

THE MIDDLE EAST INSTITUTE
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statement of Activities, Year Ended December 31, 2023	5
Statement of Activities, Year Ended December 31, 2022	6
Statement of Functional Expenses, Year Ended December 31, 2023	7
Statement of Functional Expenses, Year Ended December 31, 2022	8
Statements of Cash Flows	9
Notes to the Financial Statements	10 - 26



CERTIFIED PUBLIC ACCOUNTANTS

1730 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036
(202) 296-3306
Fax: (202) 296-0059

Independent Auditor's Report

To the Board of Governors
The Middle East Institute
Washington, DC

Opinion

We have audited the accompanying financial statements of The Middle East Institute (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, 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 The Middle East Institute as of December 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 The Middle East Institute 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 The Middle East Institute'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 The Middle East Institute'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 The Middle East Institute'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.

Emphasis of Matter

As discussed in Note B to the financial statements, during the year ended December 31, 2023, The Middle East Institute adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-13, Topic 326, *Financial Instruments — Credit Losses*, as amended. Our opinion is not modified with respect to this matter.



Washington, DC
January 13, 2025

THE MIDDLE EAST INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,129,255	\$ 956,382
Grants and contributions receivable	804,092	1,485,160
Accounts receivable	57,228	96,393
Prepaid expenses	66,216	75,706
Total Current Assets	2,056,791	2,613,641
PROPERTY AND EQUIPMENT, NET	13,695,165	14,056,649
OTHER ASSETS		
Investments in board designated accounts	11,650,080	10,632,568
Investments - endowment funds	4,573,142	3,934,639
Investments in beneficial interest in perpetual trust	1,364,886	1,243,587
Total Other Assets	17,588,108	15,810,794
TOTAL ASSETS	\$ 33,340,064	\$ 32,481,084
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 328,761	\$ 231,198
Accrued expenses	344,769	86,522
Deferred revenue	349,780	785,874
PPP loan	718,558	-
Total Current Liabilities	1,741,868	1,103,594
NON-CURRENT LIABILITIES		
PPP loan	-	718,558
Line of credit	4,507,828	3,636,452
Total Non-Current Liabilities	4,507,828	4,355,010
Total Liabilities	6,249,696	5,458,604
NET ASSETS		
Without donor restrictions:		
Undesignated	8,683,328	10,462,754
Board designated	11,650,080	10,632,568
Total without donor restrictions	20,333,408	21,095,322
With donor restrictions	6,756,960	5,927,158
Total Net Assets	27,090,368	27,022,480
TOTAL LIABILITIES AND NET ASSETS	\$ 33,340,064	\$ 32,481,084

The accompanying notes are an integral part of these financial statements.

**THE MIDDLE EAST INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	3,387,853	285,000	3,672,853
Contracts revenue	1,278,218	-	1,278,218
Center for Policy Studies	736,844	15,000	751,844
Center for Education	239,404	-	239,404
Rental and other income	104,009	-	104,009
Government grants	65,169	-	65,169
In-kind contributions	48,128	-	48,128
Membership dues	39,870	-	39,870
Interest and dividends, net	299,339	148,188	447,527
Net assets released from restrictions	272,630	(272,630)	-
Total Revenue and Support	<u>6,471,464</u>	<u>175,558</u>	<u>6,647,022</u>
EXPENSES			
Program Services:			
Center for Policy Studies	4,465,917	-	4,465,917
Center for Arts and Culture	661,618	-	661,618
Center for Education	827,020	-	827,020
Communications	744,321	-	744,321
Total Program Services	<u>6,698,876</u>	<u>-</u>	<u>6,698,876</u>
Support Services:			
Fundraising	744,321	-	744,321
General and administrative	1,145,100	-	1,145,100
Total Support Services	<u>1,889,421</u>	<u>-</u>	<u>1,889,421</u>
Total Expenses	<u>8,588,297</u>	<u>-</u>	<u>8,588,297</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(2,116,833)	175,558	(1,941,275)
OTHER CHANGES			
Net appreciation in fair value of board designated investments	1,354,919	-	1,354,919
Net appreciation in fair value of endowment investments	-	533,350	533,350
Net appreciation in beneficial interest in perpetual trust	-	120,894	120,894
Total Other Changes	<u>1,354,919</u>	<u>654,244</u>	<u>2,009,163</u>
CHANGE IN NET ASSETS	(761,914)	829,802	67,888
NET ASSETS, beginning of year	<u>21,095,322</u>	<u>5,927,158</u>	<u>27,022,480</u>
NET ASSETS, end of year	<u>\$ 20,333,408</u>	<u>\$ 6,756,960</u>	<u>\$ 27,090,368</u>

The accompanying notes are an integral part of these financial statements.

**THE MIDDLE EAST INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 3,505,482	\$ 320,000	\$ 3,825,482
Grants	923,222	-	923,222
In-kind contributions	29,682	-	29,682
Center for Policy Studies	478,412	-	478,412
Center for Education	304,025	-	304,025
Interest and dividends, net	232,643	96,811	329,454
Rental and other income	71,796	-	71,796
Membership dues	22,145	-	22,145
Net assets released from restrictions	145,664	(145,664)	-
Total Revenue and Support	5,713,071	271,147	5,984,218
EXPENSES			
Program Services:			
Center for Policy Studies	3,972,522	-	3,972,522
Center for Arts and Culture	588,523	-	588,523
Center for Education	735,654	-	735,654
Communications	662,087	-	662,087
Total Program Services	5,958,786	-	5,958,786
Support Services:			
Fundraising	662,087	-	662,087
General and administrative	979,601	-	979,601
Total Support Services	1,641,688	-	1,641,688
Total Expenses	7,600,474	-	7,600,474
CHANGE IN NET ASSETS FROM OPERATIONS	(1,887,403)	271,147	(1,616,256)
OTHER CHANGES			
PPP loan	(718,558)	-	(718,558)
Net depreciation in fair value of board designated investments	(2,086,675)	-	(2,086,675)
Net depreciation in fair value of endowment investments	-	(862,916)	(862,916)
Net depreciation in beneficial interest in perpetual trust	-	(191,048)	(191,048)
Total Other Changes	(2,805,233)	(1,053,964)	(3,859,197)
CHANGE IN NET ASSETS	(4,692,636)	(782,817)	(5,475,453)
NET ASSETS, beginning of year	25,787,958	6,709,975	32,497,933
NET ASSETS, end of year	\$ 21,095,322	\$ 5,927,158	\$ 27,022,480

The accompanying notes are an integral part of these financial statements.

**THE MIDDLE EAST INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	PROGRAM SERVICES				SUPPORT SERVICES				
	Center for Policy Studies	Center for Arts and Culture	Center for Education	Communications	Total Program Services	Fundraising	General and Administrative	Total Support Services	Total Expenses
Personnel Costs:									
Salaries	\$ 2,087,841	\$ 309,310	\$ 386,637	\$ 347,974	\$ 3,131,762	\$ 347,974	\$ 386,637	\$ 734,611	\$ 3,866,373
Employee benefits	228,147	33,800	42,249	38,024	342,220	38,024	42,250	80,274	422,494
Payroll taxes	153,708	22,772	28,464	25,618	230,562	25,618	28,464	54,082	284,644
Subtotal Personnel Costs	<u>2,469,696</u>	<u>365,882</u>	<u>457,350</u>	<u>411,616</u>	<u>3,704,544</u>	<u>411,616</u>	<u>457,351</u>	<u>868,967</u>	<u>4,573,511</u>
Bad debt	-	-	-	-	-	-	11,852	11,852	11,852
Bank charges	-	-	-	-	-	-	35,257	35,257	35,257
Depreciation and amortization	215,613	31,943	39,928	35,936	323,420	35,936	39,928	75,864	399,284
Dues and subscriptions	66,112	9,794	12,243	11,019	99,168	11,019	12,242	23,261	122,429
Facilities, food and beverages	274,673	40,692	50,865	45,779	412,009	45,779	50,865	96,644	508,653
In-kind legal services	25,989	3,850	4,813	4,332	38,984	4,332	4,812	9,144	48,128
Insurance	-	-	-	-	-	-	88,376	88,376	88,376
Interest	-	-	-	-	-	-	182,595	182,595	182,595
Occupancy and utilities	53,680	7,953	9,941	8,947	80,521	8,947	9,940	18,887	99,408
Postage and delivery	16,289	2,413	3,016	2,715	24,433	2,715	3,016	5,731	30,164
Printing and publications	43,634	6,464	8,080	7,272	65,450	7,272	8,082	15,354	80,804
Professional services	965,965	143,106	178,882	160,994	1,448,947	160,994	178,883	339,877	1,788,824
Promotion and outreach	19,000	2,815	3,519	3,167	28,501	3,167	3,518	6,685	35,186
Repairs and maintenance	42,261	6,261	7,826	7,044	63,392	7,044	7,826	14,870	78,262
Supplies and equipment	84,189	12,472	15,591	14,031	126,283	14,031	15,591	29,622	155,905
Telecommunications	36,464	5,402	6,753	6,077	54,696	6,077	6,752	12,829	67,525
Travel and entertainment	152,352	22,571	28,213	25,392	228,528	25,392	28,214	53,606	282,134
Total	<u>\$ 4,465,917</u>	<u>\$ 661,618</u>	<u>\$ 827,020</u>	<u>\$ 744,321</u>	<u>\$ 6,698,876</u>	<u>\$ 744,321</u>	<u>\$ 1,145,100</u>	<u>\$ 1,889,421</u>	<u>\$ 8,588,297</u>

The accompanying notes are an integral part of these financial statements.

THE MIDDLE EAST INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES				SUPPORT SERVICES				
	Center for Policy Studies	Center for Arts and Culture	Center for Education	Communications	Total Program Services	Fundraising	General and Administrative	Total Support Services	Total Expenses
Personnel Costs:									
Salaries	\$ 1,933,346	\$ 286,422	\$ 358,027	\$ 322,224	\$ 2,900,019	\$ 322,224	\$ 358,027	\$ 680,251	\$ 3,580,270
Employee benefits	216,038	32,006	40,007	36,006	324,057	36,006	40,007	76,013	400,070
Payroll taxes	148,958	22,068	27,585	24,826	223,437	24,826	27,586	52,412	275,849
Subtotal Personnel Costs	<u>2,298,342</u>	<u>340,496</u>	<u>425,619</u>	<u>383,056</u>	<u>3,447,513</u>	<u>383,056</u>	<u>425,620</u>	<u>808,676</u>	<u>4,256,189</u>
Bad debt	-	-	-	-	-	-	25,095	25,095	25,095
Bank charges	-	-	-	-	-	-	32,785	32,785	32,785
Depreciation and amortization	216,360	32,053	40,067	36,060	324,540	36,060	40,067	76,127	400,667
Dues and subscriptions	43,629	6,464	8,080	7,272	65,445	7,272	8,078	15,350	80,795
Facilities, food and beverages	143,782	21,301	26,626	23,964	215,673	23,964	26,626	50,590	266,263
In-kind legal services	16,028	2,375	2,968	2,671	24,042	2,671	2,969	5,640	29,682
Insurance	-	-	-	-	-	-	71,257	71,257	71,257
Interest	-	-	-	-	-	-	114,813	114,813	114,813
Occupancy and utilities	48,655	7,208	9,010	8,109	72,982	8,109	9,011	17,120	90,102
Postage and delivery	18,254	2,704	3,380	3,042	27,380	3,042	3,381	6,423	33,803
Printing and publications	24,462	3,624	4,530	4,077	36,693	4,077	4,530	8,607	45,300
Professional services	855,413	126,728	158,410	142,569	1,283,120	142,569	158,409	300,978	1,584,098
Promotion and outreach	15,767	2,336	2,920	2,628	23,651	2,628	2,920	5,548	29,199
Repairs and maintenance	37,814	5,602	7,003	6,302	56,721	6,302	7,002	13,304	70,025
Supplies and equipment	57,545	8,525	10,657	9,591	86,318	9,591	10,656	20,247	106,565
Telecommunications	49,360	7,313	9,141	8,227	74,041	8,227	9,140	17,367	91,408
Travel and entertainment	147,111	21,794	27,243	24,519	220,667	24,519	27,242	51,761	272,428
Total	<u>\$ 3,972,522</u>	<u>\$ 588,523</u>	<u>\$ 735,654</u>	<u>\$ 662,087</u>	<u>\$ 5,958,786</u>	<u>\$ 662,087</u>	<u>\$ 979,601</u>	<u>\$ 1,641,688</u>	<u>\$ 7,600,474</u>

The accompanying notes are an integral part of these financial statements.

**THE MIDDLE EAST INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 67,888	\$ (5,475,453)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation and amortization	399,284	400,667
Net (appreciation) depreciation in fair value of investments	(2,009,163)	3,140,639
Change in beneficial interest in perpetual trust	(121,299)	214,364
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Grants and contributions receivable	681,068	(444,540)
Accounts receivable	39,165	31,854
Prepaid expenses	9,490	2,747
Increase (decrease) in liabilities:		
Accounts payable	97,563	41,099
Accrued expenses	258,247	(20,081)
Deferred revenue	(436,094)	65,583
PPP loan	-	718,558
Net Cash Provided by (Used for) Operating Activities	(1,013,851)	(1,324,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(37,800)	-
Proceeds from sales of investments	1,041,695	1,583,320
Purchases of investments	(809,846)	(1,862,709)
Net Cash Provided by (Used for) Investing Activities	194,049	(279,389)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	940,000	2,120,000
Repayments on line of credit	(68,624)	(6,833)
Reduction in beneficial interest in perpetual trust	121,299	(214,364)
Net Cash Provided by (Used for) Financing Activities	992,675	1,898,803
NET CHANGE IN CASH AND CASH EQUIVALENTS	172,873	294,851
CASH AND CASH EQUIVALENTS, beginning of year	956,382	661,531
CASH AND CASH EQUIVALENTS, end of year	\$ 1,129,255	\$ 956,382
SUPPLEMENTARY INFORMATION:		
Cash payments for interest expense	\$ 178,084	\$ 110,302

The accompanying notes are an integral part of these financial statements.

**THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE A – ORGANIZATION AND NATURE OF BUSINESS

The Middle East Institute ("MEI") is a nonprofit nonstock corporation located in Washington, DC, and was founded in 1946. MEI's mission is to promote knowledge of the Middle East in the United States as well as strengthen understanding of the United States among the people and governments of the Middle East. The activities of MEI are largely funded by grants and contributions.

Program Services

Center for Policy Studies: MEI's experts research and explore foreign policy issues related to the challenges and opportunities in the Middle East. They publish and communicate their findings through MEI's communication channels and the national and international media. They regularly brief policymakers, U.S. and foreign diplomats, and the international business community on issues impacting the Middle East, and have advised the highest levels of government including Cabinet Secretaries and the White House. MEI's policy program has grown along with its overall forward trajectory. In recent years, MEI has added Track II Diplomacy, Counter Terrorism, and other special focus areas that monitor ongoing developments in critical areas.

MEI's television studio enables scholars to join broadcast programs faster and more frequently, allowing MEI to provide real-time commentary on breaking news and to ensure that MEI's balanced analysis reaches policymakers and the public.

Center for Arts and Culture: Since its inception in 2014, MEI's arts and culture program in Washington, DC has become a destination for audiences interested in the Middle East's dynamic arts scene. MEI promotes the work of artists, writers, and filmmakers from the region, connecting the District of Columbia audiences with the Middle East's vibrant arts and culture sector.

Center for Education: MEI provides academic and professional services to current and future generations of Middle East analysts and enthusiasts. MEI's language program provides instruction in Arabic, Turkish, Hebrew, Farsi, and other languages, and its regional studies program provides an in-depth educational experience to those seeking a greater understanding of the Middle East.

MEI's leadership development program provides hands-on training and professional development seminars to top university students and recent graduates who work alongside MEI's staff and scholars on research projects, public programs, development initiatives, and events.

Communications: The communications department manages MEI's media relations, website content, social media and e-mail outreach platforms, and institutional branding. It is also responsible for multimedia production, including a weekly podcast, short informational videos, and promotional ads, recording and live-streaming public events, and managing the in-house broadcasting studio. It provides services and technical support across all other centers and departments.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of MEI are prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU significantly change how organizations will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income or change in net assets. Importantly, this ASU will impact both financial institutions and non-financial services entities.

Previously, U.S. generally accepted accounting principles (U.S. GAAP) contained an “incurred loss” methodology for recognizing credit losses. This methodology delayed recognition until it was probable a loss had been incurred. ASU 2016-13 introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments (including trade receivables). It also modifies the impairment model for available-for-sale (“AFS”) debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination.

MEI adopted ASU 2016-13 (commonly known as the *Current Expected Credit Loss Impairment Model*, or “CECL”), effective January 1, 2023. The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in CECL replace the incurred loss impairment methodology, with a methodology that reflects expected credit losses, and requires consideration of a broader range of reasonable and supportable information to inform the users of credit loss estimates. Upon adoption of ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, it was determined that MEI did not need to adjust the allowance for credit losses as of January 1, 2023.

Financial Statement Presentation

Financial statement preparation follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*. In accordance with Topic 958, net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of MEI and changes therein, are classified and reported as follows:

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Statement Presentation (continued)

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met by either actions of MEI and/or the passage of time, or that must be maintained in perpetuity by MEI. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, MEI considers all highly liquid funds, including interest bearing savings accounts, to be cash equivalents except those included as part of an investment portfolio. Cash and cash equivalents in certain accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, the accounts may exceed this limit; however, MEI believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants and Contributions Receivable and Accounts Receivable

Grants, contributions and accounts receivable and are stated at the amount management expects to collect from balances outstanding at year end. Throughout the year, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management believes all receivables are fully collectible, and no provision for allowance for doubtful accounts is deemed necessary. As of the beginning of the year ended December 31, 2022, accounts receivable totaled \$128,247.

Investments

Investments are reported at fair value based on quoted market prices, if available. Interest is recognized on the accrual basis. Dividends are recognized on the ex-dividend date. Net appreciation or depreciation in the fair value of investments and interest and dividends are recognized in the period in which such changes occur, and are presented separately in the statements of activities as non-operating revenue. Donated investments are recorded at fair value on the date of the donation.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

Property and equipment are recorded at cost, and are depreciated and amortized over the estimated useful lives of the assets using the straight-line method as follows:

Building and improvements	20 – 35 years
Office equipment and furniture	3 – 10 years

When property or equipment is sold or otherwise disposed of, the cost and accumulated depreciation are removed from the respective accounts, with the resulting gain or loss reflected in the statements of activities. Expenditures for repairs and maintenance that do not materially extend the useful lives of property and equipment are charged to expense when incurred. MEI capitalizes property and equipment with a cost equal to or greater than \$5,000.

Deferred Revenue

Deferred revenue represents unearned income received for subscriptions to MEI's quarterly journal; tuition fees paid for various language classes held throughout the year; and advertising revenue for advertisements to be placed in the journals published in future periods. Deferred revenue also includes conditional grants in which MEI received advance payments prior to the satisfaction of the terms and conditions outlined in the grant agreements. As of the beginning of the year ended December 31, 2022, deferred revenue totaled \$720,291.

Revenue Recognition

Grants and Contributions

MEI recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition - (continued)

Contracts Revenue

Contract revenue are largely contractual agreements with various non-profit organizations to sponsor workshops and other programs affiliated with MEI. Therefore, any amounts earned but not yet collected are recognized as accounts receivable; and funds received but not yet earned are recorded as deferred revenue in the statements of financial position.

Center for Policy Studies

Center for Policy Studies revenue consists of journal subscriptions, royalties, the annual banquet, and policy study programs. Subscription and royalty revenue derived from *The Middle East Journal* is recognized over the term of the subscriptions. Annual banquet revenue, including sponsorships and ticket sales, is recognized in the year in which the banquet is held.

Center for Education

Center for Education revenue consists of various classes including language and private instructions. Education revenue is recognized when the class is held.

Rental and Other Income

Rental income is derived from a non-profit that rents office space located in MEI's building. Revenue is recognized when earned. Any rental payments received in advance are recorded as deferred revenue on the statements of financial position. Other income is derived from publication and book sales, which are recognized as revenue at the time the item is sold.

Government Grants

MEI received funding from federal agencies to support its program initiatives. Based on the terms and conditions outlined in the funding agreements, these federal awards are considered conditional grants that contain a right of return of funds and other barriers, specifically with respect to reimbursement of expenditures and allowable costs. As a result, revenue is not recognized until the conditions stipulated in the agreements have been substantially met. The amounts earned but not yet collected are recognized as accounts receivable; and funds received but not yet earned are recorded as deferred revenue in the statements of financial position.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition (continued)

In-Kind Contributions

In-kind contributions are recorded at the fair value of the services or items received on the date of the donation. MEI recognizes in-kind contributions that create or enhance non-financial assets; or that require specialized skills, are provide by individuals possessing those skills, and would typically need to be purchases if not provided by donation.

Membership Dues

Management performed an analysis of the dollar value of benefits provided to members in exchange for dues, and determined that total benefits provided to its members were nominal. As such, it was determined that membership dues are in essence unconditional and without donor restriction contributions made to MEI, and are recognized as revenue when received.

Methods Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, repairs and maintenance, and any other applicable expenditures, which are allocated on the basis of salaries and related costs, determined by estimates of time and effort expended.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – INCOME TAXES

MEI is a 501(c)(3) organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the “Code”) and is not a private foundation. Under the provisions of the Code, MEI is, however, subject to tax on business income unrelated to its exempt purpose. As of 31, 2023 and 2022, MEI had no liability for tax on unrelated business income. MEI files its information returns and other tax returns as required.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE C – INCOME TAXES – continued

MEI believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

MEI's information returns are subject to examination by the Internal Revenue Service (“IRS”) for a period of three years from the date they were filed, except under certain circumstances. The information returns for the years ended December 31, 2020 through 2022, are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

MEI's management regularly monitors liquidity requirements to ensure that ongoing operating needs and other contractual commitments are met. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to MEI include financial assets consisting of cash and cash equivalents, grants and contributions receivable, accounts receivable, and investments. Although MEI does not intend to spend from its board designated reserves, other than amounts appropriated for expenditure, funds could be made available through board resolutions, if necessary. MEI also has a line of credit in the amount of \$6,000,000 that could be made available for use, if necessary.

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, MEI considers all expenditures related to its ongoing program activities as well as services undertaken to support those programs, to be general operating expenditures.

The following table reflects MEI's financial assets as of December 31:

	2023	2022
Cash and cash equivalents	\$ 1,129,255	\$ 956,382
Grants and contributions receivable	804,092	1,485,160
Accounts receivable	57,228	96,393
Investments in board designated account	11,650,080	10,632,568
Investments - endowment funds	4,573,142	3,934,639
Investments in beneficial interest in perpetual trust	1,364,886	1,243,587
Total Financial Assets	19,578,683	18,348,729
Less: board designated reserves	(11,650,080)	(10,632,568)
Less: net assets with donor restrictions	(6,756,960)	(5,927,158)
Total Financial Assets Available to Meet Cash	12,171,643	1,793,003
Needs for General Expenditures within One Year	\$ 1,171,643	\$ 1,789,003

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2023	2022
Building and improvements	\$ 16,584,080	\$ 16,584,080
Office equipment and furniture	874,581	836,781
Land	334,115	334,115
	17,792,776	17,754,976
Less: accumulated depreciation	(4,097,611)	(3,698,327)
Property and Equipment, Net	\$ 13,695,165	\$ 14,056,649

Depreciation and amortization expense related to property and equipment totaled \$399,284 and \$400,667, for the years ended December 31, 2023 and 2022, respectively.

NOTE F – FAIR VALUE MEASUREMENT

FASB ASC Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

- Level 1* Inputs to the valuation methodology are based on unadjusted quoted prices for identical assets or liabilities traded in active markets in which MEI has the ability to access.
- Level 2* Inputs to the valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE F – FAIR VALUE MEASUREMENT - continued

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the valuation methodologies used to measure investments at fair value: common and preferred stock, other fixed income securities, mutual funds, and exchange traded funds are valued at the observable closing price reported in the active market in which the individual securities are traded. Money market funds are valued by carrying amount, which approximates fair value. The fair values of corporate bonds, municipal bonds, U.S. Treasury bonds, and certificates of deposit have been provided by MEI’s investment managers and custodian banks, which use a variety of pricing sources to determine market valuations, including indexes for each sector of the market.

The following table presents MEI’s fair value hierarchy for investments measured at fair value on a recurring basis as of December 31, 2023:

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 280,370	\$ -	\$ -	\$ 280,370
Common and preferred stock	473,645	-	-	473,645
Corporate bonds	-	219,062	-	219,062
Certificates of deposit	172,808	-	-	172,808
Mutual funds:				
Fixed income	5,578,937	-	-	5,578,937
Equity	10,591,120	-	-	10,591,120
Exchange traded funds	272,166	-	-	272,166
Total Assets at Fair Value	\$17,369,046	\$ 219,062	\$ -	\$17,588,108

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE F – FAIR VALUE MEASUREMENT - continued

The following table presents MEI’s fair value hierarchy for investments measured at fair value on a recurring basis as of December 31, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 261,677	\$ -	\$ -	\$ 261,677
Common and preferred stock	418,707	-	-	418,707
U.S. Treasury bonds	168,093	-	-	168,093
Corporate bonds	-	567,664	-	567,664
Municipal bonds	75,101	-	-	75,101
Other fixed income securities	154,688	-	-	154,688
Certificates of deposit	-	231,361	-	231,361
Mutual funds:				
Fixed income	3,504,611	-	-	3,504,611
Equity	10,009,840	-	-	10,009,840
Other	153,292	-	-	153,292
Exchange traded funds	265,760	-	-	265,760
Total Assets at Fair Value	<u>\$15,011,769</u>	<u>\$ 799,025</u>	<u>\$ -</u>	<u>\$15,810,794</u>

NOTE G – ENDOWMENTS

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), the provisions of which apply to endowment funds existing on or established after that date. MEI is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and, in doing so, to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

As a result of this interpretation, the endowments have been classified as net assets with donor restrictions, based on the original value of gifts donated, to be held in perpetuity. The remaining portion of the donor-restricted endowment fund that is not classified as net assets without donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by MEI in a manner consistent with the standard of prudence prescribed by UPMIFA. MEI has adopted, and the Board of Governors has approved, the statement of investment policies for each endowment fund. These policies have identified an appropriate risk posture for the funds; stated expectations and objectives for the funds; provided asset allocation guidelines; and established criteria to monitor and evaluate the performance results of the funds’ managers. MEI expects the endowment funds to provide an average real rate of return to equal the return of the benchmark for each asset/sub-asset class.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE G – ENDOWMENTS - continued

To satisfy the long-term rate of return objectives, MEI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

In accordance with UPMIFA, MEI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of MEI; and (7) MEI's investment policies.

MEI makes distributions from income earned on the endowment funds for the following purposes:

- Annual award, the “Issam M. Fares Award for Excellence,” and keynote speaker expenses at the MEI annual conference banquet and award ceremony (“Fares Award”)
- Support for MEI Library ("Library")

MEI makes distributions from income earned on the endowment funds for the above purposes using the total return method. Under this method, distributions consist of net investment income and may, under certain circumstances, include a portion of cumulative realized and unrealized gains. The Board of Governors approved the spending rate of 4% per annum of the corpus of the Fares Award endowment and 4% per annum of the corpus of the Library endowment.

The fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA require MEI to retain as a fund of perpetual duration. As of December 31, 2023 and 2022, there were no deficiencies in either endowment.

MEI's endowment net assets consists of the following as of December 31, 2023:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Ending</u> <u>Balance</u>
Library endowment:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 1,000,000	\$ 1,000,000
Portion subject to appropriation	-	862,902	862,902
Fares Award endowment:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	1,500,000	1,500,000
Portion subject to appropriation	-	1,210,240	1,210,240
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 4,573,142</u>	<u>\$ 4,573,142</u>

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE G – ENDOWMENTS - continued

Changes in the endowment net assets for the year ended December 31, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2022	\$ -	\$ 3,934,639	\$ 3,934,639
Interest and dividends (less fees of \$11,820)	-	105,153	105,153
Net appreciation in fair value of investments	-	533,350	533,350
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 4,573,142</u>	<u>\$ 4,573,142</u>

MEI's endowment net assets consist of the following as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Library endowment:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 1,000,000	\$ 1,000,000
Portion subject to appropriation	-	602,803	602,803
Fares Award endowment:			
Original donor-restricted gift amount and amounts required to be retained by donor	-	1,500,000	1,500,000
Portion subject to appropriation	-	831,836	831,836
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 3,934,639</u>	<u>\$ 3,934,639</u>

Changes in the endowment net assets for the year ended December 31, 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2021	\$ -	\$ 4,720,058	\$ 4,720,058
Interest and dividends (less fees of \$13,045)	-	77,497	77,497
Net depreciation in fair value of investments	-	(862,916)	(862,916)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 3,934,639</u>	<u>\$ 3,934,639</u>

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE H – BOARD DESIGNATED FUND

In September 1995, the Board of Governors approved that the professionally managed MEI investments would be designated for special purposes. The Board Designated Special Purpose Fund consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Capital campaign	\$ 16,031	\$ 53,935
Special purposes	11,634,049	10,578,633
Total	<u>\$ 11,650,080</u>	<u>\$ 10,632,568</u>

NOTE I – BENEFICIAL INTEREST IN PERPETUAL TRUST

In 2012, MEI became the current beneficiary of a charitable trust established by the William Carter and Marlys Burdett Scholarship Trust (the “Trust”). The funds are held and managed by a third-party trustee whose objective is to preserve and enhance the Trust corpus as well as to generate income on a continuum basis. As such, MEI has no control in the manner in which the Trust funds are invested. The income from the Trust is to be used to provide financial assistance, including, but not limited to, scholarships, fellowships, transportation, and living expenses to enable foreign students from Turkey and other Arab countries to study at educational institutions, primarily in the United States. Currently, the anticipated amount of annual income distributions for scholarships is \$42,630, which could change depending on the program’s needs and endowment earnings. As of December 31, 2023 and 2022, the fair value of investments totaled \$1,364,886 and \$1,243,587, respectively.

The original principal of the Trust and beneficial interest are included as net assets with donor restrictions in the statements of activities. MEI’s beneficial interest in perpetual trust consists of the following as of December 31, 2023:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Principal of the trust	\$ -	\$ 1,050,862	\$ 1,050,862
Portion subject to appropriation	-	314,024	314,024
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 1,364,886</u>	<u>\$ 1,364,886</u>

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE I – BENEFICIAL INTEREST IN PERPETUAL TRUST - continued

Changes in beneficial interest in perpetual trust consists of the following for the year ended December 31, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning fair value, 1/1/2023	\$ -	\$ 1,243,587	\$ 1,243,587
Distributions	-	(42,630)	(42,630)
Interest and dividends (less fee of \$8,334)	-	43,035	43,035
Net appreciation in fair value of investments	-	120,894	120,894
Ending fair value, 12/31/2023	<u>\$ -</u>	<u>\$ 1,364,886</u>	<u>\$ 1,364,886</u>

MEI's beneficial interest in perpetual trust consists of the following as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Principal of the trust	\$ -	\$ 1,050,862	\$ 1,050,862
Portion subject to appropriation	-	192,725	192,725
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,243,587</u>	<u>\$ 1,243,587</u>

Changes in beneficial interest in perpetual trust consist of the following for the year ended December 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning fair value, 1/1/2022	\$ -	\$ 1,457,951	\$ 1,457,951
Distributions	-	(42,630)	(42,630)
Interest and dividends (less fee of \$7,232)	-	19,314	19,314
Net depreciation in fair value of investments	-	(191,048)	(191,048)
Ending fair value, 12/31/2022	<u>\$ -</u>	<u>\$ 1,243,587</u>	<u>\$ 1,243,587</u>

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of December 31, 2023 and 2022:

	2023	2022
Beneficial interest in perpetual trust - scholarships	\$ 1,364,886	\$ 1,243,587
MEI annual conference, award and speaker	2,710,240	2,331,836
Support for the MEI Library	1,862,902	1,602,803
Youself AI Otaiba (YAO) Program	763,932	748,932
Center for Policy Studies	55,000	-
Total	\$ 6,756,960	\$ 5,927,158

NOTE K – LINE OF CREDIT

On May 1, 2020, MEI obtained a line of credit in the amount of \$6,000,000. The line of credit is secured by MEI's building, which is located at 1761-1763 N Street, NW, Washington, DC 20036. The line of credit's interest rate is based off of the Wall Street Journal Prime Rate less 0.25%, floating monthly. This rate of interest is capped at 4.50% and floored at 3.00%. The interest rate was 4.50% as of December 31, 2023 and 2022. The line of credit has a maturity of ten years and expires on April 30, 2030. During 2020, MEI made a security deposit of \$10,000 and withdrew approximately \$35,109 from the line of credit in order to pay for origination fees, which have been capitalized and will be amortized over the life of the line of credit. During 2023 and 2022, MEI drew down \$940,000 and \$2,120,000 from the line of credit, respectively, in order to be pay operating expenses. As of December 31, 2023 and 2022, the outstanding debt related to the line of credit totaled \$4,507,828 and \$3,636,452, respectively.

For the years ended December 31, 2023 and 2022, the amortized loan fees totaled \$4,511 for both years, which were charged to interest expense.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE L – IN-KIND CONTRIBUTIONS

A amount of donated legal services are contributed to MEI by volunteer attorneys. The value of these services totaled \$48,128 and \$29,682, for the years ended December 31, 2023 and 2022, respectively, and have been included in the statements of activities and functional expenses, as in-kind legal services. In addition, the donated legal services were allocated between program and support services on the statements of functional expenses. The in-kind legal services were evaluated by the donors based on the donors' hourly rates and were not restricted by donors.

NOTE M– SUBLEASE INCOME

MEI subleases office space to one tenant on a month-to-month basis. Rental income for the years ended December 31, 2023 and 2022, totaled \$49,372 and \$65,850, respectively. These amounts are included in rental and other income in the accompanying statements of activities.

NOTE N – RETIREMENT PLAN

MEI adopted the Middle East Institute 403(b) DC Plan (the "Plan") for its employees' retirement benefits. Employees are eligible to participate in the Plan immediately upon hire. However, they must have completed at least one year of service in order to be eligible for the employer matching contributions. MEI contributes 7.5% of salaries up to \$25,000; and 6.5% of salaries over \$25,000, on behalf of each Plan participant. MEI's contributions for the years ended December 31, 2023 and 2022, totaled \$185,581 and \$191,202, respectively.

NOTE O – PAYCHECK PROTECTION PROGRAM LOAN

On February 24, 2021, MEI secured its second loan in the amount of \$359,279 with Capital One (the "Lender") under the Small Business Administration's Paycheck Protection Program ("PPP") that authorized forgivable loans to small businesses. Similar to the first PPP loan, this loan could be used to cover certain expenses during the COVID-19 crisis. The loan amount would be forgiven if the proceeds were used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan was made. If not used for the described purpose, the loan would become due in five years from the date of the loan agreement. On October 19, 2021, the loan was forgiven in full and the entire amount of \$359,279 was recognized as revenue on the statement of activities for the year ended December 31, 2021.

However, in a letter dated November 18, 2022, MEI received communication from the U.S. Department of Justice asserting that it was not eligible to receive the previously forgiven PPP loan, and that the application submitted to obtain the PPP loan was inaccurate. Consequently, MEI is now required to repay the full PPP loan amount, totaling \$359,279, along with a penalty equal to 100% of the PPP loan, resulting in a total repayment obligation of \$718,558. The repayment is mandated by the U.S. Department of Justice. The PPP loan was repaid in March 2024.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE P – SUBSEQUENT EVENTS

In preparing these financial statements, MEI has evaluated events and transactions for potential recognition or disclosure through January 13, 2025, the date the financial statements were available to be issued. Other than the repayment of the PPP loan referenced in Note O, there were no additional events or transactions that were discovered during the evaluation that required additional recognition or disclosure.