NATIONAL COUNCIL ON U.S. – ARAB RELATIONS

FINANCIAL STATEMENTS

As of and for the Years Ended August 31, 2017 and 2016

And Report of Independent Auditor
Report of Independent Auditor

The Board of Directors
National Council on U.S. - Arab Relations
Washington, D.C.

We have audited the accompanying financial statements of the National Council on U.S. - Arab Relations (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, 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.

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 the National Council on U.S. - Arab Relations as of August 31, 2017, 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.
Other Matter
The financial statements of the National Council on U.S. - Arab Relations for the year ended August 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on March 29, 2017.

C. [Signature]

Rockville, Maryland
March 22, 2018
## Assets

### Current Assets
- Cash and Cash Equivalents: $933,170, $1,325,230
- Accrued Interest Income: 52, 61
- Investments: 2,957,496, 2,355,548
- Prepaid Expenses: 53,634, 57,341
- Deferred Lease Obligation - Current: 13,408, 11,902

**Total Current Assets:** 3,957,760, 3,750,082

### Property and Equipment
- Furniture and Equipment: 32,116, 32,116
- Computer Equipment: 2,226, 3,802
- Leasehold Improvements: 5,048, 5,048

**Total:** 39,390, 40,966
- Less: Accumulated Depreciation: (35,592), (36,152)

**Total Property and Equipment, Net:** 3,798, 4,814

### Other Assets
- Artifacts Collection: 85,800, 85,800
- Book Collection: 4,000, 4,000

**Total Other Assets:** 89,800, 89,800

**Total Assets:** $4,051,358, $3,844,696

## Liabilities and Net Assets

### Current Liabilities
- Accounts Payable: $11,150, $27,668
- Accrued Liabilities: 28,555, 24,005
- Deferred Revenue: 343,315, 477,000

**Total Current Liabilities:** 383,020, 528,673

### Long Term Liabilities
- Deferred Lease Obligation: 37,212

**Total Long Term Liabilities:** 37,212

**Total Liabilities:** 383,020, 565,885

### Net Assets
- Unrestricted: 3,545,025, 2,926,456
- Temporarily Restricted: 123,313, 352,355

**Total Net Assets:** 3,668,338, 3,278,811

**Total Liabilities and Net Assets:** $4,051,358, $3,844,696

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, 2017

<table>
<thead>
<tr>
<th>REVENUES, GAINS, AND OTHER SUPPORT</th>
<th>2017</th>
<th>Temporarily</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Revenues</td>
<td>$1,062,662</td>
<td></td>
<td>$1,062,662</td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>653,083</td>
<td></td>
<td>653,083</td>
<td></td>
</tr>
<tr>
<td>Interest and Dividend Income</td>
<td>76,593</td>
<td></td>
<td>76,593</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>57</td>
<td></td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>Net Realized Loss on Investments</td>
<td>(27,503)</td>
<td></td>
<td>(27,503)</td>
<td></td>
</tr>
<tr>
<td>Net Unrealized Gain on Investments</td>
<td>255,436</td>
<td></td>
<td>255,436</td>
<td></td>
</tr>
<tr>
<td>Net Assets Released from Restrictions</td>
<td>229,042</td>
<td>(229,042)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</td>
<td>2,249,370</td>
<td>(229,042)</td>
<td>2,020,328</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td></td>
</tr>
<tr>
<td>Annual Policymakers Conference</td>
<td>439,027</td>
</tr>
<tr>
<td>Hon. J. P. Malone Fellowship</td>
<td>123,894</td>
</tr>
<tr>
<td>Youth Programs</td>
<td>191,586</td>
</tr>
<tr>
<td>Model Arab League</td>
<td>324,949</td>
</tr>
<tr>
<td>Congressional and Public Affairs Briefing</td>
<td>66,183</td>
</tr>
<tr>
<td>HRH Prince Alwaleed Bin Talal Fellowship</td>
<td>229,042</td>
</tr>
<tr>
<td>Supporting Services</td>
<td></td>
</tr>
<tr>
<td>Management and General</td>
<td>216,540</td>
</tr>
<tr>
<td>Fundraising</td>
<td>39,580</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>1,630,801</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>618,569</td>
<td>(229,042)</td>
</tr>
</tbody>
</table>

| NET ASSETS, BEGINNING OF YEAR | 2,926,456 | 352,355 | 3,278,811 |

| NET ASSETS, END OF YEAR | $3,545,025 | $123,313 | $3,668,338 |

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
</tr>
<tr>
<td><strong>REVENUES, GAINS, AND OTHER SUPPORT</strong></td>
<td></td>
</tr>
<tr>
<td>Program Revenues</td>
<td>$876,691</td>
</tr>
<tr>
<td>Contributions</td>
<td>756,665</td>
</tr>
<tr>
<td>Interest and Dividend Income</td>
<td>38,716</td>
</tr>
<tr>
<td>Merchandise Sales and Commissions</td>
<td>108</td>
</tr>
<tr>
<td>Net Realized Gain on Investments</td>
<td>13,409</td>
</tr>
<tr>
<td>Net Unrealized Gain on Investments</td>
<td>98,037</td>
</tr>
<tr>
<td>Net Assets Released from Restrictions</td>
<td>371,786</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</strong></td>
<td>2,155,412</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES AND LOSSES</strong></td>
<td></td>
</tr>
<tr>
<td>Program Services</td>
<td></td>
</tr>
<tr>
<td>Annual Policymakers Conference</td>
<td>410,786</td>
</tr>
<tr>
<td>Hon. J. P. Malone Fellowship</td>
<td>142,725</td>
</tr>
<tr>
<td>Youth Programs</td>
<td>191,500</td>
</tr>
<tr>
<td>Model Arab League</td>
<td>254,208</td>
</tr>
<tr>
<td>Congressional and Public Affairs Briefing</td>
<td>63,296</td>
</tr>
<tr>
<td>HRH Prince Alwaleed Bin Talal Fellowship</td>
<td>371,786</td>
</tr>
<tr>
<td>Supporting Services</td>
<td></td>
</tr>
<tr>
<td>Management and General</td>
<td>175,991</td>
</tr>
<tr>
<td>Fundraising</td>
<td>61,735</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>1,672,027</td>
</tr>
</tbody>
</table>

| **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.

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NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$ 389,527</td>
<td>$ 111,599</td>
</tr>
<tr>
<td>Adjustments to Reconcile Change in Net Assets to Net Cash (Used in)/Provided by Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,016</td>
<td>700</td>
</tr>
<tr>
<td>Net Realized Loss/(Gain) on Investments</td>
<td>27,503</td>
<td>(13,409)</td>
</tr>
<tr>
<td>Net Unrealized Gain on Investments</td>
<td>(255,436)</td>
<td>(98,037)</td>
</tr>
<tr>
<td>Changes in Assets and Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued Interest Income</td>
<td>9</td>
<td>(61)</td>
</tr>
<tr>
<td>Grant Receivable</td>
<td>-</td>
<td>395,000</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>3,707</td>
<td>3,242</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>(16,518)</td>
<td>19,610</td>
</tr>
<tr>
<td>Accrued Liabilities</td>
<td>4,550</td>
<td>9,505</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>(133,685)</td>
<td>76,303</td>
</tr>
<tr>
<td>Deferred Lease Obligation, net</td>
<td>(38,718)</td>
<td>(9,022)</td>
</tr>
<tr>
<td>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</td>
<td>(18,045)</td>
<td>495,430</td>
</tr>
</tbody>
</table>

| CASH FLOWS FROM INVESTING ACTIVITIES: |           |           |
| Purchase of Investments          | (795,488) | (238,863) |
| Proceeds from Sale of Investments | 421,473   | 80,514    |
| NET CASH USED IN INVESTING ACTIVITIES | (374,015) | (158,349) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (392,060) | 337,081   |
| CASH AND CASH EQUIVALENTS - BEGINNING | 1,325,230 | 988,149   |
| CASH AND CASH EQUIVALENTS - ENDING   | $ 933,170 | $ 1,325,230 |

The accompanying notes are an integral part of this statement.

Page 6 of 17 Pages
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Policymakers Conference</strong></td>
<td>Management and General</td>
</tr>
<tr>
<td><strong>Hon. J. P. Malone Fellowship</strong></td>
<td>Fundraising</td>
</tr>
<tr>
<td><strong>Youth Programs</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Model Arab League</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Congressional and Public Affairs Briefing</strong></td>
<td></td>
</tr>
<tr>
<td><strong>HRH Prince Ali Alwaleed Bin Talal Fellowship</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Compensation of Officers</strong></td>
<td>$51,894</td>
</tr>
<tr>
<td>Conference</td>
<td>-</td>
</tr>
<tr>
<td>Other Salaries and Wages</td>
<td>25,620</td>
</tr>
<tr>
<td>Travel and Lodging</td>
<td>18,151</td>
</tr>
<tr>
<td>Occupancy</td>
<td>15,286</td>
</tr>
<tr>
<td>Other Employee Benefits</td>
<td>11,415</td>
</tr>
<tr>
<td>Contract Labor</td>
<td>15,082</td>
</tr>
<tr>
<td>Pension Plan Contributions</td>
<td>7,893</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>39,711</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>6,254</td>
</tr>
<tr>
<td>Accounting Expense</td>
<td>8,610</td>
</tr>
<tr>
<td>Printing</td>
<td>3,635</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,660</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>4,285</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>950</td>
</tr>
<tr>
<td>Professional Fees - Other</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,016</td>
</tr>
<tr>
<td>Contributions</td>
<td>500</td>
</tr>
<tr>
<td>Tuition</td>
<td>-</td>
</tr>
<tr>
<td>Board and Office Meetings</td>
<td>88</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$439,027</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>PROGRAM SERVICES</th>
<th>SUPPORTING SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>**Annual</td>
<td>Hon. J. P.</td>
</tr>
<tr>
<td>Policymakers</td>
<td>Conference</td>
</tr>
<tr>
<td>Compensation of Officers</td>
<td>$103,223</td>
</tr>
<tr>
<td>Other Salaries and Wages</td>
<td>42,652</td>
</tr>
<tr>
<td>Travel and Lodging</td>
<td>14,868</td>
</tr>
<tr>
<td>Conference and Events</td>
<td>121,837</td>
</tr>
<tr>
<td>Occupancy</td>
<td>24,016</td>
</tr>
<tr>
<td>Other Employee Benefits</td>
<td>15,840</td>
</tr>
<tr>
<td>Pension Plan Contributions</td>
<td>12,054</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>7,135</td>
</tr>
<tr>
<td>Contract Labor</td>
<td>23,599</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>9,227</td>
</tr>
<tr>
<td>Accounting Expense</td>
<td>9,115</td>
</tr>
<tr>
<td>Printing</td>
<td>20,853</td>
</tr>
<tr>
<td>Insurance</td>
<td>2,585</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>952</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>43</td>
</tr>
<tr>
<td>Professional Fees - Other</td>
<td>2,500</td>
</tr>
<tr>
<td>Tuition</td>
<td>101</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
</tr>
<tr>
<td>Contributions</td>
<td>186</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>$410,786</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
NOTE 1 - NATURE OF ACTIVITIES AND 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.

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, 2017, 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.

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.
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 lives of five years for furniture and fixtures and computer equipment. Leasehold improvements
are amortized using straight-line method over the estimated useful lives of fifteen to thirty-nine years.

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, 2017 and 2016 of $300 and $0,
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 at date of donation with no subsequent change.

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.
NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset balances at August 31 consisted of:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRH Prince Alwaleed Bin Talal Fellowship</td>
<td>$123,313</td>
<td>$352,355</td>
</tr>
</tbody>
</table>

The Council’s interests in temporarily restricted funds are restricted until such time as the Council satisfies the grantor’s purpose.

Temporarily restricted net assets released from restriction during 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRH Prince Alwaleed Bin Talal Fellowship</td>
<td>$229,042</td>
<td>$371,786</td>
</tr>
</tbody>
</table>

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 academia 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.
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.
NOTE 4 – INVESTMENTS (CONTINUED)

The following tables summarize the Council’s investments:

### August 31, 2017

<table>
<thead>
<tr>
<th>Stock</th>
<th>Cost</th>
<th>Gross Unrealized Gains</th>
<th>Gross Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodities ETF Fund</td>
<td>$689,584</td>
<td>$72,033</td>
<td>$</td>
<td>$761,617</td>
</tr>
<tr>
<td>Total Stock</td>
<td>$689,584</td>
<td>72,033</td>
<td></td>
<td>761,617</td>
</tr>
<tr>
<td>Publicly Traded Stock Mutual Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Stock Mutual Funds</td>
<td>918,834</td>
<td>197,891</td>
<td></td>
<td>1,116,725</td>
</tr>
<tr>
<td>International Stock Mutual Funds</td>
<td>407,912</td>
<td>7,625</td>
<td></td>
<td>415,537</td>
</tr>
<tr>
<td>Total Publicly Traded Stock Mutual Funds</td>
<td>1,326,746</td>
<td>205,516</td>
<td></td>
<td>1,532,262</td>
</tr>
<tr>
<td>Publicly Traded Bond Mutual Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Bond Funds</td>
<td>323,394</td>
<td>6,202</td>
<td></td>
<td>329,596</td>
</tr>
<tr>
<td>U.S. Treasury Bond Funds</td>
<td>101,856</td>
<td>2,470</td>
<td></td>
<td>104,326</td>
</tr>
<tr>
<td>International Bond Funds</td>
<td>241,637</td>
<td>11,942</td>
<td></td>
<td>229,695</td>
</tr>
<tr>
<td>Total Publicly Traded Bond Mutual Funds</td>
<td>666,887</td>
<td>8,672</td>
<td>11,942</td>
<td>663,617</td>
</tr>
<tr>
<td>Total Stock, Publicly Traded Stock &amp; Bond Mutual Funds</td>
<td>$2,683,217</td>
<td>$286,221</td>
<td>$11,942</td>
<td>$2,957,496</td>
</tr>
</tbody>
</table>

### August 31, 2016

<table>
<thead>
<tr>
<th>Stock</th>
<th>Cost</th>
<th>Gross Unrealized Gains</th>
<th>Gross Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodities ETF Fund</td>
<td>$585,044</td>
<td>$3,950</td>
<td>$</td>
<td>$588,994</td>
</tr>
<tr>
<td>Total Stock</td>
<td>$585,044</td>
<td>3,950</td>
<td></td>
<td>588,994</td>
</tr>
<tr>
<td>Publicly Traded Stock Mutual Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Stock Mutual Funds</td>
<td>576,229</td>
<td>90,882</td>
<td></td>
<td>667,111</td>
</tr>
<tr>
<td>International Stock Mutual Funds</td>
<td>583,920</td>
<td>60,198</td>
<td></td>
<td>523,722</td>
</tr>
<tr>
<td>Total Publicly Traded Stock Mutual Funds</td>
<td>1,160,149</td>
<td>90,882</td>
<td>60,198</td>
<td>1,190,833</td>
</tr>
<tr>
<td>Publicly Traded Bond Mutual Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Bond Funds</td>
<td>327,513</td>
<td>1,917</td>
<td></td>
<td>329,430</td>
</tr>
<tr>
<td>U.S. Treasury Bond Funds</td>
<td>103,662</td>
<td>532</td>
<td></td>
<td>104,194</td>
</tr>
<tr>
<td>International Bond Funds</td>
<td>161,922</td>
<td>19,825</td>
<td></td>
<td>142,097</td>
</tr>
<tr>
<td>Total Publicly Traded Bond Mutual Funds</td>
<td>593,097</td>
<td>2,449</td>
<td>19,825</td>
<td>575,721</td>
</tr>
<tr>
<td>Total Stock, Publicly Traded Stock &amp; Bond Mutual Funds</td>
<td>$2,338,290</td>
<td>$97,281</td>
<td>$80,023</td>
<td>$2,355,548</td>
</tr>
</tbody>
</table>

Page 13 of 17 Pages
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:

<table>
<thead>
<tr>
<th></th>
<th>August 31, 2017</th>
<th>August 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Realized Gains</td>
<td>$2,140</td>
<td>$28,811</td>
</tr>
<tr>
<td>Gross Realized Losses</td>
<td>(29,643)</td>
<td>(15,402)</td>
</tr>
<tr>
<td>Total</td>
<td>$27,503</td>
<td>$13,409</td>
</tr>
</tbody>
</table>

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 at date of donation with no subsequent change.
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, 2017 and 2016:

<table>
<thead>
<tr>
<th>Stock:</th>
<th>Assets at Fair Value as August 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Commodities ETF Fund</td>
<td>$ 761,617</td>
</tr>
<tr>
<td>Total Stock</td>
<td>761,617</td>
</tr>
<tr>
<td>Publicly Traded Stock Mutual Funds:</td>
<td></td>
</tr>
<tr>
<td>U.S. Stock Mutual Funds</td>
<td>1,116,725</td>
</tr>
<tr>
<td>International Stock Mutual Funds</td>
<td>415,537</td>
</tr>
<tr>
<td>Total Publicly Traded Stock Mutual Funds</td>
<td>1,532,262</td>
</tr>
<tr>
<td>Publicly Traded Bond Mutual Funds:</td>
<td></td>
</tr>
<tr>
<td>Corporate Bond Funds</td>
<td>329,596</td>
</tr>
<tr>
<td>U.S. Treasury Bond Funds</td>
<td>104,326</td>
</tr>
<tr>
<td>International Bond Funds</td>
<td>229,695</td>
</tr>
<tr>
<td>Total Publicly Traded Bond Mutual Funds</td>
<td>663,617</td>
</tr>
<tr>
<td>Total Stock, Publicly Traded Stock &amp; Bond Mutual Funds</td>
<td>2,957,496</td>
</tr>
<tr>
<td>Collections:</td>
<td></td>
</tr>
<tr>
<td>Artifacts Collection</td>
<td></td>
</tr>
<tr>
<td>Book Collection</td>
<td></td>
</tr>
<tr>
<td>Total Collections</td>
<td></td>
</tr>
<tr>
<td>Total Stock, Publicly Traded Stock &amp; Bond Mutual Funds and Collections</td>
<td>2,957,496</td>
</tr>
</tbody>
</table>
NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

<table>
<thead>
<tr>
<th>Stock:</th>
<th>Assets at Fair Value as August 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Commodities ETF Fund</td>
<td>$ 588,944</td>
</tr>
<tr>
<td>Total Stock</td>
<td>588,994</td>
</tr>
<tr>
<td>Publicly Traded Stock Mutual Funds:</td>
<td></td>
</tr>
<tr>
<td>U.S. Stock Mutual Funds</td>
<td>667,111</td>
</tr>
<tr>
<td>International Stock Mutual Funds</td>
<td>523,722</td>
</tr>
<tr>
<td>Total Publicly Traded Stock Mutual Funds</td>
<td>1,190,833</td>
</tr>
<tr>
<td>Publicly Traded Bond Mutual Funds:</td>
<td></td>
</tr>
<tr>
<td>Corporate Bond Funds</td>
<td>329,430</td>
</tr>
<tr>
<td>U.S. Treasury Bond Funds</td>
<td>104,194</td>
</tr>
<tr>
<td>International Bond Funds</td>
<td>142,097</td>
</tr>
<tr>
<td>Total Publicly Traded Bond Mutual Funds</td>
<td>575,721</td>
</tr>
<tr>
<td>Total Stock, Publicly Traded Stock &amp; Bond Mutual Funds</td>
<td>2,355,548</td>
</tr>
<tr>
<td>Collections:</td>
<td></td>
</tr>
<tr>
<td>Artifacts Collection</td>
<td></td>
</tr>
<tr>
<td>Book Collection</td>
<td></td>
</tr>
<tr>
<td>Total Collections</td>
<td></td>
</tr>
<tr>
<td>Total Stock, Publicly Traded Stock &amp; Bond Mutual Funds and Collections</td>
<td>$ 2,355,548</td>
</tr>
</tbody>
</table>

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, 2017 and 2016. Total employer retirement plan contributions made for the years ended August 31, 2017 and 2016 were $56,377 and $58,315, respectively.
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, 2017 and 2016, including pro-rata share reimbursements and a monthly storage charge of $250, totaled $89,336 and $117,126, respectively.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$110,754</td>
</tr>
</tbody>
</table>

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, 2017 and 2016, the Council held $479,507 and $892,795, 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, 2017 and 2016, account balances held at the brokerage firm exceeded the $500,000 insurance limit by $2,678,960 and $2,038,421, respectively.

NOTE 9 – SUBSEQUENT EVENTS

The date to which events occurring after August 31, 2017, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is March 22, 2018.