

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2021

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, 2021, and the related statements of activities, functional expenses 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, 2021, 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.

A handwritten signature in cursive script that reads "Sam Anthony, CPA".

Colesville, Maryland
May 8, 2022

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS

| | |
|---|---------------------|
| Cash and cash equivalents | \$ 644,313 |
| Contributions receivable | 2,225,000 |
| Prepaid expenses | 54,963 |
| Property, equipment and improvements, net of accumulated depreciation of \$133,547 | 177,720 |
| Computer software in development | 1,510,500 |
| Total assets | <u>\$ 4,612,496</u> |

LIABILITIES

| | |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | \$ 410,609 |
| PPP loan payable | 348,912 |
| Deferred revenue | 389,366 |
| Deferred rent expense | 212,233 |
| Total liabilities | <u>1,361,120</u> |

NET ASSETS

| | |
|----------------------------------|---------------------|
| With Donor Restrictions: | |
| Purpose restricted | 657,236 |
| Without Donor Restrictions | |
| Undesignated | <u>2,594,140</u> |
| Total net assets | <u>3,251,376</u> |
| Total liabilities and net assets | <u>\$ 4,612,496</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, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---|--|----------------------------|
| REVENUE | | | |
| Contributions | \$ 5,093,764 | \$ 3,040,000 | \$ 8,133,764 |
| Other income | 1,101,370 | - | 1,101,370 |
| Net assets released from restrictions | 2,382,764 | (2,382,764) | - |
| | | | |
| Total revenue and support | <u>8,577,898</u> | <u>657,236</u> | <u>9,235,134</u> |
| | | | |
| EXPENSES | | | |
| Program services | 6,820,463 | - | 6,820,463 |
| General and administrative | 359,764 | - | 359,764 |
| Fundraising | 593,155 | - | 593,155 |
| Total expenses | <u>7,773,382</u> | <u>-</u> | <u>7,773,382</u> |
| | | | |
| Change in net assets | 804,516 | 657,236 | 1,461,752 |
| | | | |
| Net assets, beginning of year | <u>1,789,624</u> | <u>-</u> | <u>1,789,624</u> |
| | | | |
| Net assets, end of year | <u><u>\$ 2,594,140</u></u> | <u><u>\$ 657,236</u></u> | <u><u>\$ 3,251,376</u></u> |

The accompanying notes are an integral part of these financial statements

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

| | Program Services | General and Administrative | Fundraising | Total Expenses |
|-----------------------------------|-----------------------------|---------------------------------------|--------------------|---------------------------|
| Translations and research | \$ 3,642,631 | | \$ - | \$ 3,642,631 |
| Salaries | 1,464,799 | 108,021 | 321,610 | 1,894,430 |
| Websites and technology | 669,800 | | 30,780 | 700,580 |
| Rent | 437,000 | 54,625 | 54,625 | 546,250 |
| Travel and transportation | 23,188 | 4,873 | | 28,061 |
| Office supplies and expense | 72,762 | 14,553 | 9,701 | 97,016 |
| Professional fees | 5,004 | 101,575 | | 106,579 |
| Taxes - payroll | 113,192 | 8,642 | 20,335 | 142,169 |
| Insurance | 17,004 | 4,858 | 2,429 | 24,291 |
| Telephone, internet, cable | 41,311 | 8,262 | 5,508 | 55,081 |
| Depreciation expense | 66,852 | 13,371 | 8,914 | 89,137 |
| Printing, publications and events | 25,296 | 5,439 | 78,053 | 108,788 |
| Outside services | 76,000 | 4,365 | 30,150 | 110,515 |
| Postage and delivery | 7,444 | 2,105 | 11,499 | 21,048 |
| Retirement plan expense | 28,636 | 4,163 | 7,925 | 40,724 |
| Employee benefits | 129,544 | 24,912 | 11,626 | 166,082 |
| Total | \$ 6,820,463 | \$ 359,764 | \$ 593,155 | \$ 7,773,382 |

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, 2021

| | |
|--|----------------------------|
| Operating activities | |
| Change in net assets | \$ 1,461,752 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 89,137 |
| Decrease in prepaid expenses | 11,920 |
| Increase in contributions receivable | (1,468,718) |
| Decrease in other receivables | 5,739 |
| Decrease in deposits | 15,028 |
| Increase in accounts payable and accrued expenses | 285,215 |
| Increase in deferred revenue | 85,967 |
| Decrease in deferred rent expense | <u>(75,993)</u> |
| Net cash provided by operating activities | <u>410,047</u> |
| Investing activities | |
| Purchase of property and equipment | (41,904) |
| Increase in computer software in development | <u>(1,510,500)</u> |
| Net cash used in investing activities | <u>(1,552,404)</u> |
| Financing activities | |
| Increase in PPP loan payable | <u>348,912</u> |
| Net cash provided by financing activities | <u>348,912</u> |
| Net decrease in cash and cash equivalents | (793,445) |
| Cash and cash equivalents as of beginning of year | <u>1,437,758</u> |
| Cash and cash equivalents as of end of year | <u><u>\$ 644,313</u></u> |
| Supplemental disclosure of cash flow information | |
| Fully depreciated fixed assets were disposed of: | |
| Property and equipment | <u>\$ 219,925</u> |
| Accumulated depreciation | <u><u>\$ (219,925)</u></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, 2021

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.

Method of Accounting

The consolidated financial statements of the Institute have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Institute obtains the rights of ownership or is entitled to claim receipt, and liabilities are recorded when the obligation is incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Institute reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

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

Revenue Recognition:

Contributions, including grants, are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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.

Computer software in development:

The Institute capitalizes certain costs related to the development of internal-use software. Costs incurred during the application development phase are capitalized when management believes it is probable the development will result in new or additional functionality. The types of costs capitalized during the application development phase include consulting fees for third-party developers working on the project. Costs related to the preliminary project stage and post-implementation activities are expensed as incurred. Internal-use software will be amortized on a straight-line basis over the estimated useful life of the asset. When internal-use software that was previously capitalized is abandoned, the cost less the accumulated amortization, if any, is recorded as amortization expense. Fully amortized capitalized internal-use software costs are removed from their respective accounts.

Functional Expenses:

The Organization allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the Institute and its programs on a day- to-day basis and are composed of the following:

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

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

Functional Expenses (Continued):

Management and general – includes all activities related to the Institute’s internal management and accounting for program services.

Fundraising – includes activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Institute’s programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Institute. These expenses include personnel salaries, benefits, and payroll taxes, utilities, insurance, amortization, depreciation, printing and postage, office supplies, and rent. The allocation of these expenses between program services, management and general, and fundraising expenses are based on actual asset usage and estimates of time and effort. Allocations of functional expenses are based on management’s discretion and estimates. These variables may change from year to year.

Deferred revenue:

Deferred revenue consists primarily of subscriptions received in advance of the periods in which they are earned.

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 2021.

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

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

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

Income taxes (Continued):

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 does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2021. 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 three years after filing.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. PROPERTY AND EQUIPMENT:

Major components and useful lives of property and equipment as of June 30, 2021 are as follows:

| <u>Major components</u> | <u>Useful Life</u> | |
|---------------------------------------|------------------------|------------------|
| Furniture, equipment and improvements | 5 - 10 years | \$311,267 |
| Accumulated depreciation | | <u>133,547</u> |
| | | <u>\$177,720</u> |

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due within a one year period. Allowances for doubtful accounts are estimated based on the length of time outstanding and past history with donors. Management considers all contributions and grants receivable to be fully collectible; therefore, no allowance for doubtful accounts has been established.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

4. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended Jun 30, 2019, the Institute adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported a temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

5. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of cash and cash equivalents. The Institute maintains its cash in several bank deposit and investment accounts at highly rated financial institutions, which at times may exceed the federally insured limits. The Institute has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

6. 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 \$2,994,277 during the year ended June 30, 2021.

7. 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, 2021, employer contributions amounted to \$40,724.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

8. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Institute's financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, contributions restricted by donors beyond one year, or specified purpose, or assets held for others.

Financial assets:

| | |
|---|---------------------|
| Cash and cash equivalents | \$1,437,758 |
| Contributions receivable | 756,282 |
| Other receivables | <u>5,739</u> |
| | 2,199,779 |
| Less cash collateral for letter of credit | <u>(66,630)</u> |
| Total financial assets available for general operations | \$ <u>2,133,149</u> |

9. 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, 2021 through May 8, 2022, the date these financial statements were available to be issued.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

10. COMMITMENTS

The Institute entered into an operating lease for office space for a term of eleven years commencing August, 2019. The Institute maintains a cash collateral account to collateralize a standby letter of credit for \$66,625 in favor of the lessor in lieu of a security deposit under the lease. Under the terms of the lease, no monthly rental payments are to be paid for the initial thirteen months of the term. Rent expense under this lease for the year ended June 30, 2021 was \$276,417.

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

| | |
|------|-----------|
| 2022 | \$278,284 |
| 2023 | \$285,241 |
| 2024 | \$292,373 |
| 2025 | \$299,682 |
| 2026 | \$307,174 |

During September, 2019, the Institute vacated the premises under the first lease above because of defaults it asserted against the prior landlord. Subsequently, the Company and the prior landlord negotiated to resolve all disputes relating to the prior lease, resulting in prior landlord filing suit in the Superior Court of the District of Columbia on November 17, 2020, and the Institute filing a counterclaim on January 29, 2021.

Subsequently, to resolve the dispute, the prior landlord and the Institute entered into a Settlement Agreement dated as of July 12, 2021 resolving the matter, whereby the lease was terminated effective July 1, 2021, subject to the Institute making a settlement payment of \$150,000 upon signing the Settlement Agreement and additional twelve monthly payments of \$14,214.

11. RISKS AND UNCERTAINTIES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred domestically in the United States and globally, including mandates from federal, state and local governments, leading to an overall decline in global economic activity. The ultimate impact of COVID-19 on the financial performance of Institute's operations cannot be reasonably estimated at this time, but management continues to monitor current conditions.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

11. RISKS AND UNCERTAINTIES (Continued)

During the year ended June 30, 2021, the Institute received a Payroll Protection Program Second Draw loan in the amount of \$348,912 as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). The conditions for forgiveness of this loan were subsequently met and will be recognized as grant revenue.

12. 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 optional provisions of the Financial Instruments Topic of FASB ASC (formerly SFAS No. 159), became effective beginning July 1, 2008. These optional provisions permit the Institute 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 Institute elected not to measure at fair value the Institute's financial assets and liabilities under the optional provisions of the Financial Instruments Topic of FASB ASC.