

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

FINANCIAL STATEMENTS

As of and for the Years Ended August 31, 2019 and 2018

And Report of Independent Auditor

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Report of Independent Auditor

To 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, 2019 and 2018, 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, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 1, National Council on U.S. – Arab Relations adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to these matters.

Cherry Bekant LLP

Tysons Corner, Virginia
January 15, 2020

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

AUGUST 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 730,100	\$ 685,206
Accrued interest income	1,659	775
Investments	3,401,442	3,316,431
Prepaid expenses	55,784	22,670
Deferred lease asset	-	800
Total Current Assets	<u>4,188,985</u>	<u>4,025,882</u>
Property and Equipment:		
Furniture and equipment	32,116	32,116
Computer equipment	-	1,176
Leasehold improvements	5,048	5,048
Total	<u>37,164</u>	<u>38,340</u>
Less accumulated depreciation	<u>(33,843)</u>	<u>(34,869)</u>
Total Property and Equipment, Net	<u>3,321</u>	<u>3,471</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>\$ 4,282,106</u></u>	<u><u>\$ 4,119,153</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 16,947	\$ -
Deferred lease liability	42,919	-
Accrued liabilities	8,085	3,974
Deferred revenue	80,850	265,600
Total Current Liabilities	<u>148,801</u>	<u>269,574</u>
Total Liabilities	<u>148,801</u>	<u>269,574</u>
Net Assets:		
Without donor restrictions	4,052,565	3,769,339
With donor restrictions	80,740	80,240
Total Net Assets	<u>4,133,305</u>	<u>3,849,579</u>
Total Liabilities and Net Assets	<u><u>\$ 4,282,106</u></u>	<u><u>\$ 4,119,153</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Program revenues	\$ 822,526	\$ -	\$ 822,526
Contributions	984,056	500	984,556
Interest and dividend income	112,872	-	112,872
Investment loss and market value adjustments, net	(5,815)	-	(5,815)
Total Revenues, Gains, and Other Support	<u>1,913,639</u>	<u>500</u>	<u>1,914,139</u>
Expenses:			
Program Services:			
Annual Policymakers Conference	327,552	-	327,552
Hon. J. P. Malone Fellowship	233,926	-	233,926
Youth Programs	275,667	-	275,667
Model Arab League	416,271	-	416,271
Congressional and Public Affairs Briefing	142,888	-	142,888
Total Program Services Expenses	<u>1,396,304</u>	<u>-</u>	<u>1,396,304</u>
Supporting Services:			
Management and general	164,965	-	164,965
Fundraising	69,144	-	69,144
Total Expenses	<u>1,630,413</u>	<u>-</u>	<u>1,630,413</u>
Change in net assets	283,226	500	283,726
Net assets, beginning of year	<u>3,769,339</u>	<u>80,240</u>	<u>3,849,579</u>
Net assets, end of year	<u>\$ 4,052,565</u>	<u>\$ 80,740</u>	<u>\$ 4,133,305</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

	Without Donor Restrictions	With Donor Restrictions	Total
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
Investment gain and market value adjustments, net	47,556	-	47,556
Net assets released from restrictions	<u>43,073</u>	<u>(43,073)</u>	<u>-</u>
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	<u>43,073</u>	<u>-</u>	<u>43,073</u>
Total Program Services Expenses	<u>1,349,763</u>	<u>-</u>	<u>1,349,763</u>
Supporting Services:			
Management and general	209,926	-	209,926
Fundraising	<u>68,714</u>	<u>-</u>	<u>68,714</u>
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
STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 283,726	\$ 181,241
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	150	327
Unrealized losses (gains) on investments, net of investment management expenses	50,006	(33,962)
Changes in assets and liabilities:		
Accrued interest income	(884)	(723)
Prepaid expenses	(33,114)	30,964
Deferred lease liability / asset	43,719	12,608
Accounts payable	16,947	(11,150)
Accrued liabilities	4,111	(24,581)
Deferred revenue	(184,750)	(77,715)
Net cash from operating activities	<u>179,911</u>	<u>77,009</u>
Cash flows from investing activities:		
Purchase of investments	(129,202)	(324,973)
Proceeds from sale of investments	<u>(5,815)</u>	<u>-</u>
Net cash from investing activities	<u>(135,017)</u>	<u>(324,973)</u>
Net change in cash and cash equivalents	44,894	(247,964)
Cash and cash equivalents, beginning of year	<u>685,206</u>	<u>933,170</u>
Cash and cash equivalents, end of year	<u>\$ 730,100</u>	<u>\$ 685,206</u>

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, 2019

	Program Services					Support Services			Total Expenses
	Annual Policymakers Conference	Hon. J. P. Malone Fellowship	Youth Programs	Model Arab League	Congressional and Public Affairs Briefing	Total	Management and General	Fundraising	
Accounting expense	\$ 4,841	\$ 4,237	\$ 6,000	\$ 6,812	\$ 3,285	\$ 24,975	\$ 7,339	\$ 1,561	\$ 33,875
Charitable contributions given	155	142	200	228	110	835	114	52	1,001
Compensation of officers	78,693	71,839	101,743	115,502	55,695	423,472	57,776	26,451	507,699
Conference and events	113,475	-	1,300	116,752	995	232,522	161	-	232,683
Contract labor	2,500	-	17,000	2,450	125	22,075	-	-	22,075
Depreciation	23	21	30	35	16	125	17	8	150
Insurance	910	830	1,176	1,335	643	4,894	668	306	5,868
Occupancy	20,783	19,003	26,932	30,702	14,747	112,167	15,257	6,983	134,407
Office expenses	4,733	4,456	3,854	10,716	4,686	28,445	18,312	5,150	51,907
Other employee benefits	14,420	13,164	18,644	21,165	10,206	77,599	10,587	4,847	93,033
Other expenses	720	645	1,623	1,151	500	4,639	1,002	237	5,878
Other salaries and wages	46,235	42,208	59,777	67,861	32,722	248,803	33,945	15,541	298,289
Payroll taxes	7,779	7,101	10,057	11,417	5,505	41,859	5,711	2,615	50,185
Pension plan contributions	10,917	9,966	14,115	16,023	7,726	58,747	8,015	3,670	70,432
Printing	16,727	1,261	675	1,177	623	20,463	418	175	21,056
Professional fees - other	-	-	-	-	-	-	1,000	-	1,000
Travel and lodging	4,841	59,053	12,541	12,945	5,304	94,684	4,643	1,548	100,875
Total Expenses	\$ 327,552	\$ 233,926	\$ 275,667	\$ 416,271	\$ 142,888	\$ 1,396,304	\$ 164,965	\$ 69,144	\$ 1,630,413

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, 2018

	Program Services						Support Services			
	Annual Policymakers Conference	Hon. J. P. Malone Fellowship	Youth Programs	Arab League	Congressional and Public Affairs Briefing	HRH Prince Alwaleed Bin Talal Fellowship	Total	Management and General	Fundraising	Total Expenses
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	8,927	-	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
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019 AND 2018

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.

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.

Adopted Accounting Pronouncement – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, requiring disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requiring reporting of expenses by function and nature. The standard is effective for all fiscal years beginning after December 15, 2017, and was applied on retrospective basis to the financial statements for the year ended August 31, 2019 except for the disclosure of liquidity, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Classification of Net Assets – Net assets, revenues, expense, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

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 statement of activities as net assets released from donor restrictions.

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. 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.

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

AUGUST 31, 2019 AND 2018

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

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, 2019, 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.

Functional Expense Allocation – The costs of providing various programs and other activities have 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 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.

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.

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.

Cash and Cash Equivalents – For purposes of the statements 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 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.

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

AUGUST 31, 2019 AND 2018

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

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 2018 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.

Significant New Accounting Standards Not Yet Adopted – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018, for all non-SEC filers, including not-for-profit entities. The Council has not yet selected a transition method and is currently evaluating the effect the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a more detailed framework for determining whether a grant or similar contract should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides additional guidance to help determine whether a contribution is conditional, and better distinguish between a donor-imposed condition and a donor-imposed restriction. The ASU is effective for fiscal years beginning after December 15, 2018. The ASU requires the provisions to be applied on a modified prospective basis and early adoption is permitted. The Council is currently evaluating the effect the ASU will have on the consolidated financial statements.

Note 2—Net assets with donor restrictions

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

	<u>2019</u>	<u>2018</u>
HRH Prince Alwaleed Bin Talal Fellowship	<u>\$ 80,740</u>	<u>\$ 80,240</u>

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

AUGUST 31, 2019 AND 2018

Note 2—Net assets with donor restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
HRH Prince Alwaleed Bin Talal Fellowship	<u>\$ -</u>	<u>\$ 43,073</u>

Note 3—Program services

The following program services are included in the accompanying financial statements:

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

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

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.

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

AUGUST 31, 2019 AND 2018

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.

The following tables summarize the Council's investments:

August 31, 2019	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Stock:				
Commodities ETF Fund	\$ 640,098	\$ 52,842	\$ 21,778	\$ 671,162
Total Stock	<u>640,098</u>	<u>52,842</u>	<u>21,778</u>	<u>671,162</u>
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	1,023,642	293,124	-	1,316,766
International Stock Mutual Funds	545,149	6,359	40,147	511,361
Total Publicly Traded Stock Mutual Funds	<u>1,568,791</u>	<u>299,483</u>	<u>40,147</u>	<u>1,828,127</u>
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	340,399	8,892	-	349,291
U.S. Treasury Bond Funds	99,260	9,486	-	108,746
International Bond Funds	496,523	-	52,407	444,116
Total Publicly Traded Bond Mutual Funds	<u>936,182</u>	<u>18,378</u>	<u>52,407</u>	<u>902,153</u>
Total Stock, Publicly Traded Stock Mutual Funds, and Publicly Traded Bond Mutual Funds	<u>\$ 3,145,071</u>	<u>\$ 370,703</u>	<u>\$ 114,332</u>	<u>\$ 3,401,442</u>

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AUGUST 31, 2019 AND 2018

Note 4—Investments (continued)

August 31, 2018	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Stock:				
Commodities ETF Fund	\$ 621,504	\$ 56,465	\$ -	\$ 677,969
Total Stock	<u>621,504</u>	<u>56,465</u>	<u>-</u>	<u>677,969</u>
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	<u>1,496,276</u>	<u>276,171</u>	<u>-</u>	<u>1,772,447</u>
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	<u>892,274</u>	<u>677</u>	<u>26,936</u>	<u>866,015</u>
Total Stock, Publicly Traded Stock Mutual Funds, and Publicly Traded Bond Mutual Funds	<u>\$ 3,010,054</u>	<u>\$ 333,313</u>	<u>\$ 26,936</u>	<u>\$ 3,316,431</u>

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.

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AUGUST 31, 2019 AND 2018

Note 5—Fair value measurements (continued)

The following tables set forth by level, within the fair value hierarchy, Council's assets at fair value as of August 31, 2019 and 2018:

	Assets at Fair Value as of August 31, 2019			
	Level 1	Level 2	Level 3	Total
Stock:				
Commodities ETF Fund	\$ 671,162	\$ -	\$ -	\$ 671,162
Total Stock	671,162	-	-	671,162
Publicly Traded Stock Mutual Funds:				
U.S. Stock Mutual Funds	1,316,766	-	-	1,316,766
International Stock Mutual Funds	511,361	-	-	511,361
Total Publicly Traded Stock Mutual Funds	1,828,127	-	-	1,828,127
Publicly Traded Bond Mutual Funds:				
Corporate Bond Funds	349,291	-	-	349,291
U.S. Treasury Bond Funds	108,746	-	-	108,746
International Bond Funds	444,116	-	-	444,116
Total Publicly Traded Bond Mutual Funds	902,153	-	-	902,153
Total Stock, Publicly Traded Stock Mutual Funds, and Publicly Traded Bond Mutual Funds	3,401,442	-	-	3,401,442
Collections:				
Artifacts Collection	-	-	85,800	85,800
Book Collection	-	-	4,000	4,000
Total Collections	-	-	89,800	89,800
Total Stock, Publicly Traded Stock Mutual Funds, Publicly Traded Bond Mutual Funds, and Collections	\$ 3,401,442	\$ -	\$ 89,800	\$ 3,491,242

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AUGUST 31, 2019 AND 2018

Note 5—Fair value measurements (continued)

	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 Mutual Funds, and Publicly Traded 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 Mutual Funds, Publicly Traded Bond Mutual Funds, and Collections	\$ 3,316,431	\$ -	\$ 89,800	\$ 3,406,231

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, 2019 and 2018. Total employer retirement plan contributions made for the years ended August 31, 2019 and 2018 were \$70,432 and \$59,553, respectively.

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Note 7—Office lease

The Council leases office space in Washington, D.C. During the year ended August 31, 2018, 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, 2019 and 2018, including pro-rata share reimbursements and a monthly storage charge of \$250, totaled \$134,407 and \$143,217, respectively.

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

2020	\$	118,451
2021		121,413
2022		124,448
2023		127,559
2024		130,748
Thereafter		168,287
	\$	<u>790,906</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, 2019, the Council held \$466,369 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, 2019, account balances held at the brokerage firm exceeded the \$500,000 insurance limit by \$2,916,041.

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Note 9—Liquidity and availability of funds

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, 2019:

Cash and equivalents	\$ 730,100
Accrued interest income	1,659
Investments	<u>3,401,442</u>
Total financial assets	4,133,201
Less amounts not available to be used for general expenditures within one year:	
Donor restricted net assets	80,740
Financial assets available to meet general expenditures within one year	<u>\$ 4,052,461</u>

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Council considers general expenditures to be all program services, management and general, and fundraising costs presented in the statements of functional expenses incurred in the ordinary course of the advancement of the Council's mission.

Note 10—Subsequent events

The Council has evaluated subsequent events through January 15, 2020, which is the date the financial statements were available to be issued.