



**United Palestinian Appeal, Inc.
Financial Statements
December 31, 2019 and 2018**

United Palestinian Appeal, Inc.
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December 31, 2019 and 2018

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Independent Auditor's Report

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

Prager Metis CPAs, LLC

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Report on the Financial Statements

We have audited the accompanying financial statements of United Palestinian Appeal, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditor's 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2018, were audited by Frank & Company, p.c., who combined with Prager Metis CPAs, LLC. as of July 1, 2019, and whose report dated March 9, 2019, expressed an unmodified opinion on those financial statements.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
McLean, Virginia
March 31, 2020

United Palestinian Appeal, Inc.
 Statements of Financial Position
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,792,665	\$ 1,453,642
Contributions receivable	102,537	84,665
Prepaid expenses	21,266	22,073
Total current assets	<u>1,916,468</u>	<u>1,560,380</u>
Property and equipment, net	257,770	266,235
Investments	<u>3,358,967</u>	<u>2,740,052</u>
Total assets	<u><u>\$ 5,533,205</u></u>	<u><u>\$ 4,566,667</u></u>
Liabilities and net assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 111,178	\$ 113,901
Accrued expenses	59,539	-
Refundable advances	584,000	-
Total liabilities (all current)	<u>754,717</u>	<u>113,901</u>
Net assets		
Without donor restrictions	4,642,141	4,214,843
With donor restrictions	<u>136,347</u>	<u>237,923</u>
Total net assets	<u>4,778,488</u>	<u>4,452,766</u>
Total liabilities and net assets	<u><u>\$ 5,533,205</u></u>	<u><u>\$ 4,566,667</u></u>

The accompanying notes are an integral part of these financial statements.

United Palestinian Appeal, Inc.
Statements of Activities
Years Ended December 31, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019	Without Donor Restrictions	With Donor Restrictions	2018
Revenue and other support						
Contributions	\$ 1,621,985	\$ 136,347	\$ 1,758,332	\$ 1,776,812	\$ 123,553	\$ 1,900,365
Stock donations	180,961	-	180,961	81,248	-	81,248
In-kind contributions	32,214,066	-	32,214,066	30,990,439	-	30,990,439
Dividend and interest income, net of investment fees	124,552	-	124,552	107,707	-	107,707
Net realized investment gain	37,772	-	37,772	12,074	-	12,074
Net unrealized investment gain (loss)	355,020	-	355,020	(326,168)	-	(326,168)
Other income	2,264	-	2,264	163	-	163
Net assets released from restriction	237,923	(237,923)	-	850,240	(850,240)	-
Total revenue and other support	34,774,543	(101,576)	34,672,967	33,492,515	(726,687)	32,765,828
Expenses						
Program services						
Health and welfare	32,855,638	-	32,855,638	31,832,670	-	31,832,670
Community development	228,809	-	228,809	133,791	-	133,791
Outreach and public information	255,249	-	255,249	247,444	-	247,444
Education and scholarships	334,680	-	334,680	499,923	-	499,923
Total program services	33,674,376	-	33,674,376	32,713,828	-	32,713,828
Supporting services						
Fundraising	316,344	-	316,344	292,291	-	292,291
Management and general	356,525	-	356,525	322,802	-	322,802
Total supporting services	672,869	-	672,869	615,093	-	615,093
Total expenses	34,347,245	-	34,347,245	33,328,921	-	33,328,921
Change in net assets	427,298	(101,576)	325,722	163,594	(726,687)	(563,093)
Net assets, beginning of year	4,214,843	237,923	4,452,766	4,051,249	964,610	5,015,859
Net assets, end of year	\$ 4,642,141	\$ 136,347	\$ 4,778,488	\$ 4,214,843	\$ 237,923	\$ 4,452,766

The accompanying notes are an integral part of these financial statements.

United Palestinian Appeal, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Supporting Services		Total
	Health and Welfare	Community Development	Outreach and Public Information	Education and Scholarships	Fundraising	Management and General	
Salaries	\$ 101,605	\$ 42,561	\$ 118,515	\$ 42,561	\$ 162,383	\$ 155,371	\$ 622,996
Employee benefits	18,249	7,645	21,287	7,645	29,168	27,907	111,901
Payroll taxes	5,530	2,315	6,450	2,315	8,838	8,457	33,905
Project grants and expenses	476,545	164,578	-	167,199	-	-	808,322
In-kind grants	32,214,066	-	-	-	-	-	32,214,066
Student grants	-	-	-	103,250	-	-	103,250
Travel	-	-	-	-	-	34,343	34,343
Occupancy	14,815	6,205	17,279	6,205	23,675	22,653	90,832
Telephone	2,699	1,131	3,148	1,131	4,313	4,127	16,549
Postage and shipping	-	-	15,015	-	25,804	19,400	60,219
Printing and advertising	-	-	61,377	-	31,118	4,939	97,434
Conferences and meetings	11,691	-	-	-	-	740	12,431
Office and miscellaneous	6,776	2,839	7,904	2,839	25,188	13,826	59,372
Professional fees	-	-	-	-	-	785	785
Accounting services	-	-	-	-	-	27,625	27,625
Website and consultant	-	-	-	-	-	7,419	7,419
Bank charges and fees	-	-	-	-	-	23,331	23,331
Depreciation	3,662	1,535	4,274	1,535	5,857	5,602	22,465
Total expenses	\$ 32,855,638	\$ 228,809	\$ 255,249	\$ 334,680	\$ 316,344	\$ 356,525	\$ 34,347,245

The accompanying notes are an integral part of these financial statements.

United Palestinian Appeal, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services				Supporting Services		Total
	Health and Welfare	Community Development	Outreach and Public Information	Education and Scholarships	Fundraising	Management and General	
Salaries	\$ 164,660	\$ 36,877	\$ 102,687	\$ 36,877	\$ 140,698	\$ 134,622	\$ 616,421
Employee benefits	9,334	3,910	10,888	3,910	14,918	14,274	57,234
Payroll taxes	5,260	2,203	6,135	2,203	8,406	8,042	32,249
Project grants and expenses	454,592	80,308	-	184,513	-	-	719,413
In-kind grants	30,990,439	-	-	-	-	-	30,990,439
Student grants	-	-	-	261,927	-	-	261,927
Travel	-	-	-	-	-	36,679	36,679
Occupancy	12,620	5,286	14,720	5,286	20,169	19,297	77,378
Telephone	1,314	550	1,532	550	2,099	2,009	8,054
Postage and shipping	132,358	-	9,721	-	37,399	3,639	183,117
Printing and advertising	-	-	88,795	-	50,837	8,387	148,019
Conferences and meetings	24,666	-	-	-	-	2,607	27,273
Office and miscellaneous	32,264	2,494	6,944	2,494	9,514	27,220	80,930
Professional fees	-	-	-	-	-	683	683
Accounting services	-	-	-	-	-	20,322	20,322
Website and consultant	-	-	-	-	-	6,666	6,666
Bank charges and fees	-	-	-	-	-	30,462	30,462
Depreciation	5,163	2,163	6,022	2,163	8,251	7,893	31,655
Total expenses	\$ 31,832,670	\$ 133,791	\$ 247,444	\$ 499,923	\$ 292,291	\$ 322,802	\$ 33,328,921

The accompanying notes are an integral part of these financial statements.

United Palestinian Appeal, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 325,722	\$ (563,093)
Adjustments to reconcile change in net assets provided by (used in) operating activities		
Depreciation	22,465	31,655
Net realized gain on investments	(37,772)	(12,074)
Net unrealized (gain)/loss on investments	(355,020)	326,168
Receipt of contributed securities	(180,961)	(81,248)
Proceeds from the sale of contributed securities	180,961	81,248
(Increase)/decrease in assets		
Contributions receivable	(17,872)	43,160
Accounts receivable	-	(4,339)
Prepaid expenses	807	-
Increase/(decrease) in liabilities		
Accounts payable	(2,723)	80,398
Accrued expenses	59,539	-
Refundable advances	584,000	-
Net cash provided by (used in) operating activities	<u>579,146</u>	<u>(98,125)</u>
Cash flows from investing activities		
Purchases of property and equipment	(14,000)	(14,615)
Proceeds from sale of investments	156,707	183,249
Purchase of investments	(382,830)	(315,603)
Net cash used in investing activities	<u>(240,123)</u>	<u>(146,969)</u>
Net increase (decrease) increase in cash	339,023	(245,094)
Cash and cash equivalents, beginning of year	<u>1,453,642</u>	<u>1,698,736</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,792,665</u></u>	<u><u>\$ 1,453,642</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 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 in Arab countries by providing health, education, child services, community development, job creation, and emergency relief.

UPA is supported primarily through contributions from the public.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), whereby, revenue is recognized when earned, contributions are recognized as support upon notification of the donation, and expenses are recognized when incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with GAAP. 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 two classes of net assets as follows:

Without donor restrictions – Net assets not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of UPA and/or the passage of time or 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 with donor restricted support if they are received with donor stipulations that limit the use of the contributed asset and such stipulations are more specific than broad limits resulting from the nature of the not-for-profit entity, the environment in which it operates, or the purposes specified in its articles of incorporation or bylaws. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. When donor restrictions are met in the same reporting period, contributions with donor restrictions are reported as contributions without donor restrictions.

Note 2 Summary of Significant Accounting Policies (continued)

Contributed Materials

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

Allocation of Expenses

Expenses directly attributable to a program or supporting service are charged directly to that program or supporting service. Salaries, employee benefits, payroll taxes, occupancy, telephone, depreciation, office and miscellaneous expenses are allocated among program and supporting services based on the time and effort of employees.

Functional Expenses

Expenses are classified according to the programs and supporting services for which they were incurred and are reported on a functional basis in the accompanying statements of functional expenses. The program and supporting services of UPA are as follows:

Health and Welfare – All expenses incurred for health projects including mobile clinics, primary care clinics, emergency food distribution, medical visits, pharmaceuticals and trauma counseling for Palestinians in the West Bank, Gaza and refugee camps in the Arab countries. Expenses incurred also include 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.

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 (IRS) 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 years ended December 31, 2019 and 2018, there was no unrelated business income.

Note 2 Summary of Significant Accounting Policies (continued)

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 and cash equivalents 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 collectability 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, 2019 and 2018, there was no allowance for doubtful accounts and all contributions receivable were expected to be collected within one year.

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 three years for the website, seven years for furniture and equipment, five to seven years for improvements, and thirty-nine years for the condominium unit. Repairs and maintenance are expensed as incurred.

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 were no impaired assets at December 31, 2019 and 2018.

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. Changes in fair values are reported as unrealized gains and losses and included in the change in net assets.

Note 2 Summary of Significant Accounting Policies (continued)

Refundable Advances

Contributions that contain a barrier and are refundable or revocable by the donor are recognized as refundable advances until UPA meets the barrier.

Advertising

Advertising is expensed as incurred and is classified as a component of printing and advertising on the statements of functional expenses. For the years ended December 31, 2019 and 2018, advertising expense totaled \$11,006 and \$12,023, respectively.

Adoption of New Accounting Pronouncement

During the current year UPA adopted FASB Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). The amendments in ASU 2018-08 require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The result of the implementation of this standard was the recognition of \$584,000 of refundable advances due to barriers and a right of return contained in agreements received during the year under audit.

Note 3 Concentrations of Credit Risk

UPA maintains accounts at a number of financial institutions both within 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 in such accounts.

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 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 of \$500,000. UPA has not experienced any such losses.

Note 4 Property and Equipment

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Office condominium	\$ 254,523	\$ 254,523
Condo improvements	44,946	44,500
Furniture and equipment	63,610	52,072
Website	8,264	8,264
Land	84,840	84,840
	<u>456,183</u>	<u>444,199</u>
Less: Accumulated depreciation	<u>(198,413)</u>	<u>(177,964)</u>
	<u>\$ 257,770</u>	<u>\$ 266,235</u>

Note 5 Investments

Investments consist of the following publicly traded securities:

	<u>2019</u>	<u>2018</u>
Stocks	\$ 183,430	\$ 87,544
Exchange-traded funds	360,684	267,449
Mutual funds	2,814,853	2,385,059
	<u>\$ 3,358,967</u>	<u>\$ 2,740,052</u>

Note 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: Unadjusted 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 2019 or 2018.

Note 6 Fair Value Measurement (continued)

Fair value measurements at December 31, 2019 were as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds		
Large Cap	\$ 888,460	\$ 888,460
Mid Cap	113,771	113,771
Small Cap	93,224	93,224
Realty	111,490	111,490
International	545,187	545,187
Bonds	1,062,721	1,062,721
Total mutual funds	<u>2,814,853</u>	<u>2,814,853</u>
Domestic stocks	183,430	183,430
Exchange-traded funds	<u>360,684</u>	<u>360,684</u>
Total	<u>\$ 3,358,967</u>	<u>\$ 3,358,967</u>

Fair value measurements at December 31, 2018 were as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds		
Large Cap	\$ 737,987	\$ 737,987
Mid Cap	172,413	172,413
Small Cap	55,396	55,396
International	455,934	455,934
Bonds	963,329	963,329
Total mutual funds	<u>2,385,059</u>	<u>2,385,059</u>
Domestic stocks	87,544	87,544
Exchange-traded funds	<u>267,449</u>	<u>267,449</u>
Total	<u>\$ 2,740,052</u>	<u>\$ 2,740,052</u>

Note 7 Net Assets With Donor Restriction

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Community development	\$ 136,347	\$ 164,866
Health and welfare	-	73,057
	<u>\$ 136,347</u>	<u>\$ 237,923</u>

Note 8 Contributed Materials

UPA received gifts in-kind in the form of pharmaceuticals and medical supplies, which are distributed to organizations in the West Bank, Gaza and refugee camps. The gifts in-kind were recorded at an estimated fair market value of \$32,214,066 and \$30,990,439 for the years ended December 31, 2019 and 2018, respectively. These amounts are recognized as in-kind contributions and expensed in the health and welfare program as in-kind grants in the accompanying financial statements.

Note 9 Defined Contribution Postretirement Plan

UPA sponsors a safe-harbor 401(k) plan (the Plan) covering all employees over the age of 21 who have attained one year of service. UPA matches 100% of employee contributions up to 3% of compensation, plus 50% of employee contributions that exceed 3% of compensation but not to exceed 5% of compensation. For the years ended December 31, 2019 and 2018, matching contribution expenses totaled \$11,209 and \$10,380, respectively. These amounts are included as a component of employee benefits expense in the statements of functional expenses.

Note 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. UPA has been unable to obtain the value of the investments held by the foundation and, accordingly, no interest in the perpetual trust is reflected in the accompanying financial statements.

Note 11 Liquidity

UPA’s financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,792,665	\$ 1,453,642
Contributions receivable	<u>102,537</u>	<u>84,665</u>
	1,895,202	1,538,307
Less: Donor restrictions	136,347	237,923
Less: Refundable advance	584,000	-
	<u>\$ 1,174,855</u>	<u>\$ 1,300,384</u>

UPA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, UPA’s investments are available for expenditure in the event of an unanticipated liquidity need.

Note 12 Conditional Awards

UPA received an award which contained a barrier and a right of return of the assets. The first payment was received during the year and was properly reflected as a refundable advance in the accompanying statement of financial position. Remaining amount due upon meeting the barriers under this agreement is \$584,000.

Note 13 Subsequent Events

Management has evaluated subsequent events through March 31, 2020, the date which the financial statements were available to be issued.

As a result of the spread of a novel strain of coronavirus (“COVID-19”), economic uncertainties have arisen which could have a material and adverse effect on our business operations. These could include disruptions or restrictions on the ability to travel, receive and distribute pharmaceutical contributions, as well as temporary closures of our facilities.