

NATIONAL COUNCIL ON
U.S. – ARAB RELATIONS

FINANCIAL STATEMENTS
AUGUST 31, 2015

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INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS
NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
1730 M STREET, NW, SUITE 503
WASHINGTON, DC 20036

We have audited the accompanying financial statements of the National Council on U.S. - Arab Relations (a nonprofit organization), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the National Council on U.S. - Arab Relations, as of August 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Berlin Ramos & Co P.A.

BERLIN, RAMOS & COMPANY, P.A.
ROCKVILLE, MARYLAND

February 11, 2016

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENTS OF FINANCIAL POSITION

	AUGUST 31,	
<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 988,149	\$ 683,907
Accounts Receivable		350
Grant Receivable	395,000	
Investments	2,085,753	2,014,225
Prepaid Expenses	60,583	53,303
Deferred Lease Obligation - Current	9,022	6,211
TOTAL CURRENT ASSETS	<u>3,538,507</u>	<u>2,757,996</u>
PROPERTY AND EQUIPMENT		
Furniture and Equipment	33,268	33,268
Computer Equipment	9,083	9,083
Leasehold Improvements	5,048	5,048
Total	<u>47,399</u>	<u>47,399</u>
Less: Accumulated Depreciation	<u>(41,885)</u>	<u>(40,883)</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>5,514</u>	<u>6,516</u>
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>\$ 3,633,821</u>	<u>\$ 2,854,312</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,058	\$ 8,439
Accrued Liabilities	14,500	13,867
Deferred Revenue	400,697	515,857
TOTAL CURRENT LIABILITIES	<u>423,255</u>	<u>538,163</u>
LONG TERM LIABILITIES		
Deferred Lease Obligation	<u>43,354</u>	<u>46,755</u>
TOTAL LONG TERM LIABILITIES	<u>43,354</u>	<u>46,755</u>
TOTAL LIABILITIES	<u>466,609</u>	<u>584,918</u>
NET ASSETS		
Unrestricted	2,443,071	2,269,394
Temporarily Restricted	724,141	
TOTAL NET ASSETS	<u>3,167,212</u>	<u>2,269,394</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,633,821</u>	<u>\$ 2,854,312</u>

The accompanying notes are an integral part of this statement.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Unrestricted Total
REVENUES, GAINS, AND OTHER SUPPORT				
Program Revenues	\$ 927,476	\$	\$ 927,476	\$ 774,990
Contributions	831,241	790,000	1,621,241	357,497
Interest and Dividend Income	40,589		40,589	43,244
Merchandise Sales and Commissions	5,376		5,376	6,520
Net Realized Gain on Investments	49,558		49,558	131,324
Net Assets Released from Restrictions	65,859	(65,859)		
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,920,099	724,141	2,644,240	1,313,575
EXPENSES AND LOSSES				
Program Services				
Annual Policymakers Conference	414,685		414,685	412,493
Hon. J. P. Malone Fellowship	198,260		198,260	113,439
Youth Programs	221,657		221,657	254,444
Model Arab League	330,987		330,987	321,985
Congressional and Public Affairs Briefing	136,876		136,876	97,507
HRH Prince Alwaleed Bin Talal Fellowship	65,859		65,859	
Supporting Services				
Management and General	177,827		177,827	175,798
Fundraising	55,613		55,613	51,694
Total Expenses	1,601,764		1,601,764	1,427,360
Net Unrealized Loss on Investments	144,658		144,658	14,314
TOTAL EXPENSES AND LOSSES	1,746,422		1,746,422	1,441,674
CHANGE IN NET ASSETS	173,677	724,141	897,818	(128,099)
NET ASSETS, BEGINNING OF YEAR	2,269,394		2,269,394	2,397,493
NET ASSETS, END OF YEAR	\$ 2,443,071	\$ 724,141	\$ 3,167,212	\$ 2,269,394

The accompanying notes are an integral part of this statement.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	AUGUST 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 897,818	\$ (128,099)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities:		
Depreciation	1,002	1,653
Net Realized Gain on Investments	(49,558)	(131,324)
Unrealized Loss on Investments	144,658	14,314
Changes in Assets and Liabilities:		
Accounts Receivable	350	(350)
Grant Receivable	(395,000)	
Prepaid Expenses	(7,280)	(6,723)
Accounts Payable	(381)	3,511
Accrued Liabilities	633	(2,348)
Deferred Revenue	(115,160)	185,447
Deferred Lease Obligation, net	(6,212)	14,480
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	470,870	(49,439)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(247,142)	(967,956)
Proceeds from Sale of Investments	80,514	1,078,231
NET CASH (USED IN)/ PROVIDED BY INVESTING ACTIVITIES	(166,628)	110,275
NET CHANGE IN CASH AND CASH EQUIVALENTS	304,242	60,836
CASH AND CASH EQUIVALENTS - BEGINNING	683,907	623,071
CASH AND CASH EQUIVALENTS - ENDING	\$ 988,149	\$ 683,907

The accompanying notes are an integral part of this statement

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2015

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTAL EXPENSES	
	Annual Policymakers Conference	Hon. J. P. Malone Fellowship	Youth Programs	Model Arab League	Congressional and Public Affairs Briefing	HRH Prince Alwaleed Bin Talal Fellowship	Total	Management and General		Fundraising
Compensation of Officers	\$ 126,836	\$ 35,266	\$ 50,516	\$ 49,492	\$ 52,182	\$ 3,814	\$ 318,106	\$ 55,251	\$ 23,502	\$ 396,859
Other Salaries and Wages	46,896	21,379	60,060	64,634	16,205	1,848	211,022	35,062	12,839	258,923
Travel and Lodging	12,134	100,632	12,788	24,115	7,361	57,291	214,321	1,708	591	216,620
Conference and Events	89,445	200		103,698	3,856		197,199			197,199
Occupancy	30,723	10,015	19,536	20,672	12,098	917	93,961	15,953	6,420	116,334
Contract Labor	31,833	11,000	22,600	13,000	22,000		100,433			100,433
Other Employee Benefits	19,944	6,501	12,684	13,091	7,851	650	60,721	10,364	4,171	75,256
Office Expenses	3,264	944	1,700	15,819	474	106	22,307	31,511	363	54,181
Pension Plan Contributions	12,922	4,212	8,219	8,482	5,087	421	39,343	6,715	2,702	48,760
Payroll Taxes	11,182	3,645	7,112	7,340	4,402	364	34,045	5,811	2,339	42,195
Accounting Expense	9,138	2,978	5,812	5,998	3,597	298	27,821	4,749	1,911	34,481
Printing	14,145	195	306	452	126		15,224	2,683	66	17,973
Tuition			17,945				17,945			17,945
Insurance	3,283	1,247	2,083	2,168	1,294	150	10,225	2,269	679	13,173
Repairs and Maintenance	279	23	45	942	303		1,592	1,837	15	3,444
Professional Fees - Other	2,570	23	45	46	28		2,712	36	15	2,763
Other Expenses	91		6	38	12		147	1,870		2,017
Board/Office Meetings								1,006		1,006
Depreciation								1,002		1,002
Contributions				1,000			1,000			1,000
Honorariums			200				200			200
TOTAL EXPENSES	\$ 414,685	\$ 198,260	\$ 221,657	\$ 330,987	\$ 136,876	\$ 65,859	\$ 1,368,324	\$ 177,827	\$ 55,613	\$ 1,601,764

The accompanying notes are an integral part of this statement.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED AUGUST 31, 2014

	PROGRAM SERVICES						SUPPORTING SERVICES		TOTAL EXPENSES
	Annual	Hon. J. P. Malone	Youth Programs	Model Arab League	Congressional and Public Affairs Briefing	Total	Management and General	Fundraising	
	Policymakers Conference	Fellowship							
Compensation of Officers	\$ 102,393	\$ 19,787	\$ 75,976	\$ 71,747	\$ 35,377	\$ 305,280	\$ 51,678	\$ 19,645	\$ 376,603
Other Salaries and Wages	64,797	12,522	48,080	45,403	22,388	193,190	32,703	12,432	238,325
Conference and Events	102,725	74	606	109,543	4,402	217,350	60		217,410
Travel and Lodging	18,850	63,199	15,928	20,410	4,473	122,860	6,511	2,476	131,847
Occupancy	35,349	6,831	26,229	24,769	12,213	105,391	17,840	6,782	130,013
Pension Plan Contributions	14,786	2,857	10,971	10,360	5,109	44,083	7,461	2,837	54,381
Contract Labor	17,968	284	26,789	7,029	507	52,577	741	282	53,600
Other Employee Benefits	13,927	2,691	10,334	9,759	4,812	41,523	7,223	2,672	51,418
Payroll Taxes	10,979	2,122	8,146	7,693	3,793	32,733	5,542	2,106	40,381
Office Expenses	3,961	375	647	4,813	273	10,069	28,552	152	38,773
Accounting Expense	8,374	1,618	6,214	5,868	2,893	24,967	4,226	1,607	30,800
Tuition			21,792			21,792			21,792
Printing	12,715					12,715	1,834		14,549
Insurance	3,552	686	2,636	2,489	1,227	10,590	1,794	681	13,065
Other Expenses		370	9	1,520		1,899	3,681		5,580
Repairs and Maintenance							3,321		3,321
Professional Fees - Other	2,117	23	87	82	40	2,349	59	22	2,430
Depreciation							1,653		1,653
Board/Office Meetings							827		827
Honorariums									
Contributions				500		500	92		500
TOTAL EXPENSES	\$ 412,493	\$ 113,439	\$ 254,444	\$ 321,985	\$ 97,507	\$ 1,199,868	\$ 175,798	\$ 51,694	\$ 1,427,360

The accompanying notes are an integral part of this statement.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICES

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.

Basis of Accounting – The financial statements of the National Council on U.S. – Arab Relations have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and payables.

Basis of Presentation – As required by the Not-for-Profit Topic of the FASB Accounting standards Codification, the Council is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Income Tax Status – 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 (the 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, 2015, the Council has evaluated its material tax positions and determined that no accruals for uncertain tax positions are required as the Council has no tax obligations at this time. If applicable, the Council records interest and penalty expense as a component of income tax expense. Returns filed for tax periods ending after August 31, 2012 are "open" to examination and any changes proposed by the taxing authorities may affect the Council's income tax liability.

Expense Allocation – The costs of providing various programs and other activities has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated within the Statements of Activities, specifically in the programs and supporting services benefitted, based on time records and estimates made by the Council's management.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2015

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICES (CONTINUED)

Estimates – Management uses estimates and assumptions in preparing financial statements in conformity with general accepted accounting principles in the United States of America. 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.

Property and Equipment – All acquisitions of property and equipment in excess of \$1,000 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 life of the asset.

Contributions Revenue – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Included in Unrestricted Contributions are amounts that were donor restricted assets received and used during the years ended August 31, 2015 and 2014 of \$20,000 and \$28,000, respectively.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Collections – Donated collection items for which detailed curatorial records were available are carried at fair market value using Level III inputs.

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

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

Program Revenues – Program revenues include fees charged to professors and students for their participation in a specified program. These fees are used to defray the costs of the related programs. Registration fees are also charged to attendees of the Council's Annual Policymakers Conference.

Reclassifications – Certain amounts for the year ended August 31, 2014 have been reclassified in these comparative financial statements. These reclassifications had no effect on the financial position or change in net assets.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2015

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 – CONTRIBUTORS OF FUNDS (TEMPORARILY RESTRICTED)

The Council received a temporarily restricted grant from one organization for the year ending August 31, 2015 and none for the year ending August 31, 2014 to support their programs totaling:

	<u>2015</u>	<u>2014</u>
Total Temporarily Restricted Contributions	<u>\$790,000</u>	<u>\$ -</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	<u>2015</u>	<u>2014</u>
Net Assets Released from Restrictions	<u>\$ 65,859</u>	<u>\$ -</u>

NOTE 3 – PROGRAM SERVICES

The following program services are included in the accompanying financial statements:

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 representative of select media and cultural institutions in the selected Arab countries.

Youth Programs

Offer 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 them with 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.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2015

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 – PROGRAM SERVICES (CONTINUED)

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, DC, 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.

HRH Prince Alwaleed Bin Talal Fellowship Program

The fellowship program is 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.

NOTE 4 – INVESTMENTS

The Council carries investments in marketable securities with readily determined fair values and all investments in debt securities at their fair values in the Statements in Financial Position. These investments are primarily held in the custody of a major financial institution. The average cost method is used to determine the cost basis of publicly traded equity securities sold. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2015

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – INVESTMENTS (CONTINUED)

The following tables summarize the Council's investments:

<u>August 31, 2015</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Stock:				
Commodities ETF Fund	\$ 257,274	\$ _____	\$ 24,282	\$ 232,992
Total Stock	<u>257,274</u>	<u>_____</u>	<u>24,282</u>	<u>232,992</u>
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	596,766	48,999		645,765
International Stock Mutual Funds	<u>550,119</u>	<u>_____</u>	<u>82,151</u>	<u>467,968</u>
Total Publicly Traded Stock Mutual Funds	<u>1,146,885</u>	<u>48,999</u>	<u>82,151</u>	<u>1,113,733</u>
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	323,575		7,188	316,387
U.S. Treasury Bond Funds	153,163	1,743		154,906
International Bond Funds	<u>284,046</u>	<u>_____</u>	<u>16,311</u>	<u>267,735</u>
Total Publicly Traded Bond Mutual Funds	<u>760,784</u>	<u>1,743</u>	<u>23,499</u>	<u>739,028</u>
Total Stock, Publicly Traded Stock & Bond Mutual Funds	<u>\$ 2,164,943</u>	<u>\$ 50,742</u>	<u>\$ 129,932</u>	<u>\$ 2,085,753</u>
<u>August 31, 2014</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Stock:				
Commodities ETF Fund	\$ 100,088	\$ _____	\$ 2,239	\$ 97,849
Total Stock	<u>100,088</u>	<u>_____</u>	<u>2,239</u>	<u>97,849</u>
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	636,435	65,958		702,393
International Stock Mutual Funds	<u>525,000</u>	<u>_____</u>	<u>6,117</u>	<u>518,883</u>
Total Publicly Traded Stock Mutual Funds	<u>1,161,435</u>	<u>65,958</u>	<u>6,117</u>	<u>1,221,276</u>
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	311,470	6,431		317,901
U.S. Treasury Bond Funds	150,245	1,002		151,247
International Bond Funds	<u>225,519</u>	<u>433</u>	<u>_____</u>	<u>225,952</u>
Total Publicly Traded Bond Mutual Funds	<u>687,234</u>	<u>7,866</u>	<u>_____</u>	<u>695,100</u>
Total Stock, Publicly Traded Stock & Bond Mutual Funds	<u>\$ 1,948,757</u>	<u>\$ 73,824</u>	<u>\$ 8,356</u>	<u>\$ 2,014,225</u>

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2015

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – INVESTMENTS (CONTINUED)

The following table present the gross realized gains (losses) related to the Council's Publicly Traded Stock and Bond Mutual Fund investments:

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Gross Realized Gains	\$ 49,558	\$ 133,806
Gross Realized Losses		<u>(2,483)</u>
Total	<u>\$ 49,558</u>	<u>\$ 131,324</u>

As of August 31, 2015, the contractual maturities of Publicly Traded Stock and Bond Mutual Fund are as follows: within one year, \$2,085,753. Actual maturities may differ from contractual maturities as issuers may have the right to prepay debt obligations with or without prepayment penalties.

NOTE 5 – 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.

Collections – Independent appraisals were used to determine the fair value.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2015

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, Council's assets at fair value as of August 31, 2015 and 2014:

	Assets at Fair Value as August 31, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stock:				
Commodities ETF Fund	\$ 232,992	\$	\$	\$ 232,992
Total Stock	<u>232,992</u>	<u></u>	<u></u>	<u>232,992</u>
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	645,765			645,765
International Stock Mutual Funds	<u>467,968</u>			<u>467,968</u>
Total Publicly Traded Stock Mutual Funds	<u>1,113,733</u>			<u>1,113,733</u>
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	316,387			316,387
U.S. Treasury Bond Funds	154,906			154,906
International Bond Funds	<u>267,735</u>			<u>267,735</u>
Total Publicly Traded Bond Mutual Funds	<u>739,028</u>			<u>739,028</u>
Total Stock, Publicly Traded Stock & Bond Mutual Funds	<u>2,085,753</u>			<u>2,085,753</u>
Collections:				
Artifacts Collection			85,800	85,800
Book Collection			<u>4,000</u>	<u>4,000</u>
Total Collections			<u>89,800</u>	<u>89,800</u>
Total Stock, Publicly Traded Stock & Bond Mutual Funds and Collections	<u>\$ 2,085,753</u>	<u>\$</u>	<u>\$ 89,800</u>	<u>\$ 2,175,553</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value as August 31, 2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stock:				
Commodities ETF Fund	\$ 97,849	\$	\$	\$ 97,489
Total Stock	<u>97,489</u>			<u>97,489</u>
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	702,393			702,393
International Stock Mutual Funds	518,883			518,883
Total Publicly Traded Stock Mutual Funds	<u>1,221,276</u>			<u>1,221,276</u>
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	317,901			317,901
U.S. Treasury Bond Funds	151,247			151,247
International Bond Funds	225,952			225,952
Total Publicly Traded Bond Mutual Funds	<u>695,100</u>			<u>695,100</u>
Total Stock, Publicly Traded Stock & Bond Mutual Funds	<u>2,014,225</u>			<u>2,014,225</u>
Collections:				
Artifacts Collection			85,800	85,800
Book Collection			4,000	4,000
Total Collections			<u>89,800</u>	<u>89,800</u>
Total Stock, Publicly Traded Stock & Bond Mutual Funds and Collections	<u>\$ 2,014,225</u>	<u>\$</u>	<u>\$ 89,800</u>	<u>\$ 2,104,025</u>

NOTE 6 – 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, 2015 and 2014. Total employer retirement plan contributions made for the years ended August 31, 2015 and 2014 were \$48,760 and \$54,381, respectively.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – OFFICE LEASE

The Council entered into a lease agreement for office space in Washington, D.C. on May 18, 2004, which expired on July 7, 2008. The Council exercised its first extension provision in the lease on December 20, 2007, extending the lease for office space from July 8, 2008 through July 7, 2013. The Council utilized a second extension provision, extending the lease for an additional 72 months, effective August 1, 2012 through July 31, 2018. The second extension agreement calls for base monthly rent payments of \$8,879 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 extension agreement granted rent abatement for the first three months of the extended lease term, as well as two additional months, August and September of 2013. 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, 2015 and 2014, including pro-rata share reimbursements and a monthly storage charge of \$250, totaled \$116,334 and \$130,013, respectively.

Future minimum lease commitments on the non-cancelable operating lease are as follows for the years ending August 31:

2016	\$ 115,218
2017	118,098
2018	<u>110,754</u>
Total	<u>\$ 344,070</u>

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Council maintains its cash balances at one financial institution located in Washington D.C. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 by the bank for all accounts. As of January 1, 2013, deposits held in non-interest bearing accounts are now aggregated with any interest bearing deposit accounts the owner may hold. 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, 2015 and 2014, the Council held \$625,132 and \$384,709, respectively, 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, 2015 and 2014, account balances held at the brokerage firm exceeded the \$500,000 insurance limit by \$1,699,723 and \$1,567,382, respectively.

NOTE 9 – SUBSEQUENT EVENTS

The date to which events occurring after August 31, 2015, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is February 11, 2016.