

**AMERICANS FOR PEACE NOW, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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Independent Auditor's Report

To the Board of Directors
Americans for Peace Now, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Americans for Peace Now, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of 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 Americans for Peace Now, Inc. as of December 31, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Handwritten signature of Paul & Company, P.C.

Needham, Massachusetts
November 20, 2013

AMERICANS FOR PEACE NOW, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current assets:	
Cash and cash equivalents	\$ 370,196
Investments in marketable securities and mutual funds (cost \$ 32,734)	27,899
Prepaid expenses	<u>13,318</u>
Total current assets	411,413
Security deposit	<u>15,305</u>
Total assets	<u><u>\$ 426,718</u></u>

LIABILITIES AND NET ASSETS

Current liabilities - Accounts payable and accrued expenses	\$ 135,821
Net assets - unrestricted	<u>290,897</u>
Total liabilities and net assets	<u><u>\$ 426,718</u></u>

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

AMERICANS FOR PEACE NOW, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

Support and revenue:	
Contributions	\$ 1,798,632
Donated marketable securities	40,201
Interest and dividends	253
Realized losses on investments	98
Change in unrealized gains and losses from investments	<u>411</u>
Total support and revenue	<u>1,839,595</u>
Expenses:	
Program services	1,513,892
General and administrative	247,776
Fundraising	<u>167,487</u>
Total expenses	<u>1,929,155</u>
Decrease in net assets	(89,560)
Net assets at beginning of year	<u>380,457</u>
Net assets at end of year	<u><u>\$ 290,897</u></u>

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

AMERICANS FOR PEACE NOW, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	<u>Total</u>	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>
Employee compensation:				
Salaries - staff	\$ 589,744	\$ 424,616	\$ 117,949	\$ 47,179
Salaries - officers	228,488	130,238	50,267	47,983
Employee benefits	89,971	58,481	19,794	11,696
Payroll taxes	56,064	36,441	12,334	7,289
Total employee compensation	<u>964,267</u>	<u>649,776</u>	<u>200,344</u>	<u>114,147</u>
Grants to Sha'al, the Peace Now Education Fund of Israel	282,200	282,200	-	-
Printing, postage and mailing	297,812	238,248	29,783	29,781
Outside consultants	141,591	141,591	-	-
Rent	92,289	73,831	9,229	9,229
Meetings	57,705	51,935	-	5,770
Travel	20,944	18,850	1,047	1,047
Telephone	16,820	13,456	1,682	1,682
Insurance	16,013	12,811	1,601	1,601
Credit card fees	15,399	12,319	1,540	1,540
Publicity	9,806	8,826	-	980
Legal and accounting	9,333	6,067	2,053	1,213
Office	4,976	3,982	497	497
Total expenses	<u>\$ 1,929,155</u>	<u>\$ 1,513,892</u>	<u>\$ 247,776</u>	<u>\$ 167,487</u>

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

**AMERICANS FOR PEACE NOW, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012**

Cash flows from operating activities:	
Decrease in net assets	\$ (89,560)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Non-cash donations (securities)	(40,201)
Realized losses on investments in securities	(98)
Change in unrealized gains and losses from investments	(411)
Changes in operating assets and liabilities:	
Prepaid expenses	(934)
Accounts payable and accrued expenses	<u>22,040</u>
Net cash used by operating activities	<u>(109,164)</u>
Cash flows from investing activities - proceeds from disposition of investments	<u>27,872</u>
Cash flows from financing activities - repayment of loan from director	<u>(10,000)</u>
Net decrease in cash	(91,292)
Cash at beginning of year	<u>461,488</u>
Cash at end of year	<u><u>\$ 370,196</u></u>

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

AMERICANS FOR PEACE NOW, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. Nature of Operations

Americans for Peace Now, Inc. (the "Organization") is a nonprofit corporation, exempt from income tax under section 501(c)(3) of the Internal Revenue Code. The Organization was formed and incorporated in 1989 under the laws of Massachusetts.

The purpose of the Organization is to support a strong and secure Israel and to carry out public information activities on Middle East peace issues in the United States. The Organization encourages widespread, thoughtful discussion of the Arab-Israeli conflict and support of the Israeli movement known as Shalom Achshav (Peace Now) and related Israeli peace movements.

The Organization engages in activities as follows:

- conducts seminars, workshops, and public advocacy campaigns;
- prepares educational audiovisual presentations;
- publishes brochures, newsletters and other literature;
- sponsors speaking engagements by prominent commentators;
- solicits contributions in support of its programs.

The Board of Directors is responsible for overseeing the Organization's activities. Directors serve for indefinite terms, but they may resign at any time. New directors are appointed by a majority of the current Board of Directors. During 2012 there were 37 directors.

The Organization has a national office in Washington, D.C. and a regional office in Los Angeles, California.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Generally accepted accounting principles require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All of the Organization's net assets are unrestricted at the present time.

AMERICANS FOR PEACE NOW, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents include money market funds.

Investments

The Organization carries its investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in the change in net assets.

Generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization’s assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to level 1 measurements. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on one or more of the following: quoted prices in active markets for securities which are not identical to those being valued; quoted prices for securities in markets which are not active; inputs other than quoted prices that are observable for the asset or liability being valued, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

AMERICANS FOR PEACE NOW, INC.
NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization's revenue is derived primarily from contributions. Contributions are recognized when a donor has made a commitment or pledge to contribute. Generally the Organization's donors communicate their commitment by sending a contribution payment, so the contributions are recognized when the payment is received.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair market values at the date of donation. Donated marketable securities are generally sold shortly after they are received.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Program expenses include both costs directly related to specific programs, and an allocation of employee compensation and related expenses based on estimated time spent on program activities. General and administrative expenses include those expenses that are not directly identifiable with any specific programs but provide for the overall support and direction of the Organization.

Income Taxes

No provision for income taxes has been made in these financial statements because the Organization is a nonprofit corporation, exempt from income tax under section 501(c)(3) of the Internal Revenue Code. Generally accepted accounting principles require management to determine whether a tax position of the Organization is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Organization's management has taken the tax position that its activities are not subject to income tax, and management believes it is more likely than not that this position would be sustained on examination. Therefore the financial statements do not reflect any liabilities for income taxes.

Subsequent events

The Organization has evaluated all substantial events through November 20, 2013, the date the financial statements were available to be issued.

AMERICANS FOR PEACE NOW, INC.
NOTES TO THE FINANCIAL STATEMENTS
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3. Rental Agreements

The Organization subleases office space in Washington, D.C. from New Israel Fund. The sublease commenced on April 1, 2011 and expires on April 29, 2019. The sub-landlord has the option to terminate the sublease at any time following the fourth anniversary of the commencement date of the sublease. The monthly rent payment at the end of 2012 was \$5,305. The rent is scheduled to increase by 4.0% each year on the anniversary of the sublease's commencement date.

The Organization has a security deposit with the sub-landlord in the amount of \$15,305.

The Organization rents an apartment in Washington, D.C. as a tenant at will for a monthly rent of \$1,775. The apartment is for use by the Organization's president while visiting on business. The Organization rents office space in Los Angeles, California, also as a tenant at will, for a monthly rent of \$342.

Total rent expense for the year ended December 31, 2012 was \$92,289.

Future minimum lease payments at December 31, 2012 are as follows:

December 31, 2013	\$ 65,575
December 31, 2014	68,198
December 31, 2015	70,926
December 31, 2016	73,763
December 31, 2017	76,713
Thereafter	106,903
Total	<u>\$ 462,078</u>

4. Retirement Plans

The Organization maintains a 403(b) Plan ("Plan") to provide retirement benefits for its employees. Employees may contribute to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Organization does not contribute to the Plan.

The Organization also maintains a defined contribution Simplified Employee Pension Plan ("SEP"). The Organization may make contributions to the SEP in amounts determined annually by the Board of Directors. Contributions are allocated among all eligible employees in proportion to their annual compensation. The Organization made contributions of \$26,018 during the year ended December 31, 2012.

AMERICANS FOR PEACE NOW, INC.
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5. Related Party Transactions

During 2011 several directors made loans to the Organization to cover short-term cash requirements. The loans had no specified repayment terms and did not bear interest. The total amount loaned to the Organization during 2011 was \$35,000, of which \$25,000 was repaid before the end of the year. The loan payable balance of \$10,000 at December 31, 2011 was repaid in January 2012.

Three of the Organization's directors also serve as directors of New Israel Fund. As explained in Note 3, the Organization leases office space in Washington, D.C. from New Israel Fund.

6. Investments in Marketable Securities and Mutual Funds

Investments at December 31, 2012 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Losses</u>
Marketable Securities	\$ 22,663	\$ 25,874	\$ (3,211)
Mutual Funds	5,236	6,860	(1,624)
Total	<u>\$ 27,899</u>	<u>\$ 32,734</u>	<u>\$ (4,835)</u>

The mutual funds in which the Organization invested are open-end funds which will redeem their shares at net asset value upon request. The Organization values its investments at net asset values as reported by the funds on the balance sheet date. Fair values measured using net asset values in this manner are considered to be based on Level 2 inputs.

Fair value measurements of investments as of December 31, 2012 are summarized as follows:

Quoted Prices In Active Markets for Identical Securities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>\$ 22,663</u>	<u>\$ 5,236</u>	<u>\$ -</u>	<u>\$ 27,899</u>

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7. Concentrations of Credit Risk

The Organization maintains some cash in money market accounts which are not insured by the Federal Deposit Insurance Corporation.

During 2012 12.8% of contributions were received from one donor.

8. Severance Policy

The Board intends to pay a severance allowance to terminating employees equal to one week's salary for each year of service. At December 31, 2012, the maximum exposure under this policy was approximately \$173,120.