

THE MIDDLE EAST INSTITUTE
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2024 AND 2023

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities, Year Ended December 31, 2024	4
Statement of Activities, Year Ended December 31, 2023	5
Statement of Functional Expenses, Year Ended December 31, 2024	6
Statement of Functional Expenses, Year Ended December 31, 2023	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 24



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, 2024 and 2023, 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, 2024 and 2023, 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.



Washington, DC
October 8, 2025

**THE MIDDLE EAST INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023**

	2024	2023
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,011,434	\$ 1,129,255
Grants and contributions receivable	362,259	804,092
Accounts receivable	73,193	57,228
Prepaid expenses	37,001	66,216
Total Current Assets	1,483,887	2,056,791
PROPERTY AND EQUIPMENT, NET	13,310,782	13,695,165
OTHER ASSETS		
Investments in board designated accounts	11,512,762	11,650,080
Investments - endowment funds	4,929,380	4,573,142
Investments in beneficial interest in perpetual trust	1,422,842	1,364,886
Total Other Assets	17,864,984	17,588,108
TOTAL ASSETS	\$ 32,659,653	\$ 33,340,064
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 393,269	\$ 328,761
Accrued expenses	331,507	344,769
Deferred revenue	200,772	349,780
PPP loan	-	718,558
Total Current Liabilities	925,548	1,741,868
NON-CURRENT LIABILITIES		
Line of credit	4,444,701	4,507,828
Total Non-Current Liabilities	4,444,701	4,507,828
Total Liabilities	5,370,249	6,249,696
NET ASSETS		
Without donor restrictions:		
Undesignated	8,355,488	8,683,328
Board designated	11,512,762	11,650,080
Total without donor restrictions	19,868,250	20,333,408
With donor restrictions	7,421,154	6,756,960
Total Net Assets	27,289,404	27,090,368
TOTAL LIABILITIES AND NET ASSETS	\$ 32,659,653	\$ 33,340,064

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

**THE MIDDLE EAST INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 5,239,443	\$ 505,000	\$ 5,744,443
Contracts revenue	1,486,766	-	1,486,766
Center for Policy Studies	653,144	-	653,144
Center for Education	93,023	-	93,023
Rental and other income	12,924	-	12,924
Government grants	150,000	-	150,000
In-kind contributions	81,790	-	81,790
Membership dues	12,630	-	12,630
Interest and dividends, net	288,660	166,115	454,775
Net assets released from restrictions	533,097	(533,097)	-
Total Revenue and Support	8,551,477	138,018	8,689,495
EXPENSES			
Program Services:			
Center for Policy Studies	5,229,854	-	5,229,854
Center for Arts and Culture	774,794	-	774,794
Center for Education	968,492	-	968,492
Communications	871,642	-	871,642
Total Program Services	7,844,782	-	7,844,782
Support Services:			
Fundraising	871,642	-	871,642
General and administrative	1,275,860	-	1,275,860
Total Support Services	2,147,502	-	2,147,502
Total Expenses	9,992,284	-	9,992,284
CHANGE IN NET ASSETS FROM OPERATIONS	(1,440,807)	138,018	(1,302,789)
OTHER CHANGES			
Net appreciation in fair value of board designated investments	975,649	-	975,649
Net appreciation in fair value of endowment investments	-	423,040	423,040
Net appreciation in beneficial interest in perpetual trust	-	103,136	103,136
Total Other Changes	975,649	526,176	1,501,825
CHANGE IN NET ASSETS	(465,158)	664,194	199,036
NET ASSETS, beginning of year	20,333,408	6,756,960	27,090,368
NET ASSETS, end of year	\$ 19,868,250	\$ 7,421,154	\$ 27,289,404

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	6,471,464	175,558	6,647,022
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	6,698,876	-	6,698,876
Support Services:			
Fundraising	744,321	-	744,321
General and administrative	1,145,100	-	1,145,100
Total Support Services	1,889,421	-	1,889,421
Total Expenses	8,588,297	-	8,588,297
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	1,354,919	654,244	2,009,163
CHANGE IN NET ASSETS	(761,914)	829,802	67,888
NET ASSETS, beginning of year	21,095,322	5,927,158	27,022,480
NET ASSETS, end of year	\$ 20,333,408	\$ 6,756,960	\$ 27,090,368

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

THE MIDDLE EAST INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	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	\$ 2,155,172	\$ 319,285	\$ 399,106	\$ 359,195	\$ 3,232,758	\$ 359,195	\$ 399,106	\$ 758,301	\$ 3,991,059
Employee benefits	246,871	36,574	45,717	41,145	370,307	41,145	45,717	86,862	457,169
Payroll taxes	169,724	25,144	31,430	28,287	254,585	28,287	31,432	59,719	314,304
Subtotal Personnel Costs	2,571,767	381,003	476,253	428,627	3,857,650	428,627	476,255	904,882	4,762,532
Bank charges	-	-	-	-	-	-	17,395	17,395	17,395
Depreciation	226,150	33,504	41,880	37,692	339,226	37,692	41,878	79,570	418,796
Dues and subscriptions	60,325	8,937	11,171	10,054	90,487	10,054	11,172	21,226	111,713
Facilities, food and beverages	233,892	34,651	43,313	38,982	350,838	38,982	43,313	82,295	433,133
In-kind legal services	44,167	6,543	8,179	7,361	66,250	7,361	8,179	15,540	81,790
Insurance	-	-	-	-	-	-	83,401	83,401	83,401
Interest	-	-	-	-	-	-	206,574	206,574	206,574
Occupancy and utilities	53,839	7,976	9,970	8,973	80,758	8,973	9,971	18,944	99,702
Postage and delivery	2,431	360	450	405	3,646	405	450	855	4,501
Printing and publications	19,891	2,947	3,684	3,315	29,837	3,315	3,683	6,998	36,835
Professional services	1,503,938	222,806	278,507	250,656	2,255,907	250,656	278,507	529,163	2,785,070
Promotion and outreach	87,345	12,940	16,175	14,558	131,018	14,558	16,174	30,732	161,750
Repairs and maintenance	49,065	7,269	9,086	8,178	73,598	8,178	9,086	17,264	90,862
Supplies and equipment	104,925	15,544	19,431	17,488	157,388	17,488	19,430	36,918	194,306
Telecommunications	31,545	4,673	5,842	5,257	47,317	5,257	5,842	11,099	58,416
Travel and entertainment	240,574	35,641	44,551	40,096	360,862	40,096	44,550	84,646	445,508
Total	<u>\$ 5,229,854</u>	<u>\$ 774,794</u>	<u>\$ 968,492</u>	<u>\$ 871,642</u>	<u>\$ 7,844,782</u>	<u>\$ 871,642</u>	<u>\$ 1,275,860</u>	<u>\$ 2,147,502</u>	<u>\$ 9,992,284</u>

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	2,469,696	365,882	457,350	411,616	3,704,544	411,616	457,351	868,967	4,573,511
Bad debt	-	-	-	-	-	-	11,852	11,852	11,852
Bank charges	-	-	-	-	-	-	35,257	35,257	35,257
Depreciation	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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 199,036	\$ 67,888
Adjustments to reconcile change in net assets to net cash used for by operating activities:		
Depreciation	418,796	399,284
Bad debt	-	11,852
Donation of stock	111,209	-
Net appreciation in fair value of investments	(1,501,825)	(2,009,163)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Grants and contributions receivable	441,833	681,068
Accounts receivable	(15,965)	27,313
Prepaid expenses	29,215	9,490
Increase (decrease) in liabilities:		
Accounts payable	64,508	97,563
Accrued expenses	(13,262)	258,247
Deferred revenue	(149,008)	(436,094)
PPP Loan	(718,558)	-
Net Cash Used for Operating Activities	(1,134,021)	(892,552)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(34,413)	(37,800)
Proceeds from sales of investments	1,370,428	1,041,695
Purchases of investments	(256,688)	(809,846)
Net Cash Provided by Investing Activities	1,079,327	194,049
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	940,000
Principal payments on line of credit	(63,127)	(68,624)
Net Cash Provided by (Used for) Financing Activities	(63,127)	871,376
NET CHANGE IN CASH AND CASH EQUIVALENTS	(117,821)	172,873
CASH AND CASH EQUIVALENTS, beginning of year	1,129,255	956,382
CASH AND CASH EQUIVALENTS, end of year	\$ 1,011,434	\$ 1,129,255
SUPPLEMENTARY INFORMATION:		
Cash payments for interest expense	\$ 202,063	\$ 178,084

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

**THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE A – ORGANIZATION AND NATURE OF BUSINESS

The Middle East Institute ("MEI") is a nonprofit nonstock corporation founded under the laws of Washington, D.C., 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 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, promotional advertisements, 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, 2024 AND 2023
(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.

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:

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 presented as part of an investment portfolio. Cash and cash equivalents in certain accounts are insured by the Federal Deposit Insurance Corporation for 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

Grants and contributions receivable 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 allowance for doubtful accounts is deemed necessary.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Throughout the year, management determines if a provision for credit losses 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 credit losses is deemed necessary. As of the beginning of the year ended December 31, 2023, accounts receivable totaled \$96,393.

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 other changes. Donated investments are recorded at fair value on the date of the donation.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives (buildings and improvements: 20–35 years; office equipment and furniture: 3–10 years). Assets costing \$5,000 or more are capitalized. 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.

Deferred Revenue

Deferred revenue represents unearned income received for subscriptions to MEI's quarterly journal and 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, 2023, deferred revenue totaled \$785,874.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. 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. 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.

Contracts Revenue

Contracts revenue are largely contractual agreements with various nonprofit 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. 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 Education

Center for Education revenue is recognized when the academic and professional services are provided.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition - continued

Rental and Other Income

Rental income is derived from a nonprofit that rented 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 receives 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.

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, 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.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 December 31, 2024 and 2023, MEI had no liability for tax on unrelated business income. MEI files its information returns and other tax returns as required.

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, 2021 through 2023, 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 MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued

The following table reflects MEI's total financial assets available to meet cash needs as of December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,011,434	\$ 1,129,255
Grants and contributions receivable	5,373,540	804,092
Accounts receivable	73,193	57,228
Investments in board designated account	11,512,762	11,650,080
Investments - endowment funds	4,929,380	4,573,142
Investments in beneficial interest in perpetual trust	1,422,842	1,364,886
Total Financial Assets	<u>24,323,151</u>	<u>19,578,683</u>
Less: board designated reserves	(11,512,762)	(11,650,080)
Less: net assets with donor restrictions	<u>(7,421,154)</u>	<u>(6,756,960)</u>
Total Financial Assets Available to Meet Cash		
Needs for General Expenditures within One Year	<u>\$ 5,389,235</u>	<u>\$ 1,171,643</u>

NOTE E – PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 16,584,080	\$ 16,584,080
Office equipment and furniture	908,994	874,581
Land	334,115	334,115
Sub-total	<u>17,827,189</u>	<u>17,792,776</u>
Less: accumulated depreciation	<u>(4,516,407)</u>	<u>(4,097,611)</u>
Property and Equipment, Net	<u>\$ 13,310,782</u>	<u>\$ 13,695,165</u>

Depreciation expense related to property and equipment totaled \$418,796 and \$399,284, for the years ended December 31, 2024 and 2023, respectively.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE F – FAIR VALUE MEASUREMENT AND INVESTMENTS

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:

- | | |
|----------------|--|
| <i>Level 1</i> | 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. |
| <i>Level 2</i> | Inputs are based on quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market, or can be corroborated by observable market data. |
| <i>Level 3</i> | Inputs are unobservable and significant to the overall fair value measurement. |

The following 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.

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, 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 MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE F – FAIR VALUE MEASUREMENT AND INVESTMENTS - continued

The following table presents MEI’s fair value hierarchy for investments measured at fair value on a recurring basis as of December 31, 2024:

	Assets at Fair Value as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 528,642	\$ -	\$ -	\$ 528,642
Common and preferred stock	657,276	-	-	657,276
Corporate bonds	-	394,343	-	394,343
Certificates of deposit	-	74,872	-	74,872
Mutual funds:				
Fixed income	5,601,784	-	-	5,601,784
Equity	10,440,026	-	-	10,440,026
Exchange traded funds	168,041	-	-	168,041
Total Assets at Fair Value	\$17,395,769	\$ 469,215	\$ -	\$17,864,984

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	\$17,196,238	\$ 391,870	\$ -	\$17,588,108

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

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.

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 MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE G – ENDOWMENTS - continued

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, 2024 and 2023, there were no deficiencies in either endowment.

MEI's endowment net assets consist of the following as of December 31, 2024:

	<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 in perpetuity	\$ -	\$ 1,000,000	\$ 1,000,000
Portion subject to appropriation	-	1,001,027	1,001,027
Fares Award endowment:			
Original donor-restricted gift amount and amounts required to be retained by donor in perpetuity	-	1,500,000	1,500,000
Portion subject to appropriation	-	1,428,353	1,428,353
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 4,929,380</u>	<u>\$ 4,929,380</u>

Changes in the endowment net assets for the year ended December 31, 2024, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2023	\$ -	\$ 4,573,142	\$ 4,573,142
Distributions	-	(183,431)	(183,431)
Interest and dividends (less fees of \$12,049)	-	116,629	116,629
Net appreciation in fair value of investments	-	423,040	423,040
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 4,929,380</u>	<u>\$ 4,929,380</u>

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE G – ENDOWMENTS - continued

MEI’s endowment net assets consist of the following as of December 31, 2023:

	<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 in perpetuity	\$ -	\$ 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 in perpetuity	-	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>

Changes in the endowment net assets for the year ended December 31, 2023, were 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>

NOTE H – BOARD DESIGNATED NET ASSETS

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>2024</u>	<u>2023</u>
Capital campaign	\$ 5,157	\$ 16,031
Special purposes	11,507,605	11,634,049
Total Board Designated Net Assets	<u>\$ 11,512,762</u>	<u>\$ 11,650,080</u>

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE I – BENEFICIAL INTEREST IN PERPETUAL TRUST

In 2012, MEI became the 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 \$94,666, which could change depending on the program’s needs and endowment earnings. As of December 31, 2024 and 2023, the fair value of investments totaled \$1,422,842 and \$1,364,886, respectively.

The original principal of the Trust and beneficial interest are included as net assets with donor restrictions in the statements of financial position. MEI’s beneficial interest in perpetual Trust consists of the following as of December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Principal of the Trust	\$ -	\$ 1,050,862	\$ 1,050,862
Portion subject to appropriation	-	371,980	371,980
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 1,422,842</u>	<u>\$ 1,422,842</u>

Changes in beneficial interest in perpetual Trust consisted of the following for the year ended December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning fair value, 1/1/2024	\$ -	\$ 1,364,886	\$ 1,364,886
Distributions	-	(94,666)	(94,666)
Interest and dividends (less fee of \$8,498)	-	49,486	49,486
Net appreciation in fair value of investments	-	103,136	103,136
Ending fair value, 12/31/2024	<u>\$ -</u>	<u>\$ 1,422,842</u>	<u>\$ 1,422,842</u>

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE I – BENEFICIAL INTEREST IN PERPETUAL TRUST - continued

MEI’s beneficial interest in perpetual Trust consisted of the following as of December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor 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>

Changes in beneficial interest in perpetual Trust consist of the following for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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 depreciation 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>

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Beneficial interest in perpetual Trust	\$ 1,422,842	\$ 1,364,886
MEI annual conference, award and speaker	2,928,353	2,710,240
Support for the MEI Library	2,001,027	1,862,902
Youself AI Otaiba (YAO) Program	768,932	763,932
Center for Policy Studies	300,000	55,000
Total	<u>\$ 7,421,154</u>	<u>\$ 6,756,960</u>

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

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, 2024 and 2023. 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 are being amortized over the life of the line of credit. During 2024 and 2023, MEI drew down \$0 and \$940,000 from the line of credit, respectively, in order to be pay operating expenses. As of December 31, 2024 and 2023, the outstanding debt related to the line of credit totaled \$4,444,701 and \$4,507,828, respectively.

For each of the years ended December 31, 2024 and 2023, the amortized loan fees totaled \$4,511 for both years, which were charged to interest expense.

NOTE L – IN-KIND CONTRIBUTIONS

An amount of donated legal services are contributed to MEI by volunteer attorneys. The value of these services totaled \$81,790 and \$48,128, for the years ended December 31, 2024 and 2023, 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 in the area that MEI conducts its programs and were not restricted by the donors.

NOTE M– SUBLEASE INCOME

MEI subleased office space to one tenant on a month-to-month basis. The tenant vacated the premises during the year ended December 31, 2024. Rental income for the years ended December 31, 2024 and 2023, totaled \$7,440 and \$49,372, 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, 2024 and 2023, totaled \$209,529 and \$185,581, respectively.

THE MIDDLE EAST INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

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. 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 was 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 was mandated by the U.S. Department of Justice, and the loan was repaid in full in March 2024.

NOTE P – SUBSEQUENT EVENTS

In preparing these financial statements, MEI has evaluated events and transactions for potential recognition or disclosure through October 8, 2025, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required additional recognition or disclosure.