



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2020 AND 2019**

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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Independent Auditor's Report

To the Board of Directors of
National Council on U.S. – Arab Relations
Washington, D.C.

We have audited the accompanying financial statements of National Council on U.S. – Arab Relations (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and changes in net assets, functional expenses, program services 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Council on U.S. – Arab Relations as of August 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.

Prior Period Financial Statements

The financial statements of National Council on U.S. – Arab Relations as of August 31, 2019, were audited by other auditors whose report dated January 15, 2020 expressed an unmodified opinion on those statements.

Alta CPA Group, LLC

March 12, 2021

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
 STATEMENTS OF FINANCIAL POSITION
 AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 617,457	\$ 730,100
Accrued Interest Income	2,578	1,659
Investments	3,143,061	3,401,442
Prepaid Expenses	26,198	55,784
Total Current Assets	<u>3,789,294</u>	<u>4,188,985</u>
Property and Equipment:		
Furniture and Equipment	32,116	32,116
Leasehold Improvements	5,048	5,048
Total Property and Equipment	<u>37,164</u>	<u>37,164</u>
Less Accumulated Depreciation	<u>(33,993)</u>	<u>(33,843)</u>
Total Property and Equipment, Net	3,171	3,321
Other Assets:		
Artifacts Collection	85,800	85,800
Book Collection	4,000	4,000
Total Other Assets	<u>89,800</u>	<u>89,800</u>
Total Assets	<u>\$ 3,882,265</u>	<u>\$ 4,282,106</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 1,885	\$ 16,947
Deferred Lease Liability	44,146	42,919
Accrued Liabilities	35,183	8,085
Deferred Revenue	-	80,850
Paycheck Protection Program Loan	107,786	-
Total Current Liabilities	<u>189,000</u>	<u>148,801</u>
Total Liabilities	189,000	148,801
Net Assets:		
Without Donor Restrictions	3,630,928	4,052,565
With Donor Restrictions	62,337	80,740
Total Net Assets	<u>3,693,265</u>	<u>4,133,305</u>
Total Liabilities and Net Assets	<u>\$ 3,882,265</u>	<u>\$ 4,282,106</u>

See auditor's report and accompanying notes to financial statements.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Contributions	\$ 416,974	\$ -	\$ 416,974
Program Revenues	366,615	-	366,615
Investment Income	204,280	-	204,280
Net Assets Released from Restrictions	18,403	(18,403)	-
Total Support and Revenue	1,006,272	(18,403)	987,869
EXPENSES:			
Program Services:			
Annual Policymakers Conference	345,560	-	345,560
Hon. J. P. Malone Fellowship	97,553	-	97,553
Youth Programs	307,517	-	307,517
Model Arab League	283,867	-	283,867
Alwaleed Bin Talal Fellowship	18,403	-	18,403
Congressional and Public Affairs Briefing	158,780	-	158,780
Total Program Services	1,211,680	-	1,211,680
Supporting Services:			
Management and General	163,642	-	163,642
Fundraising	52,587	-	52,587
Total Expenses	1,427,909	-	1,427,909
Change in Net Assets	(421,637)	(18,403)	(440,040)
Net Assets at Beginning of Year	4,052,565	80,740	4,133,305
Net Assets at End of Year	\$ 3,630,928	\$ 62,337	\$ 3,693,265

See auditor's report and accompanying notes to financial statements.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Contributions	\$ 822,526	\$ -	\$ 822,526
Program Revenues	984,056	500	984,556
Investment Income	107,057	-	107,057
Net Assets Released from Restrictions	-	-	-
Total Support and Revenue	1,913,639	500	1,914,139
EXPENSES:			
Program Services:			
Annual Policymakers Conference	327,552	-	327,552
Hon. J. P. Malone Fellowship	233,926	-	233,926
Youth Programs	275,667	-	275,667
Model Arab League	416,271	-	416,271
Congressional and Public Affairs Briefing	142,888	-	142,888
Total Program Services	1,396,304	-	1,396,304
Supporting Services:			
Management and General	164,965	-	164,965
Fundraising	69,144	-	69,144
Total Expenses	1,630,413	-	1,630,413
Change in Net Assets	283,226	500	283,726
Net Assets at Beginning of Year	3,769,339	80,240	3,849,579
Net Assets at End of Year	\$ 4,052,565	\$ 80,740	\$ 4,133,305

See auditor's report and accompanying notes to financial statements.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	Program Services	Management and General	Fundraising	Total
Accounting Expense	\$ 34,630	\$ 4,674	\$ 1,809	\$ 41,113
Conference and Events	145,907	-	-	145,907
Contract Labor	8,617	-	-	8,617
Depreciation	126	17	7	150
Insurance	9,576	1,293	500	11,369
Occupancy	106,111	14,324	5,543	125,978
Office Expense	20,819	26,446	798	48,063
Other Expenses	7,447	1,555	285	9,287
Salaries and Wages	638,224	86,152	33,339	757,715
Payroll Taxes	44,326	5,983	2,316	52,625
Fringe Benefits	146,147	19,728	7,635	173,510
Printing	17,589	635	12	18,236
Travel and Lodging	32,161	2,835	343	35,339
Total Functional Expenses	\$ <u>1,211,680</u>	\$ <u>163,642</u>	\$ <u>52,587</u>	\$ <u>1,427,909</u>

See auditor's report and accompanying notes to financial statements.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	Program Services	Management and General	Fundraising	Total
Accounting Expense	\$ 24,975	\$ 7,339	\$ 1,561	\$ 33,875
Charitable Contributions	835	114	52	1,001
Conference and Events	232,522	161	-	232,683
Contract Labor	22,075	-	-	22,075
Depreciation	125	17	8	150
Insurance	4,894	668	306	5,868
Occupancy	112,167	15,257	6,983	134,407
Office Expense	28,445	18,312	5,150	51,907
Other Expenses	4,639	1,002	237	5,878
Salaries and Wages	672,275	91,721	41,992	805,988
Payroll Taxes	41,859	5,711	2,615	50,185
Fringe Benefits	136,346	18,602	8,517	163,465
Printing	20,463	418	175	21,056
Professional Fees	-	1,000	-	1,000
Travel and Lodging	94,684	4,643	1,548	100,875
Total Functional Expenses	\$ <u>1,396,304</u>	\$ <u>164,965</u>	\$ <u>69,144</u>	\$ <u>1,630,413</u>

See auditor's report and accompanying notes to financial statements.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF PROGRAM EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	Annual Policymakers Conference	Hon. J. P. Malone Fellowship	Alwaleed Bin Talal Fellowship	Youth Programs	Model Arab League	Congressional and Public Affairs Briefing	Total
Accounting Expense	\$ 6,418	\$ 3,334	\$ 633	\$ 10,332	\$ 8,527	\$ 5,386	\$ 34,630
Conference and Events	126,940	189	-	-	17,115	1,663	145,907
Contract Labor	2,500	-	-	4,000	2,117	-	8,617
Depreciation	23	12	2	38	31	20	126
Insurance	1,775	922	175	2,857	2,358	1,489	9,576
Occupancy	19,665	10,217	1,940	31,658	26,128	16,503	106,111
Office Expense	4,976	1,725	279	4,682	6,781	2,376	20,819
Other Expenses	2,063	710	100	1,828	1,470	1,276	7,447
Salaries and Wages	118,279	61,451	11,668	190,414	157,151	99,261	638,224
Payroll Taxes	8,215	4,268	810	13,225	10,914	6,894	44,326
Fringe Benefits	27,085	14,071	2,672	43,603	35,986	22,730	146,147
Printing	13,527	22	4	68	3,932	36	17,589
Travel and Lodging	14,094	632	120	4,812	11,357	1,146	32,161
Total Expenses	\$ 345,560	\$ 97,553	\$ 18,403	\$ 307,517	\$ 283,867	\$ 158,780	\$ 1,211,680

See auditor's report and accompanying notes to financial statements.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF PROGRAM EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	Annual Policymakers Conference	Hon. J. P. Malone Fellowship	Youth Programs	Model Arab League	Congressional and Public Affairs Briefing	Total
Accounting Expense	\$ 4,641	\$ 4,237	\$ 6,000	\$ 6,812	\$ 3,285	\$ 24,975
Charitable Contributions	155	142	200	228	110	835
Conference and Events	113,475	-	1,300	116,752	995	232,522
Contract Labor	2,500	-	17,000	2,450	125	22,075
Depreciation	23	21	30	35	16	125
Insurance	910	830	1,176	1,335	643	4,894
Occupancy	20,783	19,003	26,932	30,702	14,747	112,167
Office Expense	4,733	4,456	3,854	10,716	4,686	28,445
Other Expenses	720	645	1,623	1,151	500	4,639
Salaries and Wages	124,928	114,047	161,520	183,363	88,417	672,275
Payroll Taxes	7,779	7,101	10,057	11,417	5,505	41,859
Fringe Benefits	25,337	23,130	32,759	37,188	17,932	136,346
Printing	16,727	1,261	675	1,177	623	20,463
Professional Fees	-	-	-	-	-	-
Travel and Lodging	4,841	59,053	12,541	12,945	5,304	94,684
Total Expenses	\$ 327,552	\$ 233,926	\$ 275,667	\$ 416,271	\$ 142,888	\$ 1,396,304

See auditor's report and accompanying notes to financial statements.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (440,040)	\$ 283,726
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	150	150
Unrealized and Realized (Gain) Loss on Investments, Net of Investment Management Expenses	(77,760)	50,006
Changes in Assets and Liabilities:		
Accrued Interest Income	(919)	(884)
Prepaid Expenses	29,586	(33,114)
Deferred Lease Liability	1,227	43,719
Accounts Payable	(15,062)	16,947
Accrued Liabilities	27,098	4,111
Deferred Revenue	(80,850)	(184,750)
Net Cash Provided (Used) by Operating Activities	(556,570)	179,911
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(372,978)	(129,202)
Proceeds from Sale of Investments	709,119	(5,815)
Net Cash Provided (Used) by Investing Activities	336,141	(135,017)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program Loan	107,786	-
Net Cash Provided by Financing Activities	107,786	-
Increase in Cash and Cash Equivalents	(112,643)	44,894
Cash and Cash Equivalents, Beginning of Year	730,100	685,206
Cash and Cash Equivalents, End of Year	\$ 617,457	\$ 730,100

See auditor's report and accompanying notes to financial statements.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The National Council on U.S. – Arab Relations (the “Council”) is a nonprofit organization that seeks to enhance understanding, awareness, dialogue, and bonds of friendship between the peoples of the United States and the Arab countries, the Mideast, and the Islamic world. They achieve their educational mission through programs such as conferences, youth programs, internships, and lectures.

Program Services

Annual Policymakers Conference: Gathers internationally renowned specialists to analyze, discuss, and debate important issues to the American and Arab people’s needs, concerns, interests, and foreign policy objectives. Arab and American leaders from government, the military, business, and academe share privileged information and insight that is vitally important to the definition of issues and the direction of policy formulation and implementation in American and Arab governments alike.

Hon. J.P. Malone Fellowship: Provides firsthand exposure to Arab and Islamic cultures for academics through participation in two to three-weeks’ structured educational experiences in an Arab country. The Council’s staff escorts groups of eight to twenty people to meetings with university colleagues, government ministries, diplomatic personnel, religious leaders, chamber of commerce officials, business executives, and representatives of select media and cultural institutions in the selected Arab countries.

Youth Programs: Offers undergraduate and graduate students an energizing and demanding mix of professional involvement, intellectual challenge, career exploration, and cultural encounter. Participation in twice weekly seminars is designed to provide a greater depth of knowledge about the Arab world, to understand the cultural, economic, and political diversity of Arab states, and explore the intricacies of Arab – U.S. relations.

Model Arab League: Offers students opportunities to learn, practice, and develop leadership skills. In the process, the participants, guided by faculty advisors, deepen their knowledge and understanding of Arab social, economic, cultural, and political issues.

Congressional and Public Affairs Briefings: Foster educational opportunities to the public on Capitol Hill and around Washington, D.C., where an assemblage of domestic and internationally renowned specialists analyze, discuss, and debate issues of importance to the relationship between the U.S. and the Arab countries, the Middle East, and the Islamic world. These events examine how to strengthen and expand mutual Arab – U.S. trust, confidences, and benefits while examining a range of complex issues, interests, and policies.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

HRH Prince Alwaleed Bin Talal Fellowship Program: Designed to expose a new generation of American college and university faculty members to the Arab world through National Council study visits. The visits empower the educators to become ambassadors of goodwill who can transmit increased knowledge and understanding of the Arab world so as to counter any imagined “clash of civilizations” as well as counteract false stereotypes of Arab culture and civilization that have tainted American understanding of Islam and the Arab world.

Basis of Accounting

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

Financial Statement Presentation

The Council presents its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for financial statements of nonprofit organizations. Under these accounting standards, the Council is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Council is required to present statements of functional expenses and cash flows.

Classification of Net Assets

Net assets of the Council and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are free of donor-imposed stipulations and are fully available to utilize for any program or supporting services. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions in accordance with donors’ stipulations results in the release of such restrictions. The Board of Directors (the “Board”) may designate certain amounts to be utilized or invested to meet specific objectives of the Council.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may expire with the passage of time or that may be satisfied by actions of the Council. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from donor restrictions.

Change in Accounting Principle

The Council has adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Council's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Council recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

The Council has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Council's financial reporting.

Revenue Recognition

Revenue from contracts with customers primarily consists of fees charged to professors and students to participate in a program. Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. These revenues are recognized net of discounts, waivers, and refunds.

We determine revenue recognition through the five-step model prescribed by Topic 606 as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, performance obligations are satisfied.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods and services we provide.

Our performance obligations for ticket sales and sponsorships are primarily satisfied when the festival is held. Exhibit income is realized at the point of purchase of the goods from festival vendors. The transaction price is determined based on gross price, net of discounts or refunds.

We have elected the option exemption to not disclose amounts where the performance obligation is part of a contract which has an original expected duration of one year or less. We expect to recognize substantially all revenue on these remaining performance obligations over the next 12 months.

Contract Balances

The timing of billings, cash collections, and revenue recognition may result in accounts receivable (contract assets) on the statements of financial position. Receivables are only recognized to the extent that it is probable that the Council will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred. The Council may receive advance payments and sponsorships for programs which are recorded as deferred revenue.

Costs to Obtain a Contract

The Council have elected the practical expedient available in ASC 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Practical Expedients and Optional Exemptions

The Council elected to adopt this standard using the modified retrospective approach with the cumulative effect of adoption recognized at the initial date of application. We have elected to apply the standard only to contracts which are not completed at the initial date of application.

We have made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities which are both imposed and concurrent with the specific revenue-producing transactions and collected by the entity from our customers, e.g., sales and use taxes.

Income Taxes

The Council is incorporated under the laws of the District of Columbia for charitable, educational, and scientific purposes as defined by Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Council's tax-exempt purpose is subject to taxation as unrelated business income. In the opinion of management, the Council has unrelated business income less than the threshold requirement to pay unrelated business tax. Accordingly, no provision for federal income taxes has been reflected in the accompanying financial statements.

In addition, the Council qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Council evaluates uncertainty in income tax positions based on a "more-likely-than-not" recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. The Council evaluates uncertain tax positions such that the effects of the tax positions are generally recognized in the financial statements consistent with amounts reflected in returns filed, or expected to be filed, with taxing authorities. As of August 31, 2020, the Council has determined that no accruals for uncertain tax positions are required at this time.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation (Continued)

Accordingly, certain costs have been allocated within the statements of activities and changes in net assets, specifically in the programs and supporting services benefitted, based on time records and estimates made by the Council's management.

Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reported period. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as with or without donor restriction depending on the existence and/or nature of any donor restrictions. All contributions received are considered to be without donor restriction unless specifically restricted by the donor.

Recognition of Donor Restrictions

All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost, if purchased, or at fair value on the date of donation, if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of five years for furniture and fixtures and computer equipment. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of 15 to 39 years.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

Donated collection items for which detailed curatorial records were available are carried at fair market value at date of donation with no subsequent change. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept unencumbered, cared for, and preserved.

Deferred Revenue

Income from sponsorships is deferred and recognized over the periods to which the sponsorships relate.

Deferred Lease Liability (Asset)

Certain costs incurred in connection with leased property are amortized on the straight line method over the term of the related lease agreement.

NOTE 2- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at August 31:

	<u>2020</u>	<u>2019</u>
HRH Prince Alwaleed Bin Talal Fellowship	\$ <u>62,337</u>	\$ <u>80,740</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 3 – FAIR VALUE MEASUREMENTS

	<u>Assets at Fair Value as of August 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stock:				
Common Stock	\$ 119,359	\$ ---	\$ ---	\$ 119,359
Commodities ETF Fund	<u>579,183</u>	<u>---</u>	<u>---</u>	<u>579,183</u>
Total Stock	698,542	---	---	698,542
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	1,204,635	---	---	1,204,635
International Stock Mutual Funds	<u>293,932</u>	<u>---</u>	<u>---</u>	<u>293,932</u>
Total Publicly Traded Stock Mutual Funds	1,498,567	---	---	1,498,567
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	830,753	---	---	830,753
US Treasury Bond Funds	<u>115,199</u>	<u>---</u>	<u>---</u>	<u>115,199</u>
Total Publicly Traded Bond Mutual Funds	<u>945,952</u>	<u>---</u>	<u>---</u>	<u>945,952</u>
Total Investments	\$ <u>3,143,061</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>3,143,061</u>

	<u>Assets at Fair Value as of August 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stock:				
Commodities ETF Fund	\$ <u>671,162</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>671,162</u>
Total Stock	671,162	---	---	671,162
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	1,316,766	---	---	1,316,766
International Stock Mutual Funds	<u>511,361</u>	<u>---</u>	<u>---</u>	<u>511,361</u>
Total Publicly Traded Stock Mutual Funds	1,828,127	---	---	1,828,127
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	349,291	---	---	349,291
US Treasury Bond Funds	108,746	---	---	108,746
International Bond Funds	<u>391,709</u>	<u>---</u>	<u>52,407</u>	<u>444,116</u>
Total Publicly Traded Bond Mutual Funds	<u>849,746</u>	<u>---</u>	<u>52,407</u>	<u>902,153</u>
Total Investments	\$ <u>3,349,035</u>	\$ <u>---</u>	\$ <u>52,407</u>	\$ <u>3,401,442</u>

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NOTE 4 – RETIREMENT PLAN

The Council adopted a defined contribution retirement plan effective August 1, 1988, for the exclusive benefit of eligible employees and their beneficiaries. An employee is eligible for participation after completing one year of service. Contributions are made monthly to the plan and are equal to 10% of each participant’s eligible compensation for the years ended August 31, 2020 and 2019. Total employer retirement plan contributions made for the years ended August 31, 2020 and 2019 were \$73,061 and \$70,432, respectively.

NOTE 5 – OFFICE LEASE

The Council leases office space in Washington, D.C. During the year ended August 31, 2018, the Council utilized a second extension provision, extending the lease for an additional 72 months, effective August 1, 2012 through July 31, 2018. The Council utilized a third extension provision, extending the lease for an additional 88 months, effective August 1, 2018 through November 30, 2025. The third extension agreement calls for base monthly rent payments of \$9,610 for the first year of the extended lease with a 2.50% increase in base rent at each anniversary date of the lease extension. The lease extension also calls for the Council to pay its pro-rata share of the building operating expenses and real estate taxes.

Rental expense for the years ended August 31, 2020 and 2019, including pro-rata share reimbursements and a monthly storage charge of \$250, totaled \$125,977 and \$134,407, respectively.

Future minimum lease commitments on the noncancellable operating lease are as follows for the year ending August 31:

2021	\$ 121,413
2022	124,448
2023	127,559
2024	130,748
2025	134,017
Thereafter	<u>34,270</u>
Total	\$ <u>672,455</u>

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Council maintains its cash balances at one financial institution located in Washington, D.C.

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NOTE 6 – CONCENTRATION OF CREDIT RISK (CONTINUED)

The balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 by the bank for all accounts. The Council has not experienced any loss in such accounts and does not believe it is exposed to any significant credit risk with cash and cash equivalents. As of August 31, 2020, the Council held approximately \$61,000 in excess of FDIC insurance limits.

The Council maintains an account with two brokerage firms. The Security Investor Protection Corporation (SIPC) insures account balances up to \$500,000. As of August 31, 2020, account balances held at the brokerage firm exceeded the \$500,000 insurance limit by \$2,642,102.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FUNDS

The Council maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Council’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows at August 31:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 617,457	\$ 730,100
Accrued Interest Income	2,578	1,659
Investments	<u>3,143,061</u>	<u>3,401,102</u>
Total Financial Assets	3,763,096	4,133,201
Less Amounts Not Available to be Used For General Expenditures Within One Year:		
Donor Restricted Net Assets	<u>(62,337)</u>	<u>(80,740)</u>
Financial Assets Available to Meet General Expenditures Within One Year	\$ <u>3,700,759</u>	\$ <u>4,052,461</u>

NOTE 8 – SUBSEQUENT EVENTS

The Council evaluated subsequent events through the date that the financial statements were available to be issued. The Council has identified no significant events that occurred subsequent to the statement of financial position date but prior to March 12, 2021 that would have a material impact on the financial statements.

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NOTE 9 – PAYCHECK PROTECTION PROGRAM

In April 2020 the Council applied and was approved for a loan in the amount of \$107,786 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the U.S. Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for 10 months after the covered period. The Council is eligible for loan forgiveness of up to 100% of the principal upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.