CÔTÉ & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

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JUNE 30, 2022

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Middle East Children's Alliance
(A Not-For-Profit Corporation)
Berkeley, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MIDDLE EAST CHILDREN'S ALLIANCE** which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Middle East Children's Alliance as of June 30, 2022 and 2021, and the changes in its net assets, functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Middle East Children's Alliance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 of material misstatement, whether due to error or fraud

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 Middle East Children's Alliance's ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITORS' REPORT
(Continued)

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 GAAS 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 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 GAAS, 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 Middle East Children's Alliance'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 Middle East Children's Alliance'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.

Côté & Company, APC

El Cerrito, California
June 23, 2023

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,877,212	$ 3,240,702
Investments, at fair value	750,639	406,080
Accounts receivable	143,513	124,166
Inventory	419,613	254,191
Employee advances	500	6,953
Prepaid expenses	52,945	3,548
Prepaid federal and state income taxes	1,205	-
Total current assets	3,245,627	4,035,640
FIXED ASSETS		
Computers and software	58,872	58,872
Furniture and fixtures	19,540	19,540
Auto	34,397	34,397
Leasehold improvements	67,525	67,525
Machinery and equipment	289,827	289,827
	470,161	470,161
Less accumulated depreciation	(410,989)	(385,753)
Total fixed assets	59,172	84,408
OTHER ASSETS		
Deposits	27,340	27,340
Investments, at fair value	3,870,598	3,260,406
Total other assets	3,897,938	3,287,746
TOTAL ASSETS	$ 7,202,737	$ 7,407,794

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

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 412,620	$ 700,752
Credit cards payable	54,034	29,638
Accrued payroll and payroll related	353,919	156,369
Sales taxes payable	23,331	24,228
Federal and state income taxes payable	1,247	7,519
Grants payable	192,215	81,594
Customer deposits	123,722	241,695
Total current liabilities	1,161,088	1,241,795
LONG-TERM LIABILITIES		
PPP loan payable	-	444,952
Total long-term liabilities	-	444,952
Total liabilities	1,161,088	1,686,747
NET ASSETS		
Without donor restrictions	3,104,828	3,161,602
With donor restrictions	2,711,649	2,639,398
Retained earnings (deficit)	225,172	(79,953)
Total net assets	6,041,649	5,721,047
TOTAL LIABILITIES AND NET ASSETS	$ 7,202,737	$ 7,407,794

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

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

CONSOLDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Unrestricted	With Donor Restrictions	Alliance Graphics	Total
OPERATING ACTIVITIES				
Contributions	$ 1,908,579	1,039,361	$ -	$ 2,947,940
Grants	117,079	450,800	-	567,879
Total contributions and grants	2,025,658	1,490,161	-	3,515,819
Sales, net of cost of goods sold of $2,156,303	-	-	1,980,314	1,980,314
Sales, net of cost of goods sold of $166,752	58,848	-	-	58,848
Special events, net of expenses of $29,164	44,299	-	-	44,299
Government program loan forgiveness	110,490	-	357,895	468,385
Other income	41,586	-	32,555	74,141
Total revenues and other support	255,223	-	2,370,764	2,625,987
	2,280,881	1,490,161	2,370,764	6,141,806
Support provided by expiring time and purpose restrictions	1,417,910	(1,417,910)	-	-
Total revenues, gains and other support	3,698,791	72,251	2,370,764	6,141,806
EXPENSES				
Program Services				
Humanitatian aid	1,290,262	-	-	1,290,262
GR Pro for kids	1,022,957	-	-	1,022,957
Education and culture	370,841	-	-	370,841
University	178,184	-	-	178,184
Total programs	2,862,244	-	-	2,862,244
Management and general	318,332	-		318,332
Fund raising	446,703	-		446,703
Allied Graphics	-	-	2,048,888	2,048,888
Total expenses	3,627,279	-	2,048,888	5,676,167
Changes in net assets from operating activities	71,512	72,251	321,876	465,639
NONOPERATING ACTIVITIES				
Realized and unrealized losses, net of investment expenses of $7,935	(163,603)	-	-	(163,603)
Interest and dividends	31,620	-	-	31,620
Total nonoperating losses	(131,983)	-	-	(131,983)
Changes in net assets before income taxes	(60,471)	72,251	321,876	333,656
Federal and state income tax expense	-	-	(13,054)	(13,054)
Changes in net assets	(60,471)	72,251	308,822	320,602
NET ASSETS, beginning of year	3,161,602	2,639,398	(79,953)	5,721,047
NET ASSETS, end of year	$ 3,101,131	$ 2,711,649	$ 228,869	$ 6,041,649

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

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

CONSOLDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Unrestricted	With Donor Restrictions	Alliance Graphics	Total
OPERATING ACTIVITIES				
Contributions	$ 162,035	$ 5,466,300	-	$ 5,628,335
Grants	1,003,995	-	-	1,003,995
Total contributions and grants	1,166,030	5,466,300	-	6,632,330
Sales, net of cost of goods sold of $1,621,754		-	1,597,126	1,597,126
Sales, net of cost of goods sold of $133,635	86,049	-	-	86,049
Special events, net of expenses of $5,130	33,892	-	-	33,892
Fiscal sponsorship fees	34,879	-	-	34,879
Other income	17,387	-	66,133	83,520
Total revenues and other support	172,207	-	1,663,259	1,835,466
	1,338,237	5,466,300	1,663,259	8,467,796
Support provided by expiring time and purpose restrictions	3,658,615	(3,658,615)	-	-
Total revenues, gains and other support	4,996,852	1,807,685	1,663,259	8,467,796
EXPENSES				
Program Services				
Humanitatian aid	1,760,628	-	-	1,760,628
GR Pro for kids	658,378	-	-	658,378
Education and culture	511,826	-	-	511,826
University	190,700	-	-	190,700
Total programs	3,121,532	-	-	3,121,532
Management and general	256,906	-		256,906
Fund raising	585,902	-		585,902
Allied Graphics	-	-	1,590,741	1,590,741
Total expenses	3,964,340	-	1,590,741	5,555,081
Changes in net assets from operating activities	1,032,512	1,807,685	72,518	2,912,715
NONOPERATING ACTIVITIES				
Realized and unrealized gains, net of investment expenses of $7,601	112,300	-	-	112,300
Interest and dividends	20,490	-	343	20,833
Total nonoperating income	132,790	-	343	133,133
Changes in net assets before income taxes	1,165,302	1,807,685	72,861	3,045,848
Federal and state invcome tax expense	-	-	(8,319)	(8,319)
Changes in net assets	1,165,302	1,807,685	64,542	3,037,529
NET ASSETS, beginning of year	1,996,300	831,713	(144,495)	2,683,518
NET ASSETS, end of year	$ 3,161,602	$ 2,639,398	$ (79,953)	$ 5,721,047

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

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Humanitarian Aid	GR Pro For Kids	Education & Culture	University Aid	Total Programs	General & Admin.	Fundraising	Allied Graphics	Total
Salaries and wages	$ 145,273	$ 64,565	$ 80,707	$ 32,283	$ 322,828	$ 141,238	$ 208,493	$ 1,196,346	$ 1,868,905
Payroll taxes	10,874	4,833	6,041	2,417	24,165	10,572	15,607	77,135	127,479
Employee benefits	15,525	6,900	8,625	3,450	34,500	15,094	22,282	317,292	389,168
Total payroll and payroll related	171,672	76,298	95,373	38,150	381,493	166,904	246,382	1,590,773	2,385,552
Professional services	-	-	12,573	-	12,573	88,029	74,992	17,380	192,974
Grants and donations	1,107,483	935,551	241,928	130,623	2,415,585	-	-	-	2,415,585
Travel	2,005	2,004	2,005	2,005	8,019	3,253	5,079	2,618	18,969
Advertising and marketing	348	347	348	348	1,391	971	20,085	-	22,447
Dues and subscriptions	460	461	461	460	1,842	910	882	6,877	10,511
Bank fees and charges	-	-	-	-	-	4,004	65,982	51,877	121,863
Insurance	-	-	-	-	-	5,267	-	13,231	18,498
Meetings and conferences	-	-	-	-	-	1,107	1,195	-	2,302
Occupancy	-	-	-	-	-	24,724	-	186,515	211,239
Equipment leases and maintenance	-	-	-	-	-	-	-	25,092	25,092
Postage and shipping	2,582	2,583	5,811	1,937	12,913	-	12,912	579	26,404
Printing and publications	3,365	3,365	7,520	2,534	16,784	-	16,621	-	33,405
Telephone	91	92	182	-	365	5,738	-	7,384	13,487
Supplies	-	-	-	-	-	12,896	-	13,067	25,963
Website and internet	2,256	2,256	4,640	2,127	11,279	3,696	2,573	-	17,548
Sales and marketing	-	-	-	-	-	-	-	58,749	58,749
Office	-	-	-	-	-	788	-	35,022	35,810
Miscellaneous	-	-	-	-	-	45	-	14,488	14,533
Depreciation	-	-	-	-	-	-	-	25,236	25,236
Total	$ 1,290,262	$ 1,022,957	$ 370,841	$ 178,184	$ 2,862,244	$ 318,332	$ 446,703	$ 2,048,888	$ 5,676,167

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

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Humanitarian Aid	GR Pro For Kids	Education & Culture	University Aid	Total Programs	General & Admin.	Fundraising	Allied Graphics	Total
Salaries and wages	$ 141,522	$ 62,899	$ 78,624	$ 31,449	$ 314,494	$ 133,055	$ 157,247	$ 821,696	$ 1,426,492
Payroll taxes	10,716	4,763	5,953	2,381	23,813	10,075	11,906	67,384	113,178
Employee benefits	16,042	7,130	8,912	3,565	35,649	15,082	17,824	294,983	363,538
Total payroll and payroll related	168,280	74,792	93,489	37,395	373,956	158,212	186,977	1,184,063	1,903,208
Professional services	45,912	45,912	61,358	212	153,394	40,774	49,680	25,762	269,610
Grants and donations	1,539,686	530,925	343,292	147,911	2,561,814	-	-	-	2,561,814
Travel	248	248	249	249	994	106	1,670	-	2,770
Advertising and marketing	29	29	30	30	118	205	233,835	66,375	300,533
Dues and subscriptions	555	556	555	555	2,221	683	975	4,204	8,083
Bank fees and charges	-	-	-	-	-	4,309	85,205	52,228	141,742
Insurance	-	-	-	-	-	5,239	-	13,349	18,588
Meetings and conferences	-	-	-	-	-	1,558	452	-	2,010
Occupancy	-	-	-	-	-	27,177	-	170,639	197,816
Repairs and maintenance	-	-	-	-	-	-	-	12,830	12,830
Postage and shipping	2,407	2,406	5,415	1,805	12,033	54	12,033	-	24,120
Printing and publications	2,910	2,910	6,547	2,181	14,548	239	14,548	-	29,335
Telephone	225	223	447	-	895	6,171	-	10,049	17,115
Supplies	320	320	320	320	1,280	10,708	266	8,826	21,080
Website and internet	52	52	117	40	261	521	261	-	1,043
Computer operations	-	-	-	-	-	-	-	22,133	22,133
Innterest and finance charges	-	-	-	-	-	-	-	1,382	1,382
Office	-	-	-	-	-	776	-	-	776
Miscellaneous	4	5	7	2	18	174	-	11,324	11,516
Depreciation	-	-	-	-	-	-	-	7,577	7,577
Total	$ 1,760,628	$ 658,378	$ 511,826	$ 190,700	$ 3,121,532	$ 256,906	$ 585,902	$ 1,590,741	$ 5,555,081

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

MIDDLE EAST CHILDREN'S ALLIANCE
(A NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 320,602	$ 3,037,529
Adjustments to reconcile the increase in net assets to net cash provided by operation activities:		
Depreciation	25,236	7,577
Donated stock	(52,361)	(112,930)
Net realized and unrealized losses (gains) on investment	155,668	(119,901)
(Increase) decrease in:		
Accounts receivable	(19,347)	21,324
Inventory	(165,422)	(162,962)
Prepaid expenses	(50,602)	15,137
Increase (decrease) in:		
Accounts payable and accrued expenses	(90,582)	427,717
Credit cards payable	24,396	5,888
Sales taxes payable	(897)	(31,129)
Federal and state income taxes payable	(6,272)	(2,750)
Grants payable	110,621	81,594
Customer deposits	(117,973)	226,239
Net cash provided by operating activities	133,067	3,393,333
CASH FLOW FROM INVESTING ACTIVITIES		
Net increase in employee advances	6,453	4,108
Purchases of fixed assets	-	(4,741)
Purchases of investments	(1,058,058)	(3,539,818)
Sales of investments	-	2,544,247
Net cash used by investing activities	(1,051,605)	(996,204)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in PPP loan	-	125,000
Payments on leases and loans	(444,952)	(4,906)
Net cash provided (used) by financing activities	(444,952)	120,094
NET INCREASE (DECREASE) IN CASH	(1,363,490)	2,517,223
CASH		
Beginning of year	3,240,702	723,479
End of year	$ 1,877,212	$ 3,240,702

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

NOTE A – DESCRIPTION OF THE ORGANIZATION

The Middle East Children's Alliance ("MECA") was founded in 1988 to fight injustice, poverty, and violence of the Israeli occupation of Palestine. MECA provides direct support for clinics, counseling programs, children's centers and libraries, and organizations working for the rights of prisoners, women, labor and Palestinians inside Israel.

Management and general activities include the functions necessary to provide support for the Organization's program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for not-for-profit entities, which require the Organization to report information regarding financial position and activities in accordance with the following net asset classifications:

> *Net assets without donor restrictions* - Net assets without donor restrictions are resources available to support operations. The only limit on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

> *Net assets with donor restrictions* - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulate time has passed. Other donor-imposed restrictions are perpetual in nature and the organization must continue to use the resources in accordance with the donor's instructions. The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by a passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Basis of Consolidation

The Organization owns 100% of Alliance Graphics ("AG), a for-profit corporation. AG exists to generate additional revenue for the Organization's programs. The accompanying consolidated financial statements include the accounts of the Organization and AG. Material intercompany transactions and account balances have been eliminated in the consolidation.

Nature of Operations

The statements of activities report all changes in net assets, including changes in net assets from operations and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and dividends and interest earned on investments. Nonoperating activities are limited to resources that generate a return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions. The Organization maintains cash balances at several financial institutions. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account. The balances occasionally exceed those limits. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to $500,000 of protection for each brokerage account, with a limit of $250,000 for claims of uninvested cash balances. Additional brokerage insurance – in addition to SIPC protection – is provided through underwriters in London. The SIPC insurance does not protect against market losses on investments.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, if any, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Fixed Assets and Accumulated Depreciation

Fixed assets are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Fixed assets are capitalized if it has a cost of $2,500 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expense as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 - 10 years
Equipment	5 - 7 years

Investments

To the extent available, the Organization's investments are recorded at fair value based on quoted prices in active markets. The Organization's investments that are listed on any United States or non-United States recognized exchanges are valued based on readily available market quotations. When such inputs do not exist, fair value measurements are based on the best available information and usually require a degree of judgment.

Investment transactions are recorded on the purchase or redemption date. Realized gains and losses on sales of investments are determined on the specific identification basis. Dividend and interest income is recorded on an accrual basis. Unrealized gains and losses on investments resulting from market fluctuations are recorded in the consolidated statement of activities in the period that such fluctuations occur.

In addition, the Organization reports certain investments using the Net Asset Value (NAV) per share as determined by the investment funds in which the Organization is invested under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically by the donor. Amounts received that are restricted by the donor to use in future periods or for specific

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

In-Kind Contributions

The Organization receives contributions in a form other than cash or investments. The In-Kind contributions are recorded as contributions at the date of gift and as an expense when the donated items are placed into service or distributed. If the Organization receives a contribution of furniture, fixture or equipment, the contributed asset is recognized as an asset at its estimate fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allows recognition of contributed services only if (*a*) the services create or enhance nonfinancial assets or (*b*) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

Functional Expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, payroll taxes, and benefits are allocated based on activity reports prepared by personnel.
- Occupancy and depreciation are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Administrative expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses (Continued)

The bases on which costs are allocated are evaluated periodically.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates

Inventory

Inventory consists of purchased products (MECA), finished good and work-in-progress (AG), and is valued at lower of cost (first-in, first-out) or market.

Inventory consisted of the following at June 30, 2022 and 2021:

	2022	2021
MECA -		
Olive oil	$ 32,673	$ 55,396
Palestinian products	57,103	62,512
U.S. products	16,652	16,101
AG -		
Finished goods	20,337	27,508
Work-in-progress	292,848	92,674
Total	$ 419,613	$ 254,191

Advertising Costs

Advertising is expensed as incurred. Advertising expense for the fiscal year ended June 30, 2022 and 2021 amounted to $34,788 and $248,146, respectively.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The effective date of this standard was deferred by ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* is now effective for the fiscal year 2023. The Organization is in the process of evaluating the impact this standard will have on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, to increase transparency of contributed nonfinancial assets for the not-for-profit entities through enhancements to presentation and disclosure. ASU No. 2020-07 will require not-for-profit entities to separately present contributed nonfinancial assets on the statement of activities and disclose enhanced qualitative information. The ASU I effective for annual periods beginning after May 15, 2022. The Organization is in the process of evaluating the impact this standard will have on the financial statements.

Tax Status

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability or asset if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or the Franchise Tax Board. Management has analyzed the tax positions taken by the Organization, and has concluded that, as of June 30, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in question. Management believes it is no longer subject to federal (IRS) and state (FTB) tax examinations for years prior to 2018 and 2017, respectively.

Income Taxes - MECA

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501 (c)(3) and from California Franchise taxes under Revenue and Taxation Code Section 23701d. The IRS has also determined that MECA is not a private foundation under the provisions of Internal Revenue Code Section 509(a).

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status (Continued)

Income Taxes - AG

The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes which requires the use of the "Liability Method" of accounting for income taxes. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Current income taxes are based on the year's income taxable for Federal and State income tax reporting purposes. At June 30, 2022 and 2021, there are no deferred tax assets or liabilities as the amounts are deemed immaterial.

Defined Benefit Pension Plan

The employees of AG participate in a defined benefit pension plan. Contributions to the plan are expensed when paid and amounted to $95,282 and $80,372 for the fiscal years ended June 30, 2022 and 2021, respectively.

Subsequent Events

Management has evaluated subsequent events through June 23, 2023, the date the financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of June 30, 2022 are:

Financial assets:	
Cash and cash equivalents	$ 1,877,212
Accounts receivable	143,513
Inventory	419,613
Investments	4,621,237
Total financial assets	7,061,575
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(2,711,619)
Amount available for general expenditures within one year	$ 4,349,956

NOTE C – LIQUIDITY AND AVAILABILITY (Continued)

As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments.

NOTE D – CONCENTRATIONS OF CREDIT RISK

The majority of the Organization's contributions and grants are received from corporations, foundations, and individuals located in the San Francisco Bay Area.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

NOTE E – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC Topic 820 are described below:

<u>Level 1</u> -

Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access.

<u>Level 2</u> -

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

Level 3 -
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Certificates of Deposit -
The fair values are determined by reference to quoted market prices and other relevant information generated by market transactions.

Equity Securities -
The fair values are determined by reference to quoted market prices and other relevant information generated by market transactions.

Mutual Funds -
Valued at the net asset value ("NAV") of shares held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Organization believes that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2022 and 2021:

	June 30, 2022			
	(Level 1)	(Level 2)	(Level 3)	Total
Cash – sweep accounts	$ 268,937	$ -0-	$ -0-	$ 268,937
Certificates of deposit	-0-	2,969,862	-0-	2,969,862
Equity securities	298,088	-0-	-0-	298,088
Real estate investment trusts	10,060	-0-	-0-	10,060
Mutual funds	1,074,290	-0-	-0-	1,074,290
Total investments	$ 1,651,375	$ 2,969,862	$ -0-	$ 4,621,237

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Cash – sweep accounts	$ 10,290	$ -0-	$ -0-	$ 10,290
Certificates of deposit	-0-	1,905,278	-0-	1,905,278
Equity securities	376,469	-0-	-0-	376,469
Real estate investment trusts	12,095	-0-	-0-	12,095
Mutual funds	1,362,354	-0-	-0-	1,362,354
Total investments	$ 1,761,208	$ 1,905,278	$ -0-	$ 3,666,486

NOTE F – LINE OF CREDIT

The Organization has a $250,000 unsecured line of credit with Wells Fargo Bank, at an annual interest rate of 5.25%. At June 30, 2022 and 2021, there was no balance due.

NOTE G – COMMITMENTS

In April, 2008, the Organization signed a lease through January 31, 2016 for its premises in Berkeley. The premises are to be used as a warehouse and for a processing/printing center along with related business operations. In October, 2015 the Organization signed a Second Amendment to Lease extending the lease through January 31, 2021. In addition, there is an option to extend the lease through January 31, 2024 provided the lessor is given written notice on or before July 31, 2020 of the Organization's intent to extend the lease.

The monthly rent from February 1, 2016 to January 31, 2017 was $11,185. For the period February 1, 2017 to January 31, 2018 was $11,670. Effective February 1, 2018 and each February thereafter, the rent shall increase by 3%. Currently the rent is $13,135 per month.

The annual lease commitments at June 30, 2022 are as follows:

Year Ended December 31,	Amount
2023	$ 164,378
2024	97,545
	$ 261,923

NOTE H – UNEARNED REVENUE – PPP FUNDS

On May 3, 2020, the Organization received loan proceeds of $209,462 (AG) and $110,490 (MECA) from promissory notes issued by Wells Fargo Bank and on April 16, 2021, $125,000 (AG) from a promissory note issued by Liberty SBF under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief and Economic Security Act ("CARES ACT") and administered by the U.S. Small Business Administration. Loans are provided to qualifying businesses for up to 2.5 times of the average monthly payroll and certain other expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Organization believes that it will likely qualify for full forgiveness, but there is uncertainty around the standard and operation of PPP, and no assurance is provided that the Organization will obtain forgiveness in full or in part.

The unforgiven portion of the PPP loan, in whole or in part, is payable over eighteen months at an interest rate of 1%, with a deferral of payments for the first six months.

The Wells Fargo Bank loans - $209,462 and $110,490 – were forgiven in October 2021, and the Liberty SBF loan was forgiven in January 2022.

NOTE I – INCOME TAXES

The consolidated provision for federal and state income taxes for the fiscal years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
Federal income taxes	$ 8,737	$ 4,981
State franchise taxes	4,317	3,338
Total	$ 13,054	$ 8,319

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are available for the following purposes at June 30, 2022 and 2021:

	2022	2021
Cycling and Sports	$ 182,642	$ 94,678
RAWA	430,724	388,976
Play and Heal	-0-	55,055
Summer camps	-0-	7,076
Scholarships	60,329	2,416
Maia	37,804	135,360
Riwak	-0-	5,257
Jenin Freedom Theater	51,111	26,559
Khuzza	-0-	8,465
Siraj	1,820	2,688
E. Said Library	103,756	46,012
Playgrounds	-0-	16,544
PaliRoots- Meals	178,871	348,267
PaliRoots – Emergency	1,370,235	1,492,095
PaliRoots – Lebanon & Palestine	265,433	-0-
Youth vision	14,890	9,250
Various other programs	14,034	700
	$ 2,711,649	$ 2,639,398

Net assets are released from donor restrictions by incurring expenses satisfying programming restrictions.

NOTE K – SUPPLEMENTAL CASH FLOW INFORMATION

The following amounts were paid for interest and federal and state income taxes in the fiscal years ended June 30, 2022 and 2021:

	2022	2021
Taxes	$ 12,415	$ 9,760