

**NATIONAL COUNCIL ON U.S. –
ARAB RELATIONS**

FINANCIAL STATEMENTS

*As of and for the Years Ended August 31, 2018
and 2017*

And Report of Independent Auditor

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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 statements of financial position as of August 31, 2018 and 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

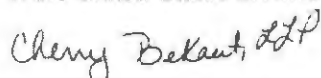
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2018 and 2017, 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.



Tysons Corner, Virginia
March 11, 2019

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

AUGUST 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 685,206	\$ 933,170
Accrued interest income	775	52
Investments	3,316,431	2,957,496
Prepaid expenses	22,670	53,634
Deferred lease asset	800	13,408
Total Current Assets	<u>4,025,882</u>	<u>3,957,760</u>
Property and Equipment:		
Furniture and equipment	32,116	32,116
Computer equipment	1,176	2,226
Leasehold improvements	5,048	5,048
Total	<u>38,340</u>	<u>39,390</u>
Less accumulated depreciation	<u>(34,869)</u>	<u>(35,592)</u>
Total Property and Equipment, Net	<u>3,471</u>	<u>3,798</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><u>\$ 4,119,153</u></u>	<u><u>\$ 4,051,358</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 11,150
Accrued liabilities	3,974	28,555
Deferred revenue	265,600	343,315
Total Current Liabilities	<u>269,574</u>	<u>383,020</u>
Total Liabilities	<u>269,574</u>	<u>383,020</u>
Net Assets:		
Unrestricted	3,769,339	3,545,025
Temporarily Restricted	80,240	123,313
Total Net Assets	<u>3,849,579</u>	<u>3,668,338</u>
Total Liabilities and Net Assets	<u><u>\$ 4,119,153</u></u>	<u><u>\$ 4,051,358</u></u>

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Program revenues	\$ 1,072,698	\$ -	\$ 1,072,698
Contributions	574,649	-	574,649
Interest and dividend income	113,761	-	113,761
Miscellaneous income	980	-	980
Net realized gain on investments	13,594	-	13,594
Net unrealized gain on investments	33,962	-	33,962
Net assets released from restrictions	43,073	(43,073)	-
Total Revenues, Gains, and Other Support	<u>1,852,717</u>	<u>(43,073)</u>	<u>1,809,644</u>
Expenses:			
Program Services:			
Annual Policymakers Conference	312,891	-	312,891
Hon. J. P. Malone Fellowship	183,442	-	183,442
Youth Programs	294,549	-	294,549
Model Arab League	396,588	-	396,588
Congressional and Public Affairs Briefing	119,220	-	119,220
HRH Prince Alwaleed Bin Talal Fellowship	43,073	-	43,073
Supporting Services:			
Management and general	209,926	-	209,926
Fundraising	68,714	-	68,714
Total Expenses	<u>1,628,403</u>	<u>-</u>	<u>1,628,403</u>
Change in net assets	224,314	(43,073)	181,241
Net assets, beginning of year	<u>3,545,025</u>	<u>123,313</u>	<u>3,668,338</u>
Net assets, end of year	<u>\$ 3,769,339</u>	<u>\$ 80,240</u>	<u>\$ 3,849,579</u>

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Program revenues	\$ 1,062,662	\$ -	\$ 1,062,662
Contributions	653,083	-	653,083
Interest and dividend income	76,593	-	76,593
Miscellaneous income	57	-	57
Net realized loss on investments	(27,503)	-	(27,503)
Net unrealized gain on investments	255,436	-	255,436
Net assets released from restrictions	229,042	(229,042)	-
Total Revenues, Gains, and Other Support	<u>2,249,370</u>	<u>(229,042)</u>	<u>2,020,328</u>
Expenses:			
Program Services:			
Annual Policymakers Conference	439,027	-	439,027
Hon. J. P. Malone Fellowship	123,894	-	123,894
Youth Programs	191,586	-	191,586
Model Arab League	324,949	-	324,949
Congressional and Public Affairs Briefing	66,183	-	66,183
HRH Prince Alwaleed Bin Talal Fellowship	229,042	-	229,042
Supporting Services:			
Management and general	216,540	-	216,540
Fundraising	39,580	-	39,580
Total Expenses	<u>1,630,801</u>	<u>-</u>	<u>1,630,801</u>
Change in net assets	618,569	(229,042)	389,527
Net assets, beginning of year	<u>2,926,456</u>	<u>352,355</u>	<u>3,278,811</u>
Net assets, end of year	<u>\$ 3,545,025</u>	<u>\$ 123,313</u>	<u>\$ 3,668,338</u>

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

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

YEARS ENDED AUGUST 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 181,241	\$ 389,527
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	327	1,016
Reinvested dividends and interest	(81,984)	(76,811)
Realized and unrealized losses (gains) on investments, net of investment management expenses	(276,951)	(151,122)
Changes in assets and liabilities:		
Accrued interest income	(723)	9
Prepaid expenses	30,964	3,707
Deferred lease asset	12,608	(38,718)
Accounts payable	(11,150)	(16,518)
Accrued liabilities	(24,581)	4,550
Deferred revenue	<u>(77,715)</u>	<u>(133,685)</u>
Net cash used in operating activities	<u>(247,964)</u>	<u>(18,045)</u>
Cash flows from investing activities:		
Purchase of investments	(89,839)	(795,488)
Proceeds from sale of investments	<u>89,839</u>	<u>421,473</u>
Net cash used in investing activities	<u>-</u>	<u>(374,015)</u>
Net change in cash and cash equivalents	(247,964)	(392,060)
Cash and cash equivalents, beginning of year	<u>933,170</u>	<u>1,325,230</u>
Cash and cash equivalents, end of year	<u><u>\$ 685,206</u></u>	<u><u>\$ 933,170</u></u>

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2018

	Program Services						Support 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	
Accounting expense	\$ 6,921	\$ 5,917	\$ 9,882	\$ 9,027	\$ 4,143	\$ -	\$ 35,890	\$ 2,026	\$ 2,531	\$ 40,447
Board and office meetings	-	-	-	-	9	-	9	-	-	9
Compensation of officers	79,959	74,231	95,354	75,544	45,947	-	371,035	59,194	29,239	459,468
Conference and events	94,758	5,893	9,785	135,928	3,158	20	249,542	5,374	368	255,284
Contract labor	159	136	14,226	707	95	-	15,323	15,120	58	30,501
Depreciation	-	-	-	-	-	-	-	327	-	327
Insurance	3,179	2,851	4,756	4,476	1,660	-	16,922	2,568	889	20,379
Occupancy	21,931	19,258	32,151	29,875	12,200	-	115,415	20,830	6,972	143,217
Office expenses	2,740	1,382	2,467	5,517	1,102	-	13,208	37,889	2,752	53,849
Other employee benefits	14,410	12,320	20,577	18,796	8,627	-	74,730	10,911	5,269	90,910
Other expenses	1,344	114	203	319	80	-	2,060	3,283	48	5,391
Other salaries and wages	36,086	24,985	70,351	75,821	23,526	-	230,769	28,672	13,197	272,638
Payroll taxes	7,107	6,077	10,149	9,270	4,255	-	36,858	5,381	2,599	44,838
Pension plan contributions	9,507	7,957	13,293	11,973	6,004	-	48,734	6,990	3,829	59,553
Printing	20,118	953	681	653	286	-	22,691	4,311	174	27,176
Professional fees - other	2,500	-	-	-	-	-	2,500	-	-	2,500
Repairs and maintenance	318	272	455	568	190	-	1,803	241	116	2,160
Travel and lodging	11,645	20,917	9,920	17,841	7,813	43,053	111,189	6,650	596	118,435
Tuition	209	179	299	273	125	-	1,085	159	77	1,321
Total Expenses	\$ 312,891	\$ 183,442	\$ 294,549	\$ 396,588	\$ 119,220	\$ 43,073	\$ 1,349,763	\$ 209,926	\$ 68,714	\$ 1,628,403

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2017

	Program Services							Support Services		
	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	Total Expenses
Accounting expense	\$ 6,334	\$ 3,167	\$ 4,751	\$ 7,916	\$ 1,584	\$ 3,167	\$ 26,919	\$ 8,610	\$ 317	\$ 35,846
Board and office meetings	-	-	-	-	-	-	-	88	-	88
Compensation of officers	95,189	50,412	68,263	36,889	24,672	102,662	378,087	51,894	26,689	456,670
Conference and events	171,479	-	-	119,935	4,663	-	296,077	-	-	296,077
Contract labor	23,229	-	23,500	1,500	-	500	48,729	15,082	-	63,811
Contributions	-	-	-	-	-	-	-	500	-	500
Depreciation	-	-	-	-	-	-	-	1,016	-	1,016
Insurance	1,396	686	1,029	1,717	352	686	5,866	5,660	69	11,595
Occupancy	17,221	8,610	12,916	21,526	4,305	8,610	73,188	15,286	862	89,336
Office expenses	2,893	964	1,734	6,556	806	1,175	14,128	39,711	194	54,033
Other employee benefits	16,307	8,153	12,231	20,384	4,077	8,153	69,305	11,415	816	81,536
Other expenses	41	-	18	62	40	-	161	4,285	-	4,446
Other salaries and wages	46,176	30,076	43,855	54,003	16,300	44,260	234,670	25,620	9,482	269,772
Payroll taxes	8,934	4,467	6,701	11,168	2,234	4,467	37,971	6,254	447	44,672
Pension plan contributions	11,275	5,638	8,456	14,094	2,819	5,638	47,920	7,893	564	56,377
Printing	21,001	87	311	276	1,556	87	23,318	3,635	9	26,962
Professional fees - other	2,500	-	-	-	-	-	2,500	-	-	2,500
Repairs and maintenance	770	385	578	963	193	385	3,274	950	38	4,262
Travel and lodging	14,282	11,249	7,243	27,960	2,582	49,252	112,568	18,151	93	130,812
Tuition	-	-	-	-	-	-	-	490	-	490
Total Expenses	\$ 439,027	\$ 123,894	\$ 191,586	\$ 324,949	\$ 66,183	\$ 229,042	\$ 1,374,681	\$ 216,540	\$ 39,580	\$ 1,630,801

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

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 Council 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 Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”), 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, 2018, 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.

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.

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.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

Note 1—Nature of activities and summary of significant accounting policies (continued)

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, 2018 and 2017 of \$25,000 and \$300, 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 Asset – 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 reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's classification. Total net assets and change in net assets are unchanged due to these reclassifications.

Note 2—Temporarily restricted net assets

Temporarily restricted net asset balances at August 31 consisted of:

	2018	2017
HRH Prince Alwaleed Bin Talal Fellowship	\$ 80,240	\$ 123,313

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 2018 and 2017 are as follows:

	2018	2017
HRH Prince Alwaleed Bin Talal Fellowship	\$ 43,073	\$ 229,042

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

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.

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 of 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
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

Note 4—Investments (continued)

The following tables summarize the Council's investments:

August 31, 2018	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Stock:				
Commodities ETF Fund	\$ 621,504	\$ 56,465	\$ -	\$ 677,969
Total Stock	621,504	56,465	-	677,969
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	971,959	263,287	-	1,235,246
International Stock Mutual Funds	524,317	12,884	-	537,201
Total Publicly Traded Stock Mutual Funds	1,496,276	276,171	-	1,772,447
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	334,635	-	1,232	333,403
U.S. Treasury Bond Funds	100,000	677	-	100,677
International Bond Funds	457,639	-	25,704	431,935
Total Publicly Traded Bond Mutual Funds	892,274	677	26,936	866,015
Total Stock, Publicly Traded Stock & Bond Mutual Funds	<u>\$ 3,010,054</u>	<u>\$ 333,313</u>	<u>\$ 26,936</u>	<u>\$ 3,316,431</u>
August 31, 2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Stock:				
Commodities ETF Fund	\$ 689,584	\$ 72,033	\$ -	\$ 761,617
Total Stock	689,584	72,033	-	761,617
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	918,834	197,891	-	1,116,725
International Stock Mutual Funds	407,912	7,625	-	415,537
Total Publicly Traded Stock Mutual Funds	1,326,746	205,516	-	1,532,262
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	323,394	6,202	-	329,596
U.S. Treasury Bond Funds	101,856	2,470	-	104,326
International Bond Funds	241,637	-	11,942	229,695
Total Publicly Traded Bond Mutual Funds	666,887	8,672	11,942	663,617
Total Stock, Publicly Traded Stock & Bond Mutual Funds	<u>\$ 2,683,217</u>	<u>\$ 286,221</u>	<u>\$ 11,942</u>	<u>\$ 2,957,496</u>

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

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.

The following tables sets forth by level, within the fair value hierarchy, Council's assets at fair value as of August 31, 2018 and 2017:

Assets at Fair Value as of August 31, 2018				
	Level 1	Level 2	Level 3	Total
Stock:				
Commodities ETF Fund	\$ 677,969	\$ -	\$ -	\$ 677,969
Total Stock	677,969	-	-	677,969
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	1,235,246	-	-	1,235,246
International Stock Mutual Funds	537,201	-	-	537,201
Total Publicly Traded Stock Mutual Funds	1,772,447	-	-	1,772,447
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	333,403	-	-	333,403
U.S. Treasury Bond Funds	100,677	-	-	100,677
International Bond Funds	431,935	-	-	431,935
Total Publicly Traded Bond Mutual Funds	866,015	-	-	866,015
Total Stock, Publicly Traded Stock, and Bond Mutual Funds	3,316,431	-	-	3,316,431
Collections:				
Artifacts Collection	-	-	85,800	85,800
Book Collection	-	-	4,000	4,000
Total Collections	-	-	89,800	89,800
Total Stock, Publicly Traded Stock, Bond Mutual Funds, and Collections	\$ 3,316,431	\$ -	\$ 89,800	\$ 3,406,231

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NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

Note 5—Fair value measurements (continued)

	Assets at Fair Value as of August 31, 2017			
	Level 1	Level 2	Level 3	Total
Stock:				
Commodities ETF Fund	\$ 761,617	\$ -	\$ -	\$ 761,617
Total Stock	761,617	-	-	761,617
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	1,116,725	-	-	1,116,725
International Stock Mutual Funds	415,537	-	-	415,537
Total Publicly Traded Stock Mutual Funds	1,532,262	-	-	1,532,262
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	329,596	-	-	329,596
U.S. Treasury Bond Funds	104,326	-	-	104,326
International Bond Funds	229,695	-	-	229,695
Total Publicly Traded Bond Mutual Funds	663,617	-	-	663,617
Total Stock, Publicly Traded Stock, and Bond Mutual Funds	2,957,496	-	-	2,957,496
Collections:				
Artifacts Collection	-	-	85,800	85,800
Book Collection	-	-	4,000	4,000
Total Collections	-	-	89,800	89,800
Total Stock, Publicly Traded Stock, Bond Mutual Funds, and Collections	\$ 2,957,496	\$ -	\$ 89,800	\$ 3,047,296

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, 2018 and 2017. Total employer retirement plan contributions made for the years ended August 31, 2018 and 2017 were \$59,553 and \$56,377, respectively.

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

Rental expense for the years ended August 31, 2018 and 2017, including pro rata share reimbursements and a monthly storage charge of \$250, totaled \$143,217 and \$89,336, respectively.

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

2019	\$ 115,562
2020	118,451
2021	121,413
2022	124,448
2023	127,559
	<u>\$ 607,433</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, 2018 and 2017, the Council held \$437,358 and \$479,507, 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, 2018 and 2017, account balances held at the brokerage firm exceeded the \$500,000 insurance limit by \$2,822,616 and \$2,678,960, respectively.

Note 9—Subsequent events

The date to which events occurring after August 31, 2018, the date of the most recent statement of financial position, has been evaluated for possible adjustment to the financial statements or disclosure is March 11, 2019.

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NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

Note 10—Upcoming pronouncements

In August 2016, Financial Accounting Standards Board (“FASB”) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities and changes in net assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Council's financial statements, it is not expected to alter the Council's reported financial position. The Council has elected to defer implementation until the applicable required date.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) (“ASU 2016-02”). ASU 2016-02 requires lessees to recognize most leases on the balance sheet. This is expected to increase both reported assets and liabilities. The new lease standard does not substantially change lessor accounting. For non-public companies, the standard will be effective for annual reporting periods beginning after December 15, 2019 and interim periods within annual reporting periods beginning after December 15, 2020. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The requirements of this standard include a significant increase in required disclosures. The Council has elected to defer implementation until the applicable required date.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606): *Deferral of Effective Date* (“ASU 2015-14”). The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. The standard will be effective for non-public entities for annual reporting periods beginning after December 15, 2018 and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted, beginning after December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Council has elected to defer implementation until the applicable required date.