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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**



## **Independent Auditors' Report**

Board of Directors  
Arab Watch Coalition  
Fairfax, Virginia

### **Opinion**

We have audited the accompanying financial statements of Arab Watch Coalition (the Coalition), which comprise the statement of financial position as of December 31, 2021, 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 Arab Watch Coalition as of December 31, 2021, 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 Coalition 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.

### **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 Coalition's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **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, including omissions, 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 Coalition'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 Coalition'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.



Certified Public Accountants

Bethesda, Maryland  
March 7, 2022

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**Arab Watch Coalition**

**Statement of Financial Position  
December 31, 2021**

**Assets**

Cash	\$	<b>31,170</b>
Grants and Contributions Receivable		<b>138,417</b>
Prepaid Expenses		<b>1,626</b>
Property and Equipment - Net		<b>5,990</b>
<b>Total Assets</b>	<b>\$</b>	<b>177,203</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts Payable and Accrued Expenses	\$	<b>2,325</b>
<b>Total Liabilities</b>		<b>2,325</b>

**Net Assets**

Without Donor Restrictions		<b>24,920</b>
With Donor Restrictions		<b>149,958</b>
<b>Total Net Assets</b>		<b>174,878</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>177,203</b>

## Arab Watch Coalition

### Statement of Activities For The Year Ended December 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	<b>Total</b>
<b>Revenues, and Other Support</b>			
Grants and Contributions	\$ 150,000	\$ 170,000	<b>\$ 320,000</b>
Other	2	-	<b>2</b>
Net Assets Released from Restrictions	147,757	(147,757)	-
<b>Total Revenues, and Other Support</b>	<b>297,759</b>	<b>22,243</b>	<b>320,002</b>
<b>Expenses</b>			
Program Services			
Capacity Building	138,198	-	<b>138,198</b>
Advocacy	71,681	-	<b>71,681</b>
Research	57,916	-	<b>57,916</b>
<b>Total Program Service Expense</b>	<b>267,795</b>	<b>-</b>	<b>267,795</b>
Supporting Service Expense			
General and Administrative	9,191	-	<b>9,191</b>
Fundraising	10,503	-	<b>10,503</b>
<b>Total Supporting Service Expense</b>	<b>19,694</b>	<b>-</b>	<b>19,694</b>
<b>Total Expenses</b>	<b>287,489</b>	<b>-</b>	<b>287,489</b>
<b>Change in Net Assets</b>	<b>10,270</b>	<b>22,243</b>	<b>32,513</b>
Net Assets, Beginning of Year	14,650	127,715	<b>142,365</b>
<b>Net Assets, End of Year</b>	<b>\$ 24,920</b>	<b>\$ 149,958</b>	<b>\$ 174,878</b>

*See accompanying Notes to Financial Statements.*

**Arab Watch Coalition**

**Statement of Functional Expenses  
For The Year Ended December 31, 2021**

	Program Services			General and Administrative	Fundraising	<b>Total</b>
	Capacity Building	Advocacy	Research			
Personnel	\$ 63,581	\$ 28,612	\$ 25,433	\$ 4,451	\$ 5,087	<b>\$ 127,164</b>
Professional Fees	54,580	24,560	21,831	3,820	4,366	<b>109,157</b>
Office Expense	3,383	1,522	1,353	237	271	<b>6,766</b>
Re-Grants	-	12,600	5,400	-	-	<b>18,000</b>
Travel	8,415	3,787	3,366	589	673	<b>16,830</b>
Occupancy	6,907	-	-	-	-	<b>6,907</b>
Insurance	838	378	336	59	67	<b>1,678</b>
Depreciation	494	222	197	35	39	<b>987</b>
Total	<b>\$ 138,198</b>	<b>\$ 71,681</b>	<b>\$ 57,916</b>	<b>\$ 9,191</b>	<b>\$ 10,503</b>	<b>\$ 287,489</b>

*See accompanying Notes to Financial Statements.*

## Arab Watch Coalition

### Statement of Cash Flows For The Year Ended December 31, 2021

<b>Cash Flows from Operating Activities</b>	
Increase (Decrease) in Net Assets	\$ 32,513
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation	987
<u>(Increase) Decrease in Assets</u>	
Grants and Contributions Receivable	(74,572)
Prepaid Expenses	3,781
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	(48)
Net Cash Provided by (Used in) Operating Activities	<u>(37,339)</u>
<b>Cash Flows from Investing Activities</b>	
Purchase of Property and Equipment	<u>(2,484)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(2,484)</u>
Increase (Decrease) in Cash and Cash Equivalents	(39,823)
Cash, Beginning of Year	<u>70,993</u>
<b>Cash, End of Year</b>	<u>\$ 31,170</u>

*See accompanying Notes to Financial Statements.*

## **Arab Watch Coalition**

### **Notes to Financial Statements December 31, 2021**

#### **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.

#### **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.

##### **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.



## **Arab Watch Coalition**

### **Notes to Financial Statements December 31, 2021**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **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, 2021.

##### **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, 2021.

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 2021.

## Arab Watch Coalition

### Notes to Financial Statements December 31, 2021

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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 2023.

##### Subsequent Events

Management has evaluated subsequent events through March 7, 2022 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.

#### 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, 2021, the Coalition's bank balances do not exceed FDIC coverage.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 was as follows:

Computers and Equipment	\$ 7,180
Less: Accumulated Depreciation	<u>(1,190)</u>
	<u>\$ 5,990</u>

Depreciation for the year ended December 31, 2021, was \$987.

**Arab Watch Coalition**

**Notes to Financial Statements  
December 31, 2021**

**5. NET ASSETS**

Net assets with donor restrictions were as follows:

	Beginning of the Year	Contributions	Releases	End of Year
General Assembly	\$ 22,839	\$ -	\$ (12,467)	\$ 10,372
NED	-	70,000	(54,450)	15,550
Tunisia	-	100,000	-	100,000
Morocco - Community Monitoring and Advocacy	73,680	-	(49,644)	24,036
Morocco - IFIs	31,196	-	(31,196)	-
	<u>\$ 127,715</u>	<u>\$ 170,000</u>	<u>\$ (147,757)</u>	<u>\$ 149,958</u>

Net assets without donor restrictions for the year ended December 31, 2021 were undesignated.

**6. AVAILABILITY AND LIQUIDITY**

The following represents the Coalition's financial assets at December 31, 2021:

Financial Assets at Year End:

Cash	\$ 31,170
Grants and Contributions Receivable	<u>138,417</u>
Total Financial Assets	169,587

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions	149,958
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	<u>(149,958)</u>

Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months	<u>\$ 169,587</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.