



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020



Independent Auditors' Report

Board of Directors
Arab Watch Coalition
Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Arab Watch Coalition (the Coalition), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expense 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 auditors' 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 auditors consider internal control relevant to the Coalition'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 Coalition'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.

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Report on the Financial Statements (Continued)

Auditors' Responsibility (Continued)

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 Arab Watch Coalition as of December 31, 2020, 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.

Bethesda, Maryland
January 28, 2021


Certified Public Accountants

Arab Watch Coalition

**Statement of Financial Position
December 31, 2020**

Assets

Cash	\$	70,993
Grants and Contributions Receivable		63,845
Prepaid Expenses		5,407
Property and Equipment - Net		4,493
Total Assets	\$	144,738

Liabilities and Net Assets

Liabilities

Accounts Payable and Accrued Expenses	\$	2,373
Total Liabilities		2,373

Net Assets

Without Donor Restrictions		14,650
With Donor Restrictions		127,715
Total Net Assets		142,365
Total Liabilities and Net Assets	\$	144,738

Arab Watch Coalition

**Statement of Activities
For The Year Ended December 31, 2020**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, and Other Support			
Grants and Contributions	\$ 80,705	\$ 199,332	\$ 280,037
Other	246	-	246
Net Assets Released from Restrictions	71,617	(71,617)	-
Total Revenues, and Other Support	152,568	127,715	280,283
Expenses			
Program Services			
Capacity Building	57,041	-	57,041
Advocacy	48,418	-	48,418
Research	32,567	-	32,567
Total Program Service Expense	138,026	-	138,026
Supporting Service Expense			
General and Administrative	3,994	-	3,994
Fundraising	4,563	-	4,563
Total Supporting Service Expense	8,557	-	8,557
Total Expenses	146,583	-	146,583
Change in Net Assets	5,985	127,715	133,700
Net Assets, Beginning of Year	8,665	-	8,665
Net Assets, End of Year	\$ 14,650	\$ 127,715	\$ 142,365

See accompanying Notes to Financial Statements.

Arab Watch Coalition

**Statement of Functional Expenses
For The Year Ended December 31, 2020**

	Program Services			General and Administrative	Fundraising	Total
	Capacity Building	Advocacy	Research			
Professional Fees	54,339	24,452	21,735	3,804	4,347	108,677
Office Expense	2,167	975	867	152	173	4,334
Re-Grants	-	22,750	9,750	-	-	32,500
Travel	365	164	146	26	29	730
Insurance	69	31	28	5	6	139
Depreciation	101	46	41	7	8	203
Total	<u>\$ 57,041</u>	<u>\$ 48,418</u>	<u>\$ 32,567</u>	<u>\$ 3,994</u>	<u>\$ 4,563</u>	<u>\$ 146,583</u>

See accompanying Notes to Financial Statements.

Arab Watch Coalition

Statement of Cash Flows For The Year Ended December 31, 2020

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ 133,700
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation	203
<u>(Increase) Decrease in Assets</u>	
Grants and Contributions Receivable	(61,563)
Prepaid Expenses	(5,407)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	2,349
Net Cash Provided by (Used in) Operating Activities	<u>69,282</u>
Cash Flows from Investing Activities	
Purchase of Property and Equipment	<u>(4,696)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(4,696)</u>
Increase (Decrease) in Cash and Cash Equivalents	64,586
Cash, Beginning of Year	<u>6,407</u>
Cash, End of Year	<u>\$ 70,993</u>

See accompanying Notes to Financial Statements.

Arab Watch Coalition

Notes to Financial Statements December 31, 2020

1. ORGANIZATION

The Arab Watch Coalition (the Coalition) is a 501(c)(3) nonprofit organization formed in 2020 to ensure that peoples in the Arab region enjoy their basic human rights and the right of all to prosperity.

During 2020, the COVID-19 pandemic caused significant disruptions to the Coalition's operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

The financial statements of the Coalition have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Coalition to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Coalition. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Coalition or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Arab Watch Coalition

Notes to Financial Statements December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The financial statements of the Coalition have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Coalition to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Coalition or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Grants and Contributions Receivable

Grants and contributions receivable are recorded at their net realizable value and approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Grants and contributions receivable are expected to be collected within one year.

Property and Equipment

Property and equipment are capitalized at cost if unit costs exceed \$1,000. Otherwise the items are expensed when paid, including repairs and maintenance. Depreciation and amortization is computed on the straight-line method over the estimated useful lives ranging from five to fifteen years.

Revenue Recognition and Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

There were no unrecognized conditional contributions as of December 31, 2020.

Arab Watch Coalition

Notes to Financial Statements December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis using a time and effort allocation.

Income Taxes

The Coalition is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Coalition may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Coalition and various positions related to the potential sources of unrelated business taxable income (UBIT).

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at December 31, 2020.

The Coalition's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2020.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

Subsequent Events

Management has evaluated subsequent events through January 28, 2021 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

Arab Watch Coalition

**Notes to Financial Statements
December 31, 2020**

3. CONCENTRATION OF CREDIT RISK

The Coalition maintains its cash balances at a financial institution. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. As of December 31, 2020, the Coalition's bank balances do not exceed FDIC coverage.

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2020 was as follows:

Computers and Equipment	\$	4,696
Less: Accumulated Depreciation		<u>(203)</u>
	\$	<u>4,493</u>

Depreciation for the year ended December 31, 2020, was \$203.

5. NET ASSETS

Net assets with donor restrictions were as follows:

	Beginning of the Year	Contributions	Releases	End of Year
General Assembly	\$ -	\$ 22,839	\$ -	\$ 22,839
COVID-19 Analytical Work and Case Studies	-	30,000	(30,000)	-
Morocco - Community Monitoring and Advocacy	-	101,146	(27,466)	73,680
Morocco - IFIs	-	45,347	(14,151)	31,196
	<u>\$ -</u>	<u>\$ 199,332</u>	<u>\$ (71,617)</u>	<u>\$ 127,715</u>

Net assets without donor restrictions for the year ended December 31, 2020 were undesignated.

Arab Watch Coalition

**Notes to Financial Statements
December 31, 2020**

6. AVAILABILITY AND LIQUIDITY

The following represents the Coalition's financial assets at December 31, 2020:

Financial Assets at Year End:

Cash	\$ 70,993
Grants and Contributions Receivable	<u>63,845</u>
Total Financial Assets	134,838

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions	<u>-</u>
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Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months	<u>\$ 134,838</u>
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As part of the Coalition's liquidity management plan, excess cash is assessed and would be transferred to an income earning account when appropriate.

7. SUBSEQUENT EVENTS

Subsequent to year end, the spread of worldwide pandemic caused by the Coronavirus Disease (COVID-19) continues having significant effects on global markets, supply chains, businesses, and communities. Specific to the Coalition, COVID-19 may impact its in-person programs. Management believes the Coalition is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.