

UNITED PALESTINIAN APPEAL, INC.

FINANCIAL STATEMENTS

***FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR
THE YEAR ENDED DECEMBER 31, 2016)***

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Frank & Company, p.c.

Certified Public Accountants
703-821-0702

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of United Palestinian Appeal, Inc. (UPA) (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2017, 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 auditor's 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 auditor considers 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 United Palestinian Appeal, Inc. as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited UPA's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

1360 Beverly Road
Suite 300
McLean, Virginia 22101
March 8, 2018

UNITED PALESTINIAN APPEAL, INC.
STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION
 AS OF DECEMBER 31, 2016)

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,698,736	\$ 1,060,122
Contributions receivable	127,825	137,326
Prepaid expenses	17,734	16,638
Total current assets	1,844,295	1,214,086
Property and equipment, net	283,275	293,274
Investments	2,921,792	2,576,074
Total assets	\$ 5,049,362	\$ 4,083,434
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 33,503	\$ 131,573
Net assets:		
Unrestricted	4,051,249	2,500,669
Temporarily restricted	964,610	1,451,192
Total net assets	5,015,859	3,951,861
Total liabilities and net assets	\$ 5,049,362	\$ 4,083,434

See accompanying notes to financial statements.

UNITED PALESTINIAN APPEAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016)

	Unrestricted	Temporarily Restricted	2017	2016
Revenues and other support:				
Contributions	\$ 1,829,845	\$ 610,351	\$ 2,440,196	\$ 1,362,585
Stock donations	62,738	-	62,738	65,403
In-kind contributions	21,427,202	-	21,427,202	15,956,382
Dividend and interest income, net of investment fees	111,357	-	111,357	105,411
Net realized investment gain	62,137	-	62,137	27,887
Net unrealized investment gain	170,191	-	170,191	82,846
Other income	15,695	-	15,695	-
Net assets released from restriction	<u>1,096,933</u>	<u>(1,096,933)</u>	<u>-</u>	<u>-</u>
 Total revenues and other support	 <u>24,776,098</u>	 <u>(486,582)</u>	 <u>24,289,516</u>	 <u>17,600,514</u>
Expenses:				
Program services:				
Health and welfare	22,224,039	-	22,224,039	16,984,476
Community development	107,493	-	107,493	77,405
Outreach and public information	185,366	-	185,366	241,978
Education and scholarships	<u>189,605</u>	<u>-</u>	<u>189,605</u>	<u>273,628</u>
 Total program services	 <u>22,706,503</u>	 <u>-</u>	 <u>22,706,503</u>	 <u>17,577,487</u>
Supporting services:				
Fundraising	278,605	-	278,605	220,656
Management and general	<u>240,410</u>	<u>-</u>	<u>240,410</u>	<u>258,619</u>
 Total supporting services	 <u>519,015</u>	 <u>-</u>	 <u>519,015</u>	 <u>479,275</u>
 Total expenses	 <u>23,225,518</u>	 <u>-</u>	 <u>23,225,518</u>	 <u>18,056,762</u>
 Change in net assets	 1,550,580	 (486,582)	 1,063,998	 (456,248)
 Net assets, beginning of year	 <u>2,500,669</u>	 <u>1,451,192</u>	 <u>3,951,861</u>	 <u>4,408,109</u>
 Net assets, end of year	 <u>\$ 4,051,249</u>	 <u>\$ 964,610</u>	 <u>\$ 5,015,859</u>	 <u>\$ 3,951,861</u>

See accompanying notes to financial statements.

UNITED PALESTINIAN APPEAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

*FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016)*

	Health and Welfare	Community Development	Outreach and Public Information	Education and Scholarships	Fundraising	Management and General	2017	2016
Salaries	\$ 183,267	\$ 35,073	\$ 43,186	\$ 41,257	\$ 139,090	\$ 103,680	\$ 545,553	\$ 454,719
Employee benefits	7,905	4,325	5,325	5,087	17,151	12,785	52,578	41,872
Payroll taxes	4,349	2,379	2,930	2,799	9,436	7,033	28,926	25,273
Project grants and expenses	480,183	54,737	26,576	62,809	-	-	624,305	953,485
In-kind grants	21,427,202	-	-	-	-	-	21,427,202	15,956,382
Student grants	-	-	-	64,737	-	-	64,737	215,316
Travel	-	-	15,998	-	-	12,059	28,057	41,038
Occupancy	9,399	5,142	6,331	6,049	20,392	15,200	62,513	48,004
Telephone	1,361	745	917	876	2,954	2,202	9,055	6,195
Postage and shipping	8,272	-	26,923	-	27,310	5,279	67,784	82,983
Printing and advertising	-	-	50,909	-	39,077	4,835	94,821	119,296
Conferences and meetings	64,293	-	-	-	-	1,066	65,359	1,893
Office and miscellaneous	32,235	2,746	3,382	3,231	13,891	16,004	71,489	36,651
Professional fees	-	-	-	-	-	5,063	5,063	8,095
Accounting services	-	-	-	-	-	17,671	17,671	16,957
Website and consultant	-	-	-	-	-	5,054	5,054	2,620
Bank charges and fees	-	-	-	-	-	25,544	25,544	23,584
Depreciation	5,573	2,346	2,889	2,760	9,304	6,935	29,807	22,399
Total expenses	\$ 22,224,039	\$ 107,493	\$ 185,366	\$ 189,605	\$ 278,605	\$ 240,410	\$ 23,225,518	\$ 18,056,762

See accompanying notes to financial statements.

UNITED PALESTINIAN APPEAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,063,998	\$ (456,248)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	29,807	22,399
Net realized (gain)/loss on investments	(62,137)	(27,887)
Net unrealized (gain)/loss on investments	(170,191)	(82,846)
Non-cash stock donations	(62,738)	(65,403)
(Increase)/decrease in contributions receivable	9,501	395
(Increase)/decrease in accounts receivable	-	22,000
(Increase)/decrease in prepaid expenses	(1,096)	(5,175)
Increase/(decrease) in accounts payable	<u>(98,070)</u>	<u>22,903</u>
Net cash provided by (used in) operating activities	<u>709,074</u>	<u>(569,862)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(19,808)	(47,635)
Proceeds from sale of investments	276,004	259,811
Purchase of investments	<u>(326,656)</u>	<u>(285,381)</u>
Net cash used in investing activities	<u>(70,460)</u>	<u>(73,205)</u>
Net increase (decrease) in cash and cash equivalents	638,614	(643,067)
Cash and cash equivalents, beginning of year	<u>1,060,122</u>	<u>1,703,189</u>
Cash and cash equivalents, end of year	<u>\$ 1,698,736</u>	<u>\$ 1,060,122</u>

See accompanying notes to financial statements.

UNITED PALESTINIAN APPEAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

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, contributions are recognized as support when received, 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 or by functional expense. 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, 2016, from which the summarized information was derived.

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.

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 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.

UNITED PALESTINIAN APPEAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

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 - 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. 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 and primary care clinics. As well as services including emergency food distribution, medical visits, pharmaceuticals, trauma counseling for Palestinians in the West Bank, Gaza and refugee camps in the Arab countries. Expenses incurred also provide projects that directly benefit handicapped, orphaned, or extremely deprived children through programs conducted by UPA's partners.

Community Development - All expenses incurred to rebuild and rehabilitate Palestinian community infrastructures as well as environmental and agricultural projects, and to implement micro-finance, micro-enterprise and other projects that stimulate employment.

UNITED PALESTINIAN APPEAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

Outreach and Public Information - All expenses incurred to educate the general public and raise awareness about Palestinian history, language, and culture.

Education and Scholarships - Financial assistance in the form of university scholarships, work study opportunities and fellowships and vocational training provided to needy Palestinian students who are living in or intend to return to Palestine.

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, 2017, there is no unrelated business income.

Accounting for uncertain tax positions - 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) is open to examination by the IRS, generally for three years after it was filed.

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

Contributions Receivable - Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management periodically reviews the collectibility of contributions receivable. Management determines the allowance for doubtful accounts by using the historical experience applied to an aging of contributions receivable. Contributions receivable are written off when considered uncollectible. At December 31, 2017, there was no allowance for doubtful accounts and all contributions receivable were expected to be collected within one year.

UNITED PALESTINIAN APPEAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Summary of Significant Accounting Policies (continued)

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.

Valuation of Long-lived Assets - UPA reviews long-lived assets 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, 2017.

Investments - Investments in marketable equity securities with readily determinable fair values are reported at 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, 2017, advertising expense totaled \$23,345.

Reclassifications – Certain items on the statement of functional expenses have been reclassified to conform to the current year presentation.

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. UPA maintains cash balances that may exceed federally insured limits. UPA has not experienced any losses.

UPA invests in a professionally managed portfolio that contains various securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the

UNITED PALESTINIAN APPEAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

near term would materially affect investment balances and the amounts reported in the financial statements.

Security investments are held at brokerage firms that are members of Securities Investor Protection Corporation (SIPC). UPA maintains balances at those firms that may be in excess of federally insured limits. The UPA has not experienced any such losses.

4. Property and Equipment

At December 31, 2017, property and equipment consists of the following:

Depreciable:	
Office condominium	\$ 254,522
Condo improvements	83,096
Furniture and equipment	66,110
Website	44,490
Non-depreciable:	
Land	<u>84,840</u>
	533,058
Less: Accumulated depreciation	<u>(249,783)</u>
	<u>\$ 283,275</u>

5. Investments

At December 31, 2017, investments consist of the following:

Stocks	\$ 78,835
Exchange-traded funds	288,225
Mutual funds	<u>2,554,732</u>
	<u>\$ 2,921,792</u>

UNITED PALESTINIAN APPEAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

5. Investments (continued)

For the year ended December 31, 2017, investment returns are as follows:

Net unrealized investment gain	\$ 170,191
Net realized investment gain	62,137
Dividend and interest income	<u>133,092</u>
	365,420
Less: investment fees	<u>(21,735)</u>
Net investment returns	<u>\$ 343,685</u>

6. 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.

In determining the appropriate levels, UPA performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. There were no changes in valuation techniques and related inputs in 2017.

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, 2017.

UNITED PALESTINIAN APPEAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

6. Fair Value Measurement (continued)

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual funds:		
Large Cap	\$ 774,992	\$ 774,992
Mid Cap	217,189	217,189
Small Cap	64,449	64,449
International	547,033	547,033
Bonds	<u>951,069</u>	<u>951,069</u>
Total mutual funds	2,554,732	2,554,732
Domestic stocks	78,835	78,835
Exchange-traded funds	<u>288,225</u>	<u>288,225</u>
Total	<u>\$ 2,921,792</u>	<u>\$ 2,921,792</u>

7. Temporarily Restricted Net Assets

At December 31, 2017, temporarily restricted net assets are available for the following:

Education and scholarships	\$ 86,867
Community development	266,307
Health and welfare	<u>611,436</u>
	<u>\$ 964,610</u>

UNITED PALESTINIAN APPEAL, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. Contributed Materials

During 2017, UPA received gifts in kind in the form of pharmaceuticals with an estimated fair market value of \$21,427,202. The amount was recognized as in-kind contributions and expensed in the statement of activities and in-kind grants in the statement of functional expenses.

9. 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 not to exceed 5% of compensation. For the year ended December 31, 2017, matching contribution expense totaled \$10,152. The amount is included as part of employee benefits expense on the statement of functional expenses.

10. 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.

11. Subsequent Events

Management has evaluated subsequent events through March 8, 2018, the date which the financial statements were available to be issued.