



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2022 AND 2021**

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of National Council on U.S. – Arab Relations (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022 and 2021 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Council on U.S. – Arab Relations as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Council on U.S. – Arab Relations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Council on U.S. – Arab Relation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Council on U.S. – Arab Relation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Council on U.S. – Arab Relation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

Alta CPA Group, LLC

January 31, 2023

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
 STATEMENTS OF FINANCIAL POSITION
 AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 276,162	\$ 386,777
Accrued Interest Income	2,996	2,578
Investments	2,674,453	3,860,237
Prepaid Expenses	5,060	16,267
Total Current Assets	<u>2,958,671</u>	<u>4,265,859</u>
Property and Equipment:		
Furniture and Equipment	32,116	32,116
Leasehold Improvements	5,048	5,048
Total Property and Equipment	<u>37,164</u>	<u>37,164</u>
Less Accumulated Depreciation	<u>(34,293)</u>	<u>(34,143)</u>
Total Property and Equipment, Net	2,871	3,021
Other Assets:		
Artifacts Collection	85,800	85,800
Book Collection	4,000	4,000
Total Other Assets	<u>89,800</u>	<u>89,800</u>
Total Assets	<u>\$ 3,051,342</u>	<u>\$ 4,358,680</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 8,319	\$ 8,629
Deferred Lease Liability	21,461	47,239
Accrued Expenses	25,498	14,258
Deferred Revenue	-	1,390
Paycheck Protection Program Loan	-	107,785
Total Current Liabilities	<u>55,278</u>	<u>179,301</u>
Total Liabilities	55,278	179,301
Net Assets:		
Without Donor Restrictions	2,969,420	4,133,895
With Donor Restrictions	26,644	45,484
Total Net Assets	<u>2,996,064</u>	<u>4,179,379</u>
Total Liabilities and Net Assets	<u>\$ 3,051,342</u>	<u>\$ 4,358,680</u>

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

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains, and Other Support:			
Contributions	\$ 270,804	\$ -	\$ 270,804
Program Revenues	220,443	-	220,443
Loss on Investments	(464,202)	-	(464,202)
Paycheck Protection Program	107,785	-	107,785
Miscellaneous Income	30,813	-	30,813
Net Assets Released from Restrictions	<u>18,840</u>	<u>(18,840)</u>	<u>-</u>
 Total Support and Revenue	 184,483	 (18,840)	 165,643
EXPENSES:			
Program Services:			
Annual Policymakers Conference	255,694	-	255,694
Hon. J. P. Malone Fellowship	100,720	-	100,720
Youth Programs	322,815	-	322,815
Model Arab League	277,149	-	277,149
Alwaleed Bin Talal Fellowship	19,080	-	19,080
Congressional and Public Affairs Briefing	<u>163,045</u>	<u>-</u>	<u>163,045</u>
Total Program Services	1,138,503	-	1,138,503
Supporting Services:			
Management and General	155,937	-	155,937
Fundraising	<u>54,518</u>	<u>-</u>	<u>54,518</u>
Total Expenses	<u>1,348,958</u>	<u>-</u>	<u>1,348,958</u>
 Change in Net Assets	 (1,164,475)	 (18,840)	 (1,183,315)
 Net Assets at Beginning of Year	 <u>4,133,895</u>	 <u>45,484</u>	 <u>4,179,379</u>
 Net Assets at End of Year	 <u>\$ 2,969,420</u>	 <u>\$ 26,644</u>	 <u>\$ 2,996,064</u>

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

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Contributions	\$ 681,857	\$ -	\$ 681,857
Program Revenues	319,926	-	319,926
Investment Income	505,357	-	505,357
Miscellaneous Income	93,900	-	93,900
Net Assets Released from Restrictions	16,853	(16,853)	-
Total Support and Revenue	1,617,893	(16,853)	1,601,040
EXPENSES:			
Program Services:			
Annual Policymakers Conference	177,754	-	177,754
Hon. J. P. Malone Fellowship	87,538	-	87,538
Youth Programs	272,298	-	272,298
Model Arab League	228,914	-	228,914
Alwaleed Bin Talal Fellowship	16,578	-	16,578
Congressional and Public Affairs Briefing	141,077	-	141,077
Total Program Services	924,159	-	924,159
Supporting Services:			
Management and General	143,394	-	143,394
Fundraising	47,373	-	47,373
Total Expenses	1,114,926	-	1,114,926
Change in Net Assets	502,967	(16,853)	486,114
Net Assets at Beginning of Year	3,630,928	62,337	3,693,265
Net Assets at End of Year	\$ 4,133,895	\$ 45,484	\$ 4,179,379

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

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	Program Services	Management and General	Fundraising	Total
Conference and Events	49,878	-	-	49,878
Contract Labor	20,000	-	-	20,000
Depreciation	126	17	7	150
Fringe Benefits	146,223	19,738	7,639	173,600
Insurance	10,060	1,358	525	11,943
Occupancy	97,417	13,150	5,089	115,656
Office Expense	11,449	14,541	439	26,429
Other Expenses	1,248	261	48	1,557
Payroll Taxes	47,007	6,345	2,456	55,808
Printing	3,177	115	2	3,294
Professional Fees	44,738	6,038	2,337	53,113
Salaries and Wages	673,602	90,928	35,187	799,717
Travel and Lodging	23,199	2,045	247	25,491
Website and IT	10,379	1,401	542	12,322
 Total Functional Expenses	 \$ <u>1,138,503</u>	 \$ <u>155,937</u>	 \$ <u>54,518</u>	 \$ <u>1,348,958</u>

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

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Program Services	Management and General	Fundraising	Total
Conference and Events	1,294	-	-	1,294
Contract Labor	3,000	-	-	3,000
Depreciation	126	17	7	150
Fringe Benefits	136,578	18,436	7,135	162,149
Insurance	9,538	1,288	498	11,324
Occupancy	104,851	14,151	5,477	124,479
Office Expense	17,586	22,338	674	40,598
Other Expenses	111	21	4	136
Payroll Taxes	40,643	5,486	2,124	48,253
Printing	6,306	228	4	6,538
Professional Fees	22,748	3,070	1,188	27,006
Salaries and Wages	569,000	76,808	29,723	675,531
Travel and Lodging	2,572	227	27	2,826
Website and IT	9,806	1,324	512	11,642
 Total Functional Expenses	 \$ 924,159	 \$ 143,394	 \$ 47,373	 \$ 1,114,926

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

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF PROGRAM EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	Annual Policymakers Conference	Hon. J. P. Malone Fellowship	Alwaleed Bin Talal Fellowship	Youth Programs	Model Arab League	Congressional and Public Affairs Briefing	Total
Conference and Events	\$ 43,394	\$ 65	\$ -	\$ -	\$ 5,851	\$ 568	\$ 49,878
Contract Labor	5,802	-	-	9,284	4,914	-	20,000
Depreciation	23	12	2	38	31	20	126
Fringe Benefits	27,099	14,078	2,673	43,626	36,005	22,742	146,223
Insurance	1,865	969	184	3,001	2,477	1,564	10,060
Occupancy	18,054	9,380	1,781	29,064	23,987	15,151	97,417
Office Expense	2,740	948	153	2,574	3,728	1,306	11,449
Other Expenses	346	119	17	306	246	214	1,248
Payroll Taxes	8,712	4,526	859	14,025	11,574	7,311	47,007
Printing	2,443	4	1	12	710	7	3,177
Professional Fees	8,291	4,307	818	13,348	11,016	6,958	44,738
Salaries and Wages	124,836	64,857	12,315	200,969	165,862	104,763	673,602
Travel and Lodging	10,166	456	87	3,471	8,192	827	23,199
Website and IT	1,923	999	190	3,097	2,556	1,614	10,379
Total Expenses	\$ 255,694	\$ 100,720	\$ 19,080	\$ 322,815	\$ 277,149	\$ 163,045	\$ 1,138,503

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

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENT OF PROGRAM EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Annual Policymakers Conference	Hon. J. P. Malone Fellowship	Alwaleed Bin Talal Fellowship	Youth Programs	Model Arab League	Congressional and Public Affairs Briefing	Total
Conference and Events	\$ 1,125	\$ 2	\$ -	\$ -	\$ 152	\$ 15	\$ 1,294
Contract Labor	870	-	-	1,393	737	-	3,000
Depreciation	23	12	2	38	31	20	126
Fringe Benefits	25,311	13,150	2,497	40,748	33,630	21,242	136,578
Insurance	1,768	918	174	2,846	2,349	1,483	9,538
Occupancy	19,431	10,096	1,917	31,282	25,818	16,307	104,851
Office Expense	4,203	1,457	236	3,955	5,728	2,007	17,586
Other Expenses	31	11	1	27	22	19	111
Payroll Taxes	7,533	3,913	743	12,126	10,007	6,321	40,643
Printing	4,850	8	1	24	1,410	13	6,306
Professional Fees	4,216	\$ 2,190	\$ 416	\$ 6,787	\$ 5,601	\$ 3,538	\$ 22,748
Salaries and Wages	105,450	54,786	10,402	169,761	140,106	88,495	569,000
Travel and Lodging	1,126	51	10	385	908	92	2,572
Website and IT	1,817	944	179	2,926	2,415	1,525	9,806
Total Expenses	\$ 177,754	\$ 87,538	\$ 16,578	\$ 272,298	\$ 228,914	\$ 141,077	\$ 924,159

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

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,183,315)	\$ 486,114
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation	150	150
Unrealized and Realized (Gain) Loss on Investments, Net	623,317	(407,863)
Forgiveness on Payroll Protection Program Loan	(107,785)	(107,786)
Changes in Assets and Liabilities:		
Accrued Interest Income	(418)	-
Prepaid Expenses	11,207	9,931
Deferred Lease Liability	(25,778)	3,093
Accounts Payable	(310)	6,744
Accrued Expenses	11,240	(20,925)
Deferred Revenue	(1,390)	1,390
	(673,082)	(29,152)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(148,893)	(862,070)
Proceeds from Sale of Investments	711,360	552,757
	562,467	(309,313)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	107,785
	-	107,785
Decrease in Cash and Cash Equivalents	(110,615)	(230,680)
Cash and Cash Equivalents, Beginning of Year	386,777	617,457
Cash and Cash Equivalents, End of Year	\$ 276,162	\$ 386,777

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Program Services

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

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

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

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

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

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

Basis of Accounting

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

Financial Statement Presentation

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

Classification of Net Assets

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

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

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from contracts with customers primarily consists of conference fees and sponsorships. Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. These revenues are recognized net of discounts, waivers, and refunds. We determine revenue recognition through the five-step model prescribed by Topic 606 as follows:

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

Performance Obligations

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

The Council's performance obligations for conference fees and sponsorships are primarily satisfied at the point in time of events. The transaction price is determined based on gross price, net of discounts or refunds.

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

Contract Balances

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

transferred. The Council may receive advance payments and sponsorships for programs which are recorded as deferred revenue.

Costs to Obtain a Contract

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

Practical Expedients and Optional Exemptions

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

Income Taxes

The Council is incorporated under the laws of the District of Columbia for charitable, educational, and scientific purposes as defined by Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Council's tax-exempt purpose is subject to taxation as unrelated business income. In the opinion of management, the Council has unrelated business income less than the threshold requirement to pay unrelated business tax.

Accordingly, no provision for federal income taxes has been reflected in the accompanying financial statements.

In addition, the Council qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Council evaluates uncertainty in income tax positions based on a "more-likely-than-not" recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. The Council evaluates uncertain tax positions such that the effects of the tax positions are generally recognized in the financial statements consistent with amounts reflected in returns filed, or expected to be filed, with taxing authorities. As of August 31, 2021 and 2020, the Council has determined that no accruals for uncertain tax positions are required at this time.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

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

The Council directly charges expenses to the benefitting function where possible. For costs that benefit more than one function, the costs have been allocated within the statements of activities and changes in net assets, functional expenses, and program services, based on time records and estimates made by the Council's management.

Estimates

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

Contributions

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

Recognition of Donor Restrictions

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

Property and Equipment

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

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections

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

Deferred Revenue

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

Deferred Lease Liability (Asset)

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

NOTE 2- NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
HRH Prince Alwaleed Bin Talal Fellowship	\$ <u>26,644</u>	\$ <u>45,484</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Assets at Fair Value as of August 31, 2022

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
Stock:							
Commodities ETF Fund	\$ 916,087	\$	---	\$	---	\$	916,087
Publicly Traded Stock Mutual Funds:							
U.S. Stock Mutual Funds	980,178		---		---		980,178
International Stock Mutual Funds	<u>314,476</u>		<u>---</u>		<u>---</u>		<u>314,476</u>
Total Publicly Traded Stock Mutual Funds	2,210,691		---		---		2,210,691
Publicly Traded Bond Mutual Funds:							
Corporate Bond Funds	401,557		---		---		401,557
US Treasury Bond Funds	<u>62,155</u>		<u>---</u>		<u>---</u>		<u>62,155</u>
Total Publicly Traded Bond Mutual Funds	<u>463,712</u>		<u>---</u>		<u>---</u>		<u>463,712</u>
Total Investments	\$ <u>2,674,453</u>	\$	<u>---</u>	\$	<u>---</u>	\$	<u>2,674,453</u>

Assets at Fair Value as of August 31, 2021

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
Stock:							
Commodities ETF Fund	\$ 1,071,124	\$	---	\$	---	\$	1,071,124
Publicly Traded Stock Mutual Funds:							
U.S. Stock Mutual Funds	1,245,522		---		---		1,245,522
International Stock Mutual Funds	<u>386,838</u>		<u>---</u>		<u>---</u>		<u>386,838</u>
Total Publicly Traded Stock Mutual Funds	2,703,484		---		---		2,703,484
Publicly Traded Bond Mutual Funds:							
Corporate Bond Funds	1,093,116		---		---		1,093,116
US Treasury Bond Funds	<u>63,637</u>		<u>---</u>		<u>---</u>		<u>63,637</u>
Total Publicly Traded Bond Mutual Funds	<u>1,156,753</u>		<u>---</u>		<u>---</u>		<u>1,156,753</u>
Total Investments	\$ <u>3,860,237</u>	\$	<u>---</u>	\$	<u>---</u>	\$	<u>3,860,237</u>

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NOTE 4 - RETIREMENT PLAN

The Council adopted a defined contribution retirement plan effective August 1, 1988, for the exclusive benefit of eligible employees and their beneficiaries. An employee is eligible for participation after completing one year of service. Contributions are made monthly to the plan and are equal to 10% of each participant’s eligible compensation for the years ended August 31, 2022 and 2021. Total employer retirement plan contributions made for the years ended August 31, 2022 and 2021 were \$74,729 and \$65,775, respectively.

NOTE 5 - OFFICE LEASE

The Council leases office space in Washington, D.C. The Council signed a lease extension effective August 1, 2018 for 88 months. The lease expires November 30, 2025. The 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, 2022 and 2021, including pro-rata share reimbursements and a monthly storage charge of \$250, totaled \$107,783 and \$118,415, respectively.

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

2023	\$ 127,559
2024	130,748
2025	134,017
2026	<u>34,270</u>
Total	\$ <u>426,594</u>

NOTE 6 - 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, 2022, the Council had no cash balances in excess FDIC insurance limits.

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NOTE 6 - CONCENTRATION OF CREDIT RISK (CONTINUED)

The Council maintains an account with a brokerage firm. The Security Investor Protection Corporation (SIPC) insures account balances up to \$500,000. As of August 31, 2022, the Council had no balance in excess of the \$500,000 SIPC insurance limit.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FUNDS

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

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 276,162	\$ 386,777
Accrued Interest Income	2,996	2,578
Investments	<u>2,647,453</u>	<u>3,860,237</u>
Total Financial Assets	2,953,611	4,249,592
Less Amounts Not Available to be Used For General Expenditures Within One Year:		
Donor Restricted Net Assets	<u>(26,644)</u>	<u>(45,484)</u>
 Financial Assets Available to Meet General Expenditures Within One Year:	 \$ <u>2,926,967</u>	 \$ <u>4,204,108</u>

NOTE 8 - SUBSEQUENT EVENTS

The Council evaluated subsequent events through the date that the financial statements were available to be issued. The Council has identified no significant events that occurred subsequent to the statement of financial position date but prior to January 31, 2023 that would have a material impact on the financial statements.

NOTE 9 - PAYCHECK PROTECTION PROGRAM

In April 2020 the Council applied and was approved for a loan in the amount of \$107,786 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the U.S. Small Business Administration. During the year ended August 31, 2021 the Council recognized \$107,786 in income from the PPP for amounts spent in accordance with the terms of the PPP. This amount is included in contributions in the accompanying statement of activities and changes in net assets.

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NOTE 9 - PAYCHECK PROTECTION PROGRAM (CONTINUED)

On February 16, 2021, the Council received additional loan proceeds in the amount of \$107,785 under the Paycheck Protection Program ("PPP"). During the year ended August 31, 2022 the Council recognized \$107,785 in income from the PPP for amounts spent in accordance with the terms of the PPP. This amount is included in contributions in the accompanying statement of activities and changes in net assets.