

UNRWA USA NATIONAL COMMITTEE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2022

(With Summarized Comparative Information for the Year Ended December 31, 2021)

Table of Contents

Independent Auditor’s 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 – 14

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, 2022, 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, 2022, 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.

Adoption of New Accounting Standards

As disclosed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. Our opinion is not modified with respect to these matters.

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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



HAN GROUP LLC
Washington, DC
September 1, 2023

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Financial Position
December 31, 2022
(With Summarized Comparative Information for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 867,431	\$ 1,479,640
Contributions receivable	426,144	139,938
Prepaid expenses and other assets	19,516	25,688
Property and equipment, net	3,593	6,411
Right-of-use assets – operating lease	49,994	-
Total assets	<u>\$ 1,366,678</u>	<u>\$ 1,651,677</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 46,311	\$ 66,466
Accrued vacation	46,805	33,708
Contributions payable	452,279	600,000
Operating lease liability	52,281	-
Total liabilities	<u>597,676</u>	<u>700,174</u>
Net Assets		
Without donor restrictions:		
Undesignated	166,918	276,126
Board designated – general reserve	602,084	602,084
Without donor restrictions	769,002	878,210
With donor restrictions	-	73,293
Total net assets	<u>769,002</u>	<u>951,503</u>
Total liabilities and net assets	<u>\$ 1,366,678</u>	<u>\$ 1,651,677</u>

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Activities
Year Ended December 31, 2022
(With Summarized Comparative Information for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Contributions of cash and other financial assets	\$ 4,681,008	\$ 795,228	\$ 5,476,236	\$ 7,097,537
Other income	602	-	602	493
Net assets released from restrictions: Satisfaction of purpose restrictions	868,521	(868,521)	-	-
Total revenue and support	5,550,131	(73,293)	5,476,838	7,098,030
Expenses				
Program services:				
Grant program	4,002,380	-	4,002,380	5,159,754
Other programs	449,991	-	449,991	328,325
Total program services	4,452,371	-	4,452,371	5,488,079
Supporting services:				
Management and general	310,229	-	310,229	499,081
Fundraising	896,739	-	896,739	543,096
Total supporting services	1,206,968	-	1,206,968	1,042,177
Total expenses	5,659,339	-	5,659,339	6,530,256
Change in Net Assets	(109,208)	(73,293)	(182,501)	567,774
Net Assets, beginning of year	878,210	73,293	951,503	383,729
Net Assets, end of year	\$ 769,002	\$ -	\$ 769,002	\$ 951,503

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Functional Expenses
Year Ended December 31, 2022
(With Summarized Comparative Information for 2021)

	2022						2021	
	Program Services			Supporting Services			Total	Total
	Grant Program	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Contributions to UNRWA	\$ 3,821,894	\$ -	\$ 3,821,894	\$ -	\$ -	\$ -	\$ 3,821,894	\$ 5,068,827
Salaries and related expenses	58,845	363,303	422,148	101,938	381,228	483,166	905,314	783,793
Marketing and advertising	-	-	-	-	309,493	309,493	309,493	105,123
Information technology	112,202	28,410	140,612	35,246	2,538	37,784	178,396	120,441
Professional fees	247	1,525	1,772	123,255	1,600	124,855	126,627	145,256
Credit card and bank fees	-	-	-	1,596	106,284	107,880	107,880	129,721
Contract services	-	-	-	-	60,149	60,149	60,149	76,579
Occupancy	3,868	23,884	27,752	34,051	-	34,051	61,803	54,077
Travel	3,685	22,751	26,436	6,384	23,874	30,258	56,694	14,352
Insurance	918	5,663	6,581	1,589	5,942	7,531	14,112	13,436
Office expenses	606	3,747	4,353	4,984	-	4,984	9,337	10,259
Cultivation and stewardship	-	-	-	988	4,363	5,351	5,351	7,581
Other expenses	115	708	823	198	1,268	1,466	2,289	811
Total Expenses	\$ 4,002,380	\$ 449,991	\$ 4,452,371	\$ 310,229	\$ 896,739	\$ 1,206,968	\$ 5,659,339	\$ 6,530,256

See accompanying notes.

UNRWA USA NATIONAL COMMITTEE, INC.
Statement of Cash Flows
Year Ended December 31, 2022
(With Summarized Comparative Information for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (182,501)	\$ 567,774
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,818	2,249
Noncash operating lease expense	2,287	-
Change in operating assets and liabilities:		
Contributions receivable	(286,206)	7,700
Prepaid expenses and other assets	6,172	(24,033)
Accounts payable and accrued expenses	(20,155)	896
Accrued vacation	13,097	(2,131)
Contributions payable	<u>(147,721)</u>	<u>467,033</u>
Net cash (used in) operating activities	<u>(612,209)</u>	<u>1,019,488</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>-</u>	<u>(1,860)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,860)</u>
Net (Decrease) Increase in Cash	(612,209)	1,017,628
Cash, beginning of year	<u>1,479,640</u>	<u>462,012</u>
Cash, end of year	<u>\$ 867,431</u>	<u>\$ 1,479,640</u>
 Supplemental Disclosure of Cash Flow Information		
ROU asset obtained in exchange of new operating lease liabilities	<u>\$ 50,281</u>	<u>\$ -</u>

See accompanying notes.

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.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. FASB Accounting Standards Codification (ASC) 842 supersedes the lease requirements in FASB ASC 840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted FASB ASC *Topic 842*, with an initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Organization did not restate prior comparative periods as presented under ASC Topic 842 and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of the adoption of FASB ASC *Topic 842*. There was no cumulative effect of a change in accounting principles resulting from the adoption as there were no leases with terms longer than 12 months as of January 1, 2022. The most significant change resulting from the adoption was the recognition of \$52,281 of an operating lease Right-of-Use (ROU) asset and a total of \$52,281 of current and long-term operating lease liability for the new long-term lease entered during the year ended December 31, 2022.

As part of the transition, the Organization implemented new controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

- No reassessment of whether any expired or existing contracts contain a lease.
- No reassessment of initial direct costs for any existing leases as of the effective date.
- In calculating the right-of-use assets and lease liability, the Organization has elected to combine lease and non-lease components.
- As an accounting policy, the Organization has also elected to apply the short-term lease exception to all leases having initial terms of 12 months or less and recognizes occupancy expense on a straight-line basis over the lease term.

2. Summary of Significant Accounting Policies (continued)

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, 2022 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.

Leases

The Organization accounts for leases in accordance with FASB ASC *Topic 842*. The Organization is a lessee in an operating lease for office space. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use assets are amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line occupancy expense over the lease term. Variable lease expenses, if any, are recognized when incurred.

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable or a risk-free rate from the U.S. Treasury constant maturities nominal rate, comparable to the lease term.

2. Summary of Significant Accounting Policies (continued)

Right-of-Use Assets

ROU assets are measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after the commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, ROU assets are subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received). Operating lease payments are recognized on a straight-line basis over the lease term.

Contributions Payable

Contributions are reported as expenses and liabilities when approved by the Organization unless conditions imposed on the done have not yet been fulfilled. Such conditional contributions are recorded when the conditions have been satisfied. No conditional contributions were approved during the year ended December 31, 2022. Unconditional contributions that the Organization anticipates will be paid over more than one year are recorded at the estimated present value of future cash flows as the date the contribution is made. Contributions payable totaled \$452,279 at December 31, 2022, and are 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.
- *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 at December 31, 2022.

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.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions (continued)

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, 2022.

Advertising Costs

The costs of advertising are expensed as incurred. The Organization incurred \$309,493 in advertising expenses during the year ended December 31, 2022.

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, occupancy, office expenses, travel, insurance, professional fees and other expenses.

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, 2021 from which the summarized information was derived.

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.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2022

4. Property and Equipment

The Organization held the following property and equipment at December 31, 2022:

Equipment	\$ 13,553
Less: accumulated depreciation	<u>(9,960)</u>
Property and equipment, net	<u>\$ 3,593</u>

5. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of December 31, 2022, 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	\$ 867,431
Contributions receivable	<u>426,144</u>
Total financial assets	1,293,575
Less those unavailable for general expenditures within one year due to:	
Contributions payable	(452,279)
Board designated reserve	<u>(602,084)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 239,212</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. Operating Lease

In November 2022, the Organization entered into a lease agreement for office space, which commenced in December 2022 and is set to expire in November 2024. As per the agreement, the base rent is \$6,000 per month, subject to an annual increase of 3.5%, and it also includes a two-month rent abatement. Before this lease, the Organization had been engaging in leases with terms of 12 months or less. The total rent expense for the year ended December 31, 2022, amounted to \$61,803, and it is included in occupancy on the accompanying statement of functional expenses.

The balance of the operating lease ROU asset is as follows at December 31, 2022:

operating lease ROU asset	\$ 52,081
Amortization of operating lease ROU assets	<u>(2,087)</u>
Net ROU operating lease asset	<u>\$ 49,994</u>

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2022

6. Operating Lease (continued)

The table below presents a maturity analysis of the operating lease liability and a reconciliation of the total amount of the liability on the statement of financial position as of December 31, 2022:

For the years ending December 31:		
2023	\$	26,390
2024		<u>28,490</u>
Total future minimum lease payments		54,880
Less: imputed interest		<u>(2,599)</u>
Present value of future minimum lease payments		52,281
Less: current obligations under lease		<u>(24,437)</u>
Long-term lease obligations	\$	<u><u>27,844</u></u>

Lease costs and other related information for the year ended December 31, 2022 were as follows:

Lease cost:		
Operating lease cost	\$	<u>2,287</u>
Total lease cost	\$	<u><u>2,287</u></u>
Other information related to the lease:		
Weighted average remaining lease term (years)		2
Weighted average discount rate		4.61%

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, 2022, the Organization contributed \$3,821,894 to UNRWA, which is shown as contributions to UNRWA on the accompanying statement of functional expenses. In addition, the Organization had \$452,279 contribution payable to UNRWA at December 31, 2022 which is shown as contribution payable on the accompanying statement of financial position.

UNRWA USA NATIONAL COMMITTEE, INC.

Notes to Financial Statements

December 31, 2022

8. Net Assets With Donor Restrictions

During the year ended December 31, 2022, releases from net assets with donor restrictions were for the following:

Satisfaction of expenditures for specific purposes:

Shelter	\$	195,202
Scholarships		168,083
Education		110,000
Urgent Assistance		100,000
Food		70,000
Water		86,963
Gaza Shelter Repair		40,000
Mental Health		39,980
Education and Advocacy		33,293
Ramadan		25,000
		<hr/>

Total net assets released from donor restrictions	\$	<u>868,521</u>
---	----	----------------

9. Retirement Plan

The Organization maintains a 401(k) plan (the Plan) and offers matching contributions to participating employees. The Organization matches up to 4% of each employee's gross earnings after one full year of service. The Organization's contribution to the Plan amounted to \$17,765 during the year ended December 31, 2022, 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, 2022, 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.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2022, 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 September 1, 2023, 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.