

***UNITED PALESTINIAN APPEAL, INC.***

***FINANCIAL STATEMENTS***

*FOR THE YEAR ENDED DECEMBER 31, 2011  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR  
THE YEAR ENDED DECEMBER 31, 2010)*

## **CONTENTS**

*Audit report of certified public accountants*

*Financial statements*

*Statement of financial position*

*Statement of activities*

*Statement of functional expenses*

*Statement of cash flows*

*Notes to financial statements*

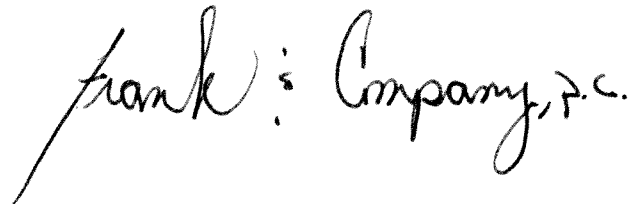
**REPORT OF INDEPENDENT AUDITOR**

To the Board of Trustees of  
United Palestinian Appeal, Inc.

We have audited the accompanying statement of financial position of United Palestinian Appeal, Inc. (UPA) (a non-profit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of UPA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from UPA's 2010 financial statements and, in our report dated July 6, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Palestinian Appeal, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Frank & Company, P.C." The signature is written in a cursive, flowing style.

**UNITED PALESTINIAN APPEAL, INC.**

**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2011  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,058,479	\$ 875,549
Inventories	263,617	4,157
Prepaid expenses	<u>12,271</u>	<u>-</u>
Total current assets	1,334,367	879,706
Property and equipment, net	328,385	318,054
Investments	1,933,591	1,930,042
Deposits	<u>200</u>	<u>200</u>
Total assets	<u>\$ 3,596,543</u>	<u>\$ 3,128,002</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Donor grants payable	\$ 19,100	\$ -
Accounts payable	5,900	8,885
Accrued expenses	<u>6,875</u>	<u>866</u>
Total current liabilities	<u>31,875</u>	<u>9,751</u>
Net assets:		
Unrestricted	3,317,057	2,902,849
Temporarily restricted	<u>247,611</u>	<u>215,402</u>
Total net assets	<u>3,564,668</u>	<u>3,118,251</u>
Total liabilities and net assets	<u>\$ 3,596,543</u>	<u>\$ 3,128,002</u>

See accompanying notes to financial statements.

**UNITED PALESTINIAN APPEAL, INC.**

**STATEMENT OF ACTIVITIES**

*FOR THE YEAR ENDED DECEMBER 31, 2011  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011</u>	<u>2010</u>
<b>REVENUES AND OTHER SUPPORT:</b>				
Contributions	\$ 896,979	\$ 189,023	\$ 1,086,002	\$ 878,843
Stock donation	24,926	-	24,926	12,731
In-kind contributions	744,436	-	744,436	4,688,103
Dividend and interest income, net of investment fees	39,906	-	39,906	33,722
Net realized investment gain/(loss)	61,460	-	61,460	(8,844)
Net unrealized investment gain/(loss)	(121,959)	-	(121,959)	176,025
Other income	1,213	-	1,213	65
Net assets released from restriction	<u>156,814</u>	<u>(156,814)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,803,775</u>	<u>32,209</u>	<u>1,835,984</u>	<u>5,780,645</u>
<b>EXPENSES:</b>				
Program services:				
Health and welfare	74,261	-	74,261	4,864,093
Community development	95,025	-	95,025	124,633
Outreach and public information	40,382	-	40,382	53,258
Education and scholarships	752,031	-	752,031	316,453
Child sponsorships	<u>182,603</u>	<u>-</u>	<u>182,603</u>	<u>102,395</u>
Total program services	<u>1,144,302</u>	<u>-</u>	<u>1,144,302</u>	<u>5,460,832</u>
Supporting services:				
Fundraising	107,754	-	107,754	111,107
Management and general	<u>137,511</u>	<u>-</u>	<u>137,511</u>	<u>120,683</u>
Total supporting services	<u>245,265</u>	<u>-</u>	<u>245,265</u>	<u>231,790</u>
Total expenses	<u>1,389,567</u>	<u>-</u>	<u>1,389,567</u>	<u>5,692,622</u>
Change in net assets	414,208	32,209	446,417	88,023
Net assets, beginning of year	<u>2,902,849</u>	<u>215,402</u>	<u>3,118,251</u>	<u>3,030,228</u>
Net assets, end of year	<u>\$ 3,317,057</u>	<u>\$ 247,611</u>	<u>\$ 3,564,668</u>	<u>\$ 3,118,251</u>

See accompanying notes to financial statements.

**UNITED PALESTINIAN APPEAL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

*FOR THE YEAR ENDED DECEMBER 31, 2011  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010)*

	Program Services					Supporting Services		Total	
	Health and Welfare	Community Development	Outreach and Public Information	Education and Scholarships	Child Sponsorship	Fundraising	Management and General	2011	2010
Salaries	\$ 33,153	\$ 18,015	\$ 27,179	\$ 61,111	\$ 71,068	\$ 42,332	\$ 71,036	\$ 323,894	\$ 305,614
Employee benefits	5,346	2,905	4,383	9,854	11,460	6,826	11,455	52,229	46,678
Payroll taxes	1,920	1,335	1,474	3,260	3,581	2,847	4,521	18,938	16,947
Project grants	26,300	67,163	1,162	89,000	-	-	-	183,625	300,501
In-kind grants	-	-	-	479,037	-	-	-	479,037	4,688,103
Transportation	-	-	-	-	-	-	-	-	42,000
Student grants	-	-	-	84,365	-	-	-	84,365	101,612
Child sponsorships	-	-	-	-	80,327	-	-	80,327	1,406
Travel	-	1,667	-	-	-	-	647	2,314	6,107
Occupancy	2,573	1,398	2,109	4,743	5,515	3,285	5,513	25,136	41,742
Telephone	970	527	795	1,788	2,079	1,239	2,079	9,477	4,744
Postage and shipping	354	193	291	12,153	760	25,211	759	39,721	11,223
Printing and advertising	-	-	-	-	-	15,517	179	15,696	14,528
Conferences and meetings	-	-	-	-	-	50	-	50	17,575
Office and miscellaneous	1,037	405	850	1,911	2,222	1,324	4,618	12,367	15,294
Professional fees	-	-	-	-	-	-	454	454	571
Accounting services	-	-	-	-	-	-	30,661	30,661	28,881
Website and consultant	359	195	295	663	770	6,252	770	9,304	16,304
Bank charges and fees	577	313	473	1,063	1,236	736	1,236	5,634	5,371
Handicraft products	-	-	-	-	-	-	-	-	1,691
Depreciation	1,672	909	1,371	3,083	3,585	2,135	3,583	16,338	13,502
Bad debt expense	-	-	-	-	-	-	-	-	12,228
<b>Total expenses</b>	<u>\$ 74,261</u>	<u>\$ 95,025</u>	<u>\$ 40,382</u>	<u>\$ 752,031</u>	<u>\$ 182,603</u>	<u>\$ 107,754</u>	<u>\$ 137,511</u>	<u>\$ 1,389,567</u>	<u>\$ 5,692,622</u>

See accompanying notes to financial statements.

**UNITED PALESTINIAN APPEAL, INC.**

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2011  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 446,417	\$ 88,023
Adjustments to reconcile change in net assets provided by (used in) operating activities:		
Depreciation	16,338	13,502
Net realized (gain)/loss on investments	(61,460)	8,844
Net unrealized (gain)/loss on investments	121,959	(176,025)
Non-cash stock donations	(24,926)	(12,731)
Bad debt expense	-	12,228
Decrease in other assets	-	148
Decrease in inventory	998	986
Noncash donations of book inventories	(260,458)	-
Increase in prepaid expenses	(12,271)	-
Decrease in child sponsorships payable	-	(81,304)
Decrease in accounts payable	(2,985)	(7,795)
Increase in accrued expenses	6,009	866
Increase in donor grants payable	<u>19,100</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>248,721</u>	<u>(153,258)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(26,669)	(32,574)
Increase in deposits	-	(150)
Proceeds from sale of investments	1,828,091	120,282
Purchase of investments	<u>(1,867,213)</u>	<u>(153,984)</u>
Net cash used in investing activities	<u>(65,791)</u>	<u>(66,426)</u>
Net increase (decrease) in cash	182,930	(219,684)
Cash, beginning of year	<u>875,549</u>	<u>1,095,233</u>
Cash, end of year	<u>\$ 1,058,479</u>	<u>\$ 875,549</u>

See accompanying notes to financial statements.

**UNITED PALESTINIAN APPEAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

**1. Organization**

*Organization* - United Palestinian Appeal, Inc. (UPA) is a non-profit organization established in the state of New York in 1978. Its mission is to alleviate the suffering of Palestinians in the West Bank, Gaza Strip, and refugee camps of Lebanon by providing health, education, child services, community development, job creation, and emergency relief.

UPA is supported primarily through contributions from the public. Contributions are recognized as support when received.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting* - The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

*Summarized Information* - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with UPA's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Certain 2010 amounts have been reclassified to conform with the 2011 financial statement presentation.

*Uses of Estimates* - Management uses estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

*Expense Allocations* - UPA allocates costs among program and supporting services using several methods based on management's best estimate. These estimates include how employees spent their time and purpose of services. It is reasonable that these estimates will change in the near term.

*Financial Statement Presentation* - UPA follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 for financial statement presentation. Under FASB ASC 958, UPA is required to report information



**UNITED PALESTINIAN APPEAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

**2. Summary of Significant Accounting Policies (continued)**

regarding its financial position and activities according to three classes of net assets as follows:

*Unrestricted Net Assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of UPA and/or the passage of time.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by UPA.

*Contributions* - UPA records contributions in accordance with FASB ASC 958. Under FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. UPA reports gifts of cash and other assets as temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When donor restrictions are met in the same reporting period, temporarily restricted contributions are reported as unrestricted contributions.

*Contributed Materials* - Contributed materials are recorded as contributions at their estimated fair value as of the date of the donation.

*Functional Expenses* - The costs of providing various program and supporting services have been summarized on a functional basis on the schedule of functional expenses. Certain costs have been allocated among program and supporting services as follows:

*Health and Welfare* - All expenses incurred for medium and long-term health projects including mobile clinics, as well as services including emergency food distribution, medical visits, pharmaceuticals, and trauma counseling for Palestinians in the West Bank, Gaza Strip, and refugee camps in Lebanon.

**UNITED PALESTINIAN APPEAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

**2. Summary of Significant Accounting Policies (continued)**

*Community Development* - All expenses incurred to rebuild and rehabilitate Palestinian community infrastructures as well as environmental/agricultural projects, and to implement microenterprise and employment projects.

*Outreach and Public Information* - All expenses incurred to educate the general public about the needs of those living in Palestine and their communities.

*Education and Scholarships* - Financial assistance provided to needy Palestinian students who are living in, or intend to return to Palestine as well as vocational training and all infrastructural improvements of educational centers.

*Child Sponsorship* - All expenses incurred to provide projects that directly benefit handicapped, orphaned, or extremely deprived children. Each child is sponsored by an unrelated donor and UPA facilitates the building of relationship between the child and the donor.

*Fundraising* - All expenses incurred with the purpose of raising funds.

*Management and General* - All other operating expenses incurred by UPA in the accomplishment of its tax exempt purposes.

*Income Taxes* - UPA has received a tax determination letter from the Internal Revenue Service and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, only unrelated business income is subjected to income tax. For the year ended December 31, 2011, there is no unrelated business income.

*Accounting for uncertain tax positions* - UPA accounts for uncertain tax positions under FASB ASC 740. FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FASB ASC 740 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in financial statements tax positions taken or expected to be taken on a tax return, including the position that UPA is exempt from income taxes. UPA believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

UPA's federal Return of Organization Exempt from Income Tax (Form 990) for 2008, 2009, and 2010 are open to examination by the IRS, generally for three years after they were filed.

**UNITED PALESTINIAN APPEAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

**2. Summary of Significant Accounting Policies (continued)**

*Cash and Cash Equivalents* - For purposes of the statement of cash flows, cash consists of demand deposits and money market funds held in banks except for money market funds held as investments.

*Inventory* - Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

*Fixed Assets* - UPA capitalizes fixed assets greater than \$500. Fixed assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of seven years for furniture and equipment, and thirty-nine years for the condominium unit. Land is determined to have an indefinite life, and therefore not depreciated. For the year ended December 31, 2011, depreciation expense totaled \$16,338.

*Valuation of Long-lived Assets* - UPA accounts for the valuation of long-lived assets under FASB ASC 360. FASB ASC 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less cost to sell. There are no impaired assets at December 31, 2011.

*Investments* - Investments consists of publicly traded mutual funds, stocks, and money market funds with readily determinable fair values and are reported at their fair value based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

*Advertising* - Advertising is expensed as incurred and is included as part of printing and advertising on the statement of functional expenses. For the year ended December 31, 2011, advertising expense totaled \$8,162. Advertising expense is included as part of printing and advertising on the statement of functional expenses.

**UNITED PALESTINIAN APPEAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

**3. Concentration of Credit Risk**

UPA maintains accounts at a number of financial institutions both in and outside of the United States. The bank accounts in the United States are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor at each bank. At December 31, 2011, the uninsured amount totaled \$802,403. Account balances outside of the United States totaled \$2,711 at December 31, 2011.

**4. Inventories**

Inventories are comprised of the following as of December 31, 2011:

Books	\$ 260,458
Handicraft products	<u>3,159</u>
Total inventories	<u>\$ 263,617</u>

**5. Property and Equipment**

At December 31, 2011, property and equipment consists of the following:

Depreciable:	
Office condominium	\$ 254,522
Condo improvements	8,163
Furniture and equipment	87,001
Website	<u>35,000</u>
Non-depreciable:	
Land	<u>84,840</u>
	469,526
Less: Accumulated depreciation	<u>(141,141)</u>
	<u>\$ 328,385</u>

**UNITED PALESTINIAN APPEAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

**6. Investments**

At December 31, 2011, investments consist of the following:

Money market	\$ 3,204
Stocks	46,496
Exchange-traded funds	5,320
Mutual funds	<u>1,878,571</u>
	<u>\$ 1,933,591</u>

For the year ended December 31, 2011, investment returns are as follows:

Net unrealized investment loss	\$ (121,959)
Net realized investment gain	61,460
Dividend and interest income	<u>55,829</u>
	(4,670)
Less: investment fees	<u>(15,923)</u>
Net investment returns	<u>\$ (20,593)</u>

Dividend and interest income is shown net of investment fees on the statement of activities.

**7. Fair Value Measurement**

UPA follows FASB ASC 820 to disclose fair value measurements of assets and liabilities. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

**UNITED PALESTINIAN APPEAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

**7. Fair Value Measurement (continued)**

In determining the appropriate levels, UPA performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets measured using quoted market prices of identical assets or liabilities are classified as Level 1, all assets and liabilities measured using observable inputs or unobservable inputs corroborated by market data are classified as Level 2, and all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no changes in valuation techniques and related inputs in 2011.

The following tables present the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There were no liabilities that are being measured and reported on a fair value basis at December 31, 2011.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual funds:		
Large Cap	\$ 729,813	\$ 729,813
Mid Cap	215,736	215,736
Small Cap	36,181	36,181
International	145,911	145,911
Bonds	<u>750,930</u>	<u>750,930</u>
Total mutual funds	<u>1,878,571</u>	<u>1,878,571</u>
Money market fund	3,204	3,204
Domestic stocks	46,496	46,496
Exchange-traded funds	<u>5,320</u>	<u>5,320</u>
Total	<u>\$ 1,933,591</u>	<u>\$ 1,933,591</u>

**UNITED PALESTINIAN APPEAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2011

**8. Donor Grants Payable**

During the year ended December 31, 2011, UPA received funds from donors with stipulations that they are to be distributed to organizations designated by the donors. Otherwise the funds are to be returned. At December 31, 2011, undisbursed funds held for donor-designated organizations totaled \$19,100.

**9. Temporarily Restricted Net Assets**

At December 31, 2011, temporarily restricted net assets are available for the following:

Education and scholarships	\$ 24,947
Child sponsorships	<u>222,664</u>
	<u>\$ 247,611</u>

**10. Contributed Materials**

During 2011, UPA received gifts in kind in the form of educational books and office furniture with an estimated fair market value of \$744,436. The amount was recognized as fixed assets and inventories on the balance sheet, in-kind contributions and education and scholarships expense in the statement of activities, and in-kind grants in the statement of functional expenses.

**11. Defined Contribution Postretirement Plan**

UPA sponsors a safe-harbor 401(k) plan (the Plan) covering all employees over the age of 21 and attained one year of service. UPA matches 100% of employee contribution up to 3% of compensation, plus 50% of employee contribution that exceeds 3% of compensation but do not exceed 5% of compensation. For the year ended December 31, 2011, matching contribution expense totaled \$45,188. The amount is included as part of employee benefits expense on the statement of functional expenses.

***UNITED PALESTINIAN APPEAL, INC.***

***NOTES TO FINANCIAL STATEMENTS***

*DECEMBER 31, 2011*

**12. Contribution from Foundation**

UPA is a beneficiary of a non-discretionary, irrevocable foundation registered in the Principality of Liechtenstein whereby the net income of the foundation's assets is distributed annually and perpetually. Due to the future net income of the foundation's assets being indeterminable, proceeds from the foundation are recognized as contributions when received. Additionally, no pledge receivable has been recorded.

**13. Related Party Transactions**

A member of UPA's Board of Directors is a partner of an accounting firm that provides accounting services to UPA. During the year ended December 31, 2011, UPA recorded \$11,775 in accounting fees from the related-party transaction. The accounting fees are included as part of accounting services on the statement of functional expenses.

An employee of UPA is the son of a board member.

**14. Subsequent Events**

Management has evaluated subsequent events through February 25, 2012, the date which the financial statements were available to be issued.