

UNRWA USA NATIONAL COMMITTEE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2021

(With Summarized Comparative Information for the Year Ended December 31, 2020)

UNRWA USA NATIONAL COMMITTEE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



HAN GROUP LLC
Washington, DC
May 17, 2022

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Financial Position
December 31, 2021
(With Summarized Comparative Information for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 1,479,640	\$ 462,012
Contributions receivable	139,938	147,638
Prepaid expenses and other assets	25,688	1,655
Property and equipment, net	<u>6,411</u>	<u>6,800</u>
Total assets	<u>\$ 1,651,677</u>	<u>\$ 618,105</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 66,466	\$ 65,570
Accrued vacation	33,708	35,839
Contributions payable	<u>600,000</u>	<u>132,967</u>
Total liabilities	<u>700,174</u>	<u>234,376</u>
Net Assets		
Without donor restrictions:		
Undesignated	276,126	52,138
Board designated – general reserve	<u>602,084</u>	<u>201,591</u>
Without donor restrictions	878,210	253,729
With donor restrictions	<u>73,293</u>	<u>130,000</u>
Total net assets	<u>951,503</u>	<u>383,729</u>
Total liabilities and net assets	<u>\$ 1,651,677</u>	<u>\$ 618,105</u>

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Activities
Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Contributions	\$ 6,531,570	\$ 565,967	\$ 7,097,537	\$ 3,960,816
Other income	493	-	493	800
Net assets released from restrictions:				
Satisfaction of purpose restrictions	622,674	(622,674)	-	-
Total revenue and support	7,154,737	(56,707)	7,098,030	3,961,616
Expenses				
Program services:				
Grant program	5,159,754	-	5,159,754	3,318,966
Other programs	328,325	-	328,325	245,375
Total program services	5,488,079	-	5,488,079	3,564,341
Supporting services:				
Management and general	499,081	-	499,081	580,007
Fundraising	543,096	-	543,096	161,336
Total supporting services	1,042,177	-	1,042,177	741,343
Total expenses	6,530,256	-	6,530,256	4,305,684
Change in Net Assets	624,481	(56,707)	567,774	(344,068)
Net Assets, beginning of year	253,729	130,000	383,729	727,797
Net Assets, end of year	\$ 878,210	\$ 73,293	\$ 951,503	\$ 383,729

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Functional Expenses
Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	2021						2020	
	Program Services			Supporting Services			Total	Total
	Grants Program	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Contributions to UNRWA	\$ 5,068,827	\$ -	\$ 5,068,827	\$ -	\$ -	\$ -	\$ 5,068,827	\$ 3,015,353
Salaries and related expenses	67,343	243,163	310,506	142,766	330,521	473,287	783,793	855,839
Professional fees	344	1,241	1,585	141,984	1,687	143,671	145,256	25,191
Credit card and bank fees	-	-	-	129,721	-	129,721	129,721	97,597
Information technology	6,224	22,475	28,699	40,953	50,789	91,742	120,441	43,620
Marketing and advertising	9,032	32,613	41,645	19,148	44,330	63,478	105,123	120,240
Contract services	-	-	-	-	76,579	76,579	76,579	63,509
Occupancy	4,646	16,777	21,423	9,850	22,804	32,654	54,077	60,952
Travel	1,233	4,453	5,686	2,614	6,052	8,666	14,352	12,020
Insurance	1,154	4,169	5,323	2,447	5,666	8,113	13,436	-
Office expenses	881	3,182	4,063	1,870	4,326	6,196	10,259	9,881
Cultivation and stewardship	-	-	-	7,581	-	7,581	7,581	1,371
Other expenses	70	252	322	147	342	489	811	111
Total Expenses	\$ 5,159,754	\$ 328,325	\$ 5,488,079	\$ 499,081	\$ 543,096	\$ 1,042,177	\$ 6,530,256	\$ 4,305,684

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Cash Flows
Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 567,774	\$ (344,068)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,249	2,196
Change in operating assets and liabilities:		
Contributions receivable	7,700	440,372
Prepaid expenses and other assets	(24,033)	8,123
Accounts payable and accrued expenses	896	9,652
Accrued vacation	(2,131)	31,253
Contributions payable	<u>467,033</u>	<u>132,967</u>
Net cash provided by operating activities	<u>1,019,488</u>	<u>280,495</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(1,860)</u>	<u>(3,378)</u>
Net cash used in investing activities	<u>(1,860)</u>	<u>(3,378)</u>
Net Increase in Cash	1,017,628	277,117
Cash, beginning of year	<u>462,012</u>	<u>184,895</u>
Cash, end of year	<u><u>\$ 1,479,640</u></u>	<u><u>\$ 462,012</u></u>

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2021

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 for Palestine Refugees in the Near East (UNRWA). The Organization's activities are primarily supported through contributions.

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.

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.

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, 2021 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.

Contributions Payable

The Organization makes contributions mostly to UNRWA to support UNRWA's various program services. Contributions payable totaled \$600,000 at December 31, 2021, and is due within one year.

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. Included in net assets without donor restrictions are funds that have been designated by the Organization's Board of Directors for an operating reserve.

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- *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, 2021.

Revenue Recognition

Contributions

Unconditional contributions 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 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 refundable advances. The Organization did not have any conditional contributions or refundable advances at December 31, 2021.

The Organization received \$58,079 in donated securities in 2021. The Organization's policy is to sell donated securities upon receipt; therefore, such donations are immediately converted to cash and recorded as contributions on the accompanying statement of activities.

Advertising Costs

The costs of advertising are expensed as incurred. The Organization incurred \$105,123 in advertising expenses during the year ended December 31, 2021.

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, information technology, marketing and advertising, occupancy, office expenses, travel and insurance.

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 2020-08 on the Organization's financial statements.

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, 2020 from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2021 financial statement presentation.

3. Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to a concentration of credit risk, consist principally of cash balances maintained at various creditworthy financial institutions. While the amount at a given bank at times exceeds the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore, bears some risk, the Organization has not experienced, nor does it anticipate, any losses on its funds.

4. Property and Equipment

The Organization held the following property and equipment at December 31, 2021:

Equipment	\$	13,553
Less: accumulated depreciation		<u>(7,142)</u>
Property and equipment, net	\$	<u>6,411</u>

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2021

5. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of December 31, 2021, 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	\$ 1,479,640
Contributions receivable	<u>139,938</u>
Total financial assets	1,619,578
Less those unavailable for general expenditures within one year due to:	
Contributions payable	(600,000)
Board designated reserve	(602,084)
Donor-imposed restrictions on the financial assets	<u>(73,293)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 344,201</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.

6. Lease

The Organization currently leases its office space under a month-to-month operating agreement. Rent expense was \$54,077 for the year ended December 31, 2021 and is presented as occupancy on the accompanying statement of functional expenses.

7. Related Party Transactions

The Organization has a cooperative 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 that the Organization provides to UNRWA. This agreement does not specify the grant amount. The specific amount, purpose, duration and other terms will be specified when each grant amount is committed. During the year ended December 31, 2021, the Organization contributed \$5,068,827 to UNRWA, which is shown as contributions to UNRWA on the accompanying statement of functional expenses. In addition, the Organization had \$600,000 contribution payable to UNRWA at December 31, 2021 which is shown as contribution payable on the accompanying statement of financial position.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2021

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2021:

Subject to expenditures for specific purposes:	
Penny Appeal	\$ 40,000
Education and Advocacy	<u>33,293</u>
Total net assets with donor restrictions	<u>\$ 73,293</u>

During the year ended December 31, 2021, releases from net assets with donor restrictions were for the following:

Subject to expenditures for specific purposes:	
Scholarships	\$ 127,967
Awareness of Palestinian Refugees during Pandemic	120,000
Education Grant	100,000
Food Assistance	90,000
Education and Advocacy	86,707
Mental Health	55,000
Lebano Hospital	30,000
2021 Annual Fund	10,000
Writer's Festival	<u>3,000</u>
Total net assets released from donor restrictions	<u>\$ 622,674</u>

9. Retirement Plan

The Organization provides a 401(k) plan (the Plan) for participating employees by matching their contribution. The Organization matches up to 4% of each employee's gross earnings after one full year of service. The employer contribution to the Plan was \$18,281 during the year ended December 31, 2021 and is included in salaries and related expenses on the accompanying statement of functional expenses.

10. 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, 2021, 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.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2021

10. Income Taxes (continued)

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2021 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.

11. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 17, 2022, 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.