and equipment at December 31, 2019:

Equipment	\$	8,315
Less: accumulated depreciation		<u>(2,697)</u>
Property and equipment, net	\$	<u>5,618</u>

4. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of December 31, 2019, 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.

Financial assets:		
Cash	\$	184,895
Contributions receivable		<u>588,010</u>
Total financial assets		772,905
Less: Donor-imposed restrictions on the financial assets		<u>(13,660)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>759,245</u>

The Organization's policy is to structure its financial assets to become available as general expenditures, liabilities and other obligations become due, operating within a prudent range of financial soundness and stability while maintaining and monitoring reserves to provide reasonable assurance that long-term program goals with donor restrictions will continue to be met.

5. Lease

The Organization currently leases its office space under a month-to-month operating agreement. Rent expense was \$58,470 for the year ended December 31, 2019 and is included in occupancy on the accompanying statement of functional expenses.

6. Related Party Transactions

The Organization has a cooperation agreement with United National Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) which recognizes UNRWA and the Organization's intention to collaborate and engage in common charitable and educational activities through engaging in fundraising activities and supporting the work of UNRWA. In addition, both parties entered into a master grant agreement specifying the terms of the on-going grant the Organization provides to UNRWA. This agreement does not specify the grant amount. Specific amount, purpose, duration and other terms will be specified when each grant amount is committed. During the year ended December 31, 2019, the Organization contributed \$2,788,744 to UNRWA, which is included in grants to UNRWA on the accompanying statement of functional expenses.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2019

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2019:

Subject to expenditures for specific purposes:	
Alumni Association	\$ 8,843
Relay Run for Refugees	<u>4,817</u>
Total net assets with donor restrictions	<u>\$ 13,660</u>

During the year ended December 31, 2019, releases from net assets with donor restrictions were for the following:

Satisfaction of purpose restrictions:	
Adopt a School in Gaza	\$ 500,000
Girl's Schools in Palestine	100,000
Relay Run for Refugees	66,521
Scholarship	45,663
Alumni Association	<u>19,819</u>
Total net assets released from donor restrictions	<u>\$ 732,003</u>

8. 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 \$14,806 during the year ended December 31, 2019 and is included in salaries and benefits on the accompanying statement of functional expenses.

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. No provision for federal or state income taxes is required for the year ended December 31, 2019, as the Organization had no taxable net unrelated business income.

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. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

9. Income Taxes (continued)

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2019 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. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns.

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 11, 2021, 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.