

**MIDDLE EAST MEDIA AND
RESEARCH INSTITUTE, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2018

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

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Independent Auditor's Report

Board of Directors
Middle East Media and Research Institute, Inc.

I have audited the accompanying financial statements of Middle East Media and Research Institute, Inc., (a District of Columbia nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 organization'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 organization's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middle East Media and Research Institute, Inc. as of June 30, 2018, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dave Rittberger, CPA

Colesville, Maryland
November 14, 2018

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

Cash and cash equivalents	\$ 698,959
Contributions receivable	1,270,000
Prepaid expenses	60,290
Marketable securities	279
Deposits	15,028
Property, equipment and improvements, net of accumulated depreciation of \$204,077	<u>131,503</u>
Total assets	<u><u>\$ 2,176,059</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$ 219,043
Deferred revenue	269,815
Deferred rent expense	<u>109,081</u>
Total liabilities	<u><u>597,939</u></u>

NET ASSETS

Unrestricted	<u>1,578,120</u>
Total net assets	<u><u>1,578,120</u></u>
Total liabilities and net assets	<u><u>\$ 2,176,059</u></u>

The accompanying notes are an integral part of these financial statements

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 5,942,467	\$ -	\$ 5,942,467
Other income	350,216	-	350,216
Net assets released from restrictions	-	-	-
	<u>6,292,683</u>	<u>-</u>	<u>6,292,683</u>
EXPENSES			
Program services	5,477,841	-	5,477,841
General and administrative	263,045	-	263,045
Fundraising	506,590	-	506,590
Total expenses	<u>6,247,476</u>	<u>-</u>	<u>6,247,476</u>
	<u>45,207</u>	<u>-</u>	<u>45,207</u>
Change in net assets			
Net assets, beginning of year	<u>1,532,913</u>	<u>-</u>	<u>1,532,913</u>
Net assets, end of year	<u>\$ 1,578,120</u>	<u>\$ -</u>	<u>\$ 1,578,120</u>

The accompanying notes are an integral part of these financial statements

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

Operating activities	
Change in net assets	\$ 45,207
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	28,626
Decrease in prepaid expenses	2,341
Increase in contributions receivable	(920,000)
Decrease in other receivables	21,953
Increase in accounts payable and accrued expenses	60,174
Increase in deferred revenue	63,674
Decrease in deferred rent expense	<u>(483)</u>
Net cash provided by operating activities	<u>(698,508)</u>
Investing activities	
Purchase of property and equipment	(2,399)
Increase in marketable securities	<u>(135)</u>
Net cash used in investing activities	<u>(2,534)</u>
Net increase in cash and cash equivalents	(701,042)
Cash and cash equivalents as of beginning of year	<u>1,400,001</u>
Cash and cash equivalents as of end of year	<u>\$ 698,959</u>

The accompanying notes are an integral part of these financial statements

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION:

Organization:

The Middle East Media and Research Institute, Inc. (the "Institute"), a non-profit organization based in Washington, DC, was organized to serve as a clearinghouse for information regarding news and other cultural media in and on the subject of the Middle East.

Contributions:

Contributions are recognized as revenues upon receipt of unconditional promises to give.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash equivalents:

For purposes of the statement of cash flows, the Institute considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Property and equipment:

Purchased or constructed property and equipment are recorded at cost. Depreciation is provided by the straight-line and accelerated methods over the estimated useful lives of the assets.

Income taxes:

The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income for 2018.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED):

Income taxes (Continued):

The Institute is not subject to income taxes in accordance with the Income Taxes topic of FASB ASC (formerly FIN 48). The Income Taxes topic of FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods, disclosures and transition relating to the adoption of the new accounting standards. The Company adopted FASB ASC 740-10 as of July 1, 2009, as required, and determined that its adoption did not have a material impact on the Institute's financial position and results of operations.

Management has evaluated significant tax positions of its consolidated for-profit subsidiaries against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2018. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Institute's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2015, 2016 and 2017.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

2. PROPERTY AND EQUIPMENT:

Major components and useful lives of property and equipment as of June 30, 2018 are as follows:

<u>Major components</u>	<u>Useful Life</u>	
Furniture, equipment and improvements	5 - 10 years	\$335,580
Accumulated depreciation		<u>204,077</u>
		<u>\$131,503</u>

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due during the year ended June 30, 2018.

4. COMMITMENTS

The Institute signed an amendment to its lease for its office space through May, 2023 with an option to renew for five years. Under the terms of the lease, monthly rental payments are currently \$17,565 per month plus pass-through expenses for taxes and operating expenses over base year amounts. Rent expense under this lease for the year ended June 30, 2018 was \$200,477.

The following is a schedule of future minimum lease payments for the five years ended June 30 are as follows:

2019	\$211,221
2020	\$216,522
2021	\$221,920
2022	\$227,459
2023	\$213,268

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

5. RELATED PARTY TRANSACTIONS

The Institute receives translation, monitoring and other services from an affiliated organization which, in turn compensates the president of the Institute. The amount paid to the affiliate, net of the compensation to the president, was \$2,876,237 during the year ended June 30, 2018.

6. RETIREMENT PLAN

Effective January 1, 2005, the Institute adopted a 401(k) plan whereby all employees may participate and elect to defer part of their income. Employees who have completed two years of service are eligible to participate in employer contributions and are immediately vested in those contributions. Employer contributions are discretionary and are determined annually. For the year ended June 30, 2018, employer contributions amounted to \$39,727.

7. SUBSEQUENT EVENTS

The Subsequent Events Topic 855 of FASB ASC establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The FASB ASC Subsequent Events topic defines the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure, the circumstances under which an organization shall recognize events occurring after the balance sheet date and the disclosures that an organization shall make about those events or transactions. The FASB ASC Subsequent Events Topic defines two types of subsequent events. The first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The second consists of events or transactions that did not exist at the balance sheet date but arose after that date but before the financial statements were issued or available to be issued.

Management evaluated all events and transactions that occurred after June 30, 2018 through November 14, 2018, the date these financial statements were available to be issued.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

8. FAIR VALUE AND FAIR VALUE OPTIONS

Effective July 1, 2009 the Institute has adopted the Fair Value Measurements and Disclosures Topic of FASB ASC (formerly SFAS No. 157). The Fair Value Measurements and Disclosures Topic of FASB ASC defines fair value, establishes a consistent framework for measuring fair value in accordance with GAAP, and expands disclosure requirements about fair value measurements. The Fair Value Measurements and Disclosures Topic also requires that the valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs in accordance with the following fair value: quoted prices in active markets for identical assets or liabilities (Level 1 measurements), significant other observable inputs (Level 2 measurements), and significant unobservable inputs (Level 3 measurements). The fair value measurement is assigned an overall input level based on the lowest level input that is significant to the fair value measurement in its entirety. Investments recorded in the statement of financial position are categorized based on the inputs to valuation techniques of quoted prices in active markets.

The option provisions of the Financial Instruments Topic of FASB ASC (formerly SFAS No. 159), became effective beginning July 1, 2008. These optional provisions permit the Corporation to report most financial assets and liabilities at fair value on an instrument-by- instrument basis, with changes in fair value reported in the earnings. The Corporation elected not to measure at fair value the Corporation's financial assets and liabilities under the optional provisions of the Financial Instruments Topic of FASB ASC.

	Assets/ Liabilities Measured At Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Securities	\$ 279	\$ 279	\$ -	\$ -
Deposits	15,028	15,028	-	-

SUPPLEMENTAL INFORMATION

Auditor's Report on Supplemental Information

Board of Directors
Middle East Media and Research Institute, Inc.

I have audited the basic financial statements of Middle East Media and Research Institute, Inc. for the year ended June 30, 2018 and have issued my report thereon dated January 28, 2018, which contained an unmodified opinion on those financial statements. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The accompanying schedule of functional expenses on page 15 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

 Isaac Rittbeyer, CPA

Colesville, Maryland
November 14, 2018

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services	General and Administrative	Fundraising	Total Expenses
Translations and research	\$ 3,215,330	\$ -	\$ -	\$ 3,215,330
Salaries	979,734	108,159	339,495	1,427,388
Websites and technology	578,774	-	36,000	614,774
Rent	189,748	23,718	23,718	237,184
Travel and transportation	75,117	-	28,240	103,357
Office supplies and expense	36,300	18,234	12,155	66,689
Professional fees	4,266	55,746	7,050	67,062
Taxes - payroll	75,715	8,354	10,111	94,180
Insurance	13,993	2,860	1,430	18,283
Telephone, internet, cable	51,184	7,642	3,821	62,647
Depreciation expense	20,038	5,725	2,863	28,626
Printing, publications and events	90,241	523	5,252	96,016
Outside services	15,000	2,998	10,671	28,669
Postage and delivery	16,344	1,288	6,286	23,918
Retirement plan expense	29,519	3,073	7,135	39,727
Employee benefits	86,538	24,725	12,363	123,626
Total	\$ 5,477,841	\$ 263,045	\$ 506,590	\$ 6,247,476