



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2023 AND 2022**

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

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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 statements of financial position as of August 31, 2023 and 2022 and the related statements of activities and changes in net assets, functional expenses, program services, 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, 2023 and 2022, 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 15, 2024

NATIONAL COUNCIL ON U.S. - ARAB RELATIONS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 898,138	\$ 276,162
Accrued Interest Income	2,656	2,996
Investments	1,894,289	2,674,453
Prepaid Expenses	10,000	5,060
Total Current Assets	2,805,083	2,958,671
Property and Equipment:		
Furniture and Equipment	32,116	32,116
Leasehold Improvements	5,048	5,048
Total Property and Equipment	37,164	37,164
Less Accumulated Depreciation	(34,442)	(34,293)
Total Property and Equipment, Net	2,722	2,871
Other Assets:		
Right of Use Asset - Operating Lease	259,103	405,133
Artifacts Collection	85,800	85,800
Book Collection	4,000	4,000
Total Other Assets	348,903	494,933
Total Assets	\$ 3,156,708	\$ 3,456,475
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 10,825	\$ 8,319
Accrued Expenses	31,303	25,498
Lease Obligation Liability - Operating Lease, Current Portion	123,866	127,559
Total Current Liabilities	165,994	161,376
Long-Term Liabilities:		
Lease Obligation Liability - Operating Lease, Noncurrent Portion	164,998	299,035
Total Long-Term Liabilities	164,998	299,035
Total Liabilities	330,992	460,411
Net Assets:		
Without Donor Restrictions	2,825,716	2,996,064
With Donor Restrictions	-	-
Total Net Assets	2,825,716	2,996,064
Total Liabilities and Net Assets	\$ 3,156,708	\$ 3,456,475

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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains, and Other Support:			
Contributions	\$ 824,919	\$ -	\$ 824,919
Program Revenues	344,876	-	344,876
Gain on Investments	198,826	-	198,826
Miscellaneous Income	<u>16</u>	<u>-</u>	<u>16</u>
Total Support and Revenue	1,368,637	-	1,368,637
EXPENSES:			
Program Services:			
Annual Policymakers Conference	406,405	-	406,405
Hon. J. P. Malone Fellowship	102,051	-	102,051
Youth Programs	339,230	-	339,230
Model Arab League	307,464	-	307,464
Public Affairs Briefings	<u>166,369</u>	<u>-</u>	<u>166,369</u>
Total Program Services	1,321,519	-	1,321,519
Supporting Services:			
Management and General	162,322	-	162,322
Fundraising	<u>55,144</u>	<u>-</u>	<u>55,144</u>
Total Expenses	<u>1,538,985</u>	<u>-</u>	<u>1,538,985</u>
Change in Net Assets	(170,348)	-	(170,348)
Net Assets at Beginning of Year	<u>2,996,064</u>	<u>-</u>	<u>2,996,064</u>
Net Assets at End of Year	<u>\$ 2,825,716</u>	<u>\$ -</u>	<u>\$ 2,825,716</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

	Without Donor Restrictions	With Donor Restrictions	Total
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
Total Support and Revenue	165,643	-	165,643
EXPENSES:			
Program Services:			
Annual Policymakers Conference	274,774	-	274,774
Hon. J. P. Malone Fellowship	100,720	-	100,720
Youth Programs	322,815	-	322,815
Model Arab League	277,149	-	277,149
Public Affairs Briefings	163,045	-	163,045
Total Program Services	1,138,503	-	1,138,503
Supporting Services:			
Management and General	155,937	-	155,937
Fundraising	54,518	-	54,518
Total Expenses	1,348,958	-	1,348,958
Change in Net Assets	(1,183,315)	-	(1,183,315)
Net Assets at Beginning of Year	4,179,379	-	4,179,379
Net Assets at End of Year	\$ 2,996,064	\$ -	\$ 2,996,064

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, 2023

	Program Services	Management and General	Fundraising	Total
Common Area and Storage	4,197	567	219	4,983
Conference and Events	178,798	-	-	178,798
Contract Labor	44,701	-	-	44,701
Depreciation	126	16	7	149
Fringe Benefits	137,262	18,529	7,171	162,962
Insurance	14,024	1,894	732	16,650
Occupancy	118,536	16,001	6,192	140,729
Office Expense	14,691	18,664	563	33,918
Other Expenses	9	2	-	11
Payroll Taxes	46,654	6,297	2,438	55,389
Printing	7,684	277	5	7,966
Professional Fees	22,087	2,981	1,154	26,222
Salaries and Wages	683,131	92,214	35,685	811,030
Travel and Lodging	38,817	3,422	414	42,653
Website and IT	10,802	1,458	564	12,824
Total Functional Expenses	\$ 1,321,519	\$ 162,322	\$ 55,144	\$ 1,538,985

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 PROGRAM EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

	Annual Policymakers Conference	Hon. J. P. Malone Fellowship	Youth Programs	Model Arab League	Public Affairs Briefings	Total
Common Area and Storage	\$ 855	\$ 404	\$ 1,252	\$ 1,033	\$ 653	\$ 4,197
Conference and Events	155,555	232	-	20,973	2,038	178,798
Contract Labor	12,969	-	20,750	10,982	-	44,701
Depreciation	25	12	38	31	20	126
Fringe Benefits	27,948	13,216	40,952	33,798	21,348	137,262
Insurance	2,856	1,350	4,184	3,453	2,181	14,024
Occupancy	24,136	11,413	35,365	29,187	18,435	118,536
Office Expense	3,708	1,217	3,304	4,785	1,677	14,691
Other Expenses	2	1	2	2	2	9
Payroll Taxes	9,499	4,492	13,920	11,487	7,256	46,654
Printing	5,910	10	30	1,718	16	7,684
Professional Fees	4,497	2,126	6,590	5,439	3,435	22,087
Salaries and Wages	139,091	65,775	203,812	168,208	106,245	683,131
Travel and Lodging	17,155	763	5,808	13,708	1,383	38,817
Website and IT	2,199	1,040	3,223	2,660	1,680	10,802
Total Expenses	\$ 406,405	\$ 102,051	\$ 339,230	\$ 307,464	\$ 166,369	\$ 1,321,519

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	Youth Programs	Model Arab League	Public Affairs Briefings	Total
Conference and Events	\$ 43,394	\$ 65	\$ -	\$ 5,851	\$ 568	\$ 49,878
Contract Labor	5,802	-	9,284	4,914	-	20,000
Depreciation	25	12	38	31	20	126
Fringe Benefits	29,772	14,078	43,626	36,005	22,742	146,223
Insurance	2,049	969	3,001	2,477	1,564	10,060
Occupancy	19,835	9,380	29,064	23,987	15,151	97,417
Office Expense	2,893	948	2,574	3,728	1,306	11,449
Other Expenses	363	119	306	246	214	1,248
Payroll Taxes	9,571	4,526	14,025	11,574	7,311	47,007
Printing	2,444	4	12	710	7	3,177
Professional Fees	9,109	4,307	13,348	11,016	6,958	44,738
Salaries and Wages	137,151	64,857	200,969	165,862	104,763	673,602
Travel and Lodging	10,253	456	3,471	8,192	827	23,199
Website and IT	2,113	999	3,097	2,556	1,614	10,379
Total Expenses	\$ <u>274,774</u>	\$ <u>100,720</u>	\$ <u>322,815</u>	\$ <u>277,149</u>	\$ <u>163,045</u>	\$ <u>1,138,503</u>

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (170,348)	\$ (1,183,315)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization	149	150
Net Unrealized and Realized (Gain) Loss on Investments	(196,153)	623,317
Forgiveness on Payroll Protection Program Loan	-	(107,785)
Changes in Operating Assets and Liabilities:		
Accrued Interest Income	340	(418)
Prepaid Expenses	(4,940)	11,207
Deferred Lease Liability	-	(25,778)
Operating Lease Assets and Liabilities	8,300	
Accounts Payable	2,506	(310)
Accrued Expenses	5,805	11,240
Deferred Revenue	-	(1,390)
	(354,341)	(673,082)
Net Cash Used by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	-	(148,893)
Proceeds from Sale of Investments	976,317	711,360
	976,317	562,467
Net Cash Provided by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	621,976	(110,615)
Cash and Cash Equivalents, Beginning of Year	276,162	386,777
Cash and Cash Equivalents, End of Year	\$ 898,138	\$ 276,162

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, 2023 AND 2022

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.

Public Affairs Briefings: Foster educational opportunities to the public 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 matters related to Arab – U.S. relations on a range of issues, strategic mutual interests, and policies.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Recent Accounting Pronouncements Adopted

The Council has adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The amendment requires companies to recognize leased assets and liabilities on the statement of financial position and to disclose key information regarding leasing arrangements. This guidance is effective for annual periods, and interim periods within those annual periods after December 15, 2022. The Council has adopted the standard for the year ended August 31, 2023 and made reclassifications to the statement of financial position for the year ended August 31, 2022 to comply with the new standard for comparative presentation. The adoption of the new lease standard did not have a material impact to prior period information related to its ending net asset balances and statement of activities. The presentation and disclosure of lease expense and practical expedients have been enhanced in accordance with the standard.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes have had no effect on net income for the years ended August 31, 2023 and 2022.

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.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 probably 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 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.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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, 2023 and 2022, 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, 2023 AND 2022

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, 2023 AND 2022

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.

NOTE 2 - 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.

NATIONAL COUNCIL ON U.S. – ARAB RELATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Assets at Fair Value as of August 31, 2023

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
Stock:							
Commodities ETF Fund	\$ 741,751	\$	---	\$	---	\$	741,751
Publicly Traded Stock Mutual Funds:							
U.S. Stock Mutual Funds	582,541		---		---		582,541
International Stock Mutual Funds	<u>240,179</u>		---		---		<u>240,179</u>
Total Publicly Traded Stock Mutual Funds	1,564,471		---		---		1,564,471
Publicly Traded Bond Mutual Funds:							
Corporate Bond Funds	268,553		---		---		268,553
US Treasury Bond Funds	<u>61,265</u>		---		---		<u>62,265</u>
Total Publicly Traded Bond Mutual Funds	<u>329,818</u>		---		---		<u>329,818</u>
Total Investments	\$ <u>1,894,289</u>	\$	---	\$	---	\$	<u>1,894,289</u>

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>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>62,155</u>
Total Publicly Traded Bond Mutual Funds	<u>463,712</u>		---		---		<u>463,712</u>
Total Investments	\$ <u>2,674,453</u>	\$	---	\$	---	\$	<u>2,674,453</u>

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NOTE 3 - 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, 2023 and 2022. Total employer retirement plan contributions made for the years ended August 31, 2023 and 2022 were \$66,856 and \$74,729, respectively.

NOTE 4 - COMMITMENTS

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.

The Council has elected the practical expedient not to separate lease and nonlease components for the operating lease for its office space.

During the years ended August 31, 2023 and 2022, the Council recognized rent expense associated with its leases as follows:

	<u>2023</u>	<u>2022</u>
Operating Lease Cost:		
Fixed Rent Expense	\$ 140,728	\$ 115,656
Total Lease Cost	\$ <u>140,728</u>	\$ <u>115,656</u>

During the years ended August 31, 2023 and 2022, the Organization had the following cash and non-cash activities associated with its leases:

	<u>2023</u>	<u>2022</u>
Cash Paid for Amounts Included in the Measurement Of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ <u>132,428</u>	\$ <u>115,656</u>
Non-Cash Investing Activities:		
Additions to Right of Use Assets Obtained from: ASC 842 Lease Standard Implementation	\$ <u>-----</u>	\$ <u>781,691</u>

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NOTE 4 - COMMITMENTS (CONTINUED)

Future minimum lease payments under the facilities lease as of August 31 are as follows:

2024	\$ 130,748
2025	134,017
2026	<u>34,270</u>
Total Future Minimum Payments Due	299,035
Less Effects of Discounting	<u>(10,171)</u>
Lease Liabilities Recognized	\$ <u>288,864</u>

Because the Council does not have access to the rate implicit in the lease, the Council has used the Treasury bill risk-free rate as of the commencement date of the leases to determine the applicable lease discount rate.

NOTE 5 - 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, 2023, the Council had approximately \$398,000 in excess of FDIC insurance limits.

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, 2023, the Council had no balance in excess of the \$500,000 SIPC insurance limit.

NOTE 6 - 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.

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NOTE 6 - LIQUIDITY AND AVAILABILITY OF FUND (CONTINUED)

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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 898,138	\$ 276,162
Accrued Interest Income	2,656	2,996
Investments	<u>1,894,289</u>	<u>2,647,453</u>
Total Financial Assets	2,794,952	2,953,611
 Financial Assets Available to Meet General Expenditures Within One Year:	 \$ <u>2,794,952</u>	 \$ <u>2,953,611</u>

NOTE 7 - 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 15, 2024 that would have a material impact on the financial statements.