

NATIONAL COUNCIL ON
U.S. - ARAB RELATIONS

FINANCIAL STATEMENTS
AUGUST 31, 2016

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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, 2016 and 2015, 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, 2016 and 2015, 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.
NORTH BETHESDA, MARYLAND

March 29, 2017

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

	AUGUST 31,	
	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,325,230	\$ 988,149
Accrued Interest Income	61	
Grant Receivable		395,000
Investments	2,355,548	2,085,753
Prepaid Expenses	57,341	60,583
Deferred Lease Obligation - Current	11,902	9,022
TOTAL CURRENT ASSETS	3,750,082	3,538,507
PROPERTY AND EQUIPMENT		
Furniture and Equipment	32,116	33,268
Computer Equipment	3,802	9,083
Leasehold Improvements	5,048	5,048
Total	40,966	47,399
Less: Accumulated Depreciation	(36,152)	(41,885)
TOTAL PROPERTY AND EQUIPMENT, NET	4,814	5,514
OTHER ASSETS		
Artifacts Collection	85,800	85,800
Book Collection	4,000	4,000
TOTAL OTHER ASSETS	89,800	89,800
TOTAL ASSETS	\$ 3,844,696	\$ 3,633,821
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 27,668	\$ 8,058
Accrued Liabilities	24,005	14,500
Deferred Revenue	477,000	400,697
TOTAL CURRENT LIABILITIES	528,673	423,255
LONG TERM LIABILITIES		
Deferred Lease Obligation	37,212	43,354
TOTAL LONG TERM LIABILITIES	37,212	43,354
TOTAL LIABILITIES	565,885	466,609
NET ASSETS		
Unrestricted	2,926,456	2,443,071
Temporarily Restricted	352,355	724,141
TOTAL NET ASSETS	3,278,811	3,167,212
TOTAL LIABILITIES AND NET ASSETS	\$ 3,844,696	\$ 3,633,821

The accompanying notes are an integral part of this statement.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Program Revenues	\$ 876,691	\$	\$ 876,691
Contributions	756,665		756,665
Interest and Dividend Income	38,716		38,716
Merchandise Sales and Commissions	108		108
Net Realized Gain on Investments	13,409		13,409
Net Unrealized Gain on Investments	98,037		98,037
Net Assets Released from Restrictions	371,786	(371,786)	
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	2,155,412	(371,786)	1,783,626
EXPENSES AND LOSSES			
Program Services			
Annual Policymakers Conference	410,786		410,786
Hon. J. P. Malone Fellowship	142,725		142,725
Youth Programs	191,500		191,500
Model Arab League	254,208		254,208
Congressional and Public Affairs Briefing	63,296		63,296
HRH Prince Alwaleed Bin Talal Fellowship	371,786		371,786
Supporting Services			
Management and General	175,991		175,991
Fundraising	61,735		61,735
TOTAL EXPENSES	1,672,027		1,672,027
CHANGE IN NET ASSETS	483,385	(371,786)	111,599
NET ASSETS, BEGINNING OF YEAR	2,443,071	724,141	3,167,212
NET ASSETS, END OF YEAR	\$ 2,926,456	\$ 352,355	\$ 3,278,811

The accompanying notes are an integral part of this statement.

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

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Program Revenues	\$ 927,476	\$	\$ 927,476
Contributions	831,241	790,000	1,621,241
Interest and Dividend Income	40,589		40,589
Merchandise Sales and Commissions	5,376		5,376
Net Realized Gain on Investments	49,558		49,558
Net Assets Released from Restrictions	65,859	(65,859)	
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,920,099	724,141	2,644,240
EXPENSES AND LOSSES			
Program Services			
Annual Policymakers Conference	414,685		414,685
Hon. J. P. Malone Fellowship	198,260		198,260
Youth Programs	221,657		221,657
Model Arab League	330,987		330,987
Congressional and Public Affairs Briefing	136,876		136,876
HRH Prince Alwaleed Bin Talal Fellowship	65,859		65,859
Supporting Services			
Management and General	177,827		177,827
Fundraising	55,613		55,613
Total Expenses	1,601,764		1,601,764
Net Unrealized Loss on Investments	144,658		144,658
TOTAL EXPENSES AND LOSSES	1,746,422		1,746,422
CHANGE IN NET ASSETS	173,677	724,141	897,818
NET ASSETS, BEGINNING OF YEAR	2,269,394		2,269,394
NET ASSETS, END OF YEAR	\$ 2,443,071	\$ 724,141	\$ 3,167,212

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,

2016 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

	2016	2015
Change in Net Assets	\$ 111,599	\$ 897,818
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities:		
Depreciation	700	1,002
Net Realized Gain on Investments	(13,409)	(49,558)
Net Unrealized (Gain)/Loss on Investments	(98,037)	144,658
Changes in Assets and Liabilities:		
Accounts Receivable		350
Accrued Interest Income	(61)	
Grant Receivable	395,000	(395,000)
Prepaid Expenses	3,242	(7,280)
Accounts Payable	19,610	(381)
Accrued Liabilities	9,505	633
Deferred Revenue	76,303	(115,160)
Deferred Lease Obligation, net	(9,022)	(6,212)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 495,430	 470,870
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(238,863)	(247,142)
Proceeds from Sale of Investments	80,514	80,514
 NET CASH USED IN INVESTING ACTIVITIES	 (158,349)	 (166,628)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 337,081	 304,242
 CASH AND CASH EQUIVALENTS - BEGINNING	 988,149	 683,907
 CASH AND CASH EQUIVALENTS - ENDING	 \$ 1,325,230	 \$ 988,149

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, 2016

	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	Management and General	Fundraising	
Compensation of Officers	\$ 103,223	\$ 44,099	\$ 68,365	\$ 16,807	\$ 30,805	\$ 64,095	\$ 62,258	\$ 26,481	\$ 416,133
Other Salaries and Wages	42,652	44,952	36,850	50,436	11,848	55,061	32,144	15,610	289,553
Travel and Lodging	14,868	5,084	10,495	52,041	886	193,478	5,503	462	282,817
Conference and Events	121,837	64		84,627	(1,896)	124			204,756
Occupancy	24,016	14,660	17,322	11,071	7,022	19,617	16,488	6,930	117,126
Other Employee Benefits	15,840	9,670	11,425	7,302	4,632	12,939	10,251	4,571	76,630
Pension Plan Contributions	12,054	7,559	8,694	5,557	3,525	9,846	7,802	3,478	58,315
Office Expenses	7,135	4,219	2,866	12,111	833	2,619	22,009	270	52,062
Contract Labor	23,599	366	20,332	276	175	990	388	173	46,299
Payroll Taxes	9,227	5,633	6,655	4,254	2,698	7,537	5,971	2,663	44,638
Accounting Expense	9,115	4,375	5,469	7,292	1,823	2,917	5,105	365	36,461
Printing	20,853			163			1,370		22,386
Insurance	2,585	1,654	1,760	1,485	675	1,907	1,605	531	12,202
Repairs and Maintenance	952	528	635	579	240	573	398	172	4,077
Other Expenses	43		59	160			3,724		3,986
Professional Fees - Other	2,500						209	29	2,709
Tuition	101	62	573	47	30	83	66		991
Depreciation							700		700
Contributions	186								186
TOTAL EXPENSES	\$ 410,786	\$ 142,725	\$ 191,500	\$ 254,208	\$ 63,296	\$ 371,786	\$ 175,991	\$ 61,735	\$ 1,672,027

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

The accompanying notes are an integral part of this statement.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2016

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, 2016, 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, 2013 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, 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (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 \$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 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, 2016 and 2015 of \$0 and \$20,000, 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, 2015 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, 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 – CONTRIBUTORS OF FUNDS (TEMPORARILY RESTRICTED)

The Council did not receive a temporarily restricted grant from any organization for the year ending August 31, 2016. The Council received a temporarily restricted grant from one organization for the year ending August 31, 2015 to support their programs totaling:

	<u>2016</u>	<u>2015</u>
Total Temporarily Restricted Contributions	\$ _____	<u>\$790,000</u>

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

	<u>2016</u>	<u>2015</u>
Net Assets Released from Restrictions	<u>\$371,786</u>	<u>\$ 65,859</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.

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 – PROGRAM SERVICES (CONTINUED)

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.

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, 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – INVESTMENTS (CONTINUED)

The following tables summarize the Council's investments:

<u>August 31, 2016</u>	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Stock:				
Commodities ETF Fund	\$ 585,044	\$ 3,950	\$	\$ 588,994
Total Stock	<u>585,044</u>	<u>3,950</u>	<u></u>	<u>588,994</u>
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	576,229	90,882		667,111
International Stock Mutual Funds	<u>583,920</u>	<u></u>	<u>60,198</u>	<u>523,722</u>
Total Publicly Traded Stock Mutual Funds	<u>1,160,149</u>	<u>90,882</u>	<u>60,198</u>	<u>1,190,833</u>
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	327,513	1,917		329,430
U.S. Treasury Bond Funds	103,662	532		104,194
International Bond Funds	<u>161,922</u>	<u></u>	<u>19,825</u>	<u>142,097</u>
Total Publicly Traded Bond Mutual Funds	<u>593,097</u>	<u>2,449</u>	<u>19,825</u>	<u>575,721</u>
Total Stock, Publicly Traded Stock & Bond Mutual Funds	<u>\$ 2,338,290</u>	<u>\$ 97,281</u>	<u>\$ 80,023</u>	<u>\$ 2,355,548</u>
<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	6,431	7,188	316,387
U.S. Treasury Bond Funds	153,163	1,002		154,906
International Bond Funds	<u>284,046</u>	<u>433</u>	<u>16,311</u>	<u>267,735</u>
Total Publicly Traded Bond Mutual Funds	<u>760,784</u>	<u>7,866</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>

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
AUGUST 31, 2016

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, 2016</u>	<u>August 31, 2015</u>
Gross Realized Gains	\$ 28,811	\$ 49,558
Gross Realized Losses	(15,402)	
Total	<u>\$ 13,409</u>	<u>\$ 49,558</u>

As of August 31, 2016, the contractual maturities of Publicly Traded Stock and Bond Mutual Fund are as follows: within one year, \$2,355,548. 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.

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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, 2016 and 2015:

	Assets at Fair Value as August 31, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stock:				
Commodities ETF Fund	\$ 588,944	\$ _____	\$ _____	\$ 588,944
Total Stock	<u>588,994</u>	<u>_____</u>	<u>_____</u>	<u>588,994</u>
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	667,111			667,111
International Stock Mutual Funds	<u>523,722</u>			<u>523,722</u>
Total Publicly Traded Stock Mutual Funds	<u>1,190,833</u>			<u>1,190,833</u>
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	329,430			329,430
U.S. Treasury Bond Funds	104,194			104,194
International Bond Funds	<u>142,097</u>			<u>142,097</u>
Total Publicly Traded Bond Mutual Funds	<u>575,721</u>			<u>575,721</u>
Total Stock, Publicly Traded Stock & Bond Mutual Funds	<u>2,355,548</u>			<u>2,355,548</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>\$ 2,355,548</u>	<u>\$ _____</u>	<u>\$ 89,800</u>	<u>\$ 2,445,159</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

	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>

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, 2016 and 2015. Total employer retirement plan contributions made for the years ended August 31, 2016 and 2015 were \$58,315 and \$48,760, 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, 2016 and 2015, including pro-rata share reimbursements and a monthly storage charge of \$250, totaled \$117,126 and \$116,334, respectively.

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

2017	118,098
2018	<u>110,754</u>
Total	<u>\$ 228,852</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. 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, 2016 and 2015, the Council held \$892,795 and \$625,132, 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, 2016 and 2015, account balances held at the brokerage firm exceeded the \$500,000 insurance limit by \$2,038,421 and \$1,699,723, respectively.

NOTE 9 – SUBSEQUENT EVENTS

The date to which events occurring after August 31, 2016, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is March 29, 2017.