INSTITUTE FOR MIDDLE EAST UNDERSTANDING

Financial Statements

December 31, 2017

(With Independent Auditors' Report Thereon)

GRUBER and associates

An Independent CPA Firm

INSTITUTE FOR MIDDLE EAST UNDERSTANDING

Financial Statements

December 31, 2017

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An Independent CPA Firm

Board of Directors
Institute for Middle East Understanding
Santa Ana, California

INDEPENDENT AUDITORS' REPORT

Report on Financial Statements

We have audited the accompanying financial statements of Institute for Middle East Understanding (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute for Middle East Understanding as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gruber and Associates, Inc.

Gruber and Associates, Inc.

Newport Beach, CA
July 31, 2018

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INSTITUTE FOR MIDDLE EAST UNDERSTANDING
Statement of Financial Position
December 31, 2017

Assets

Current assets:		
Cash and cash equivalents	$	942,361
Pledge receivable, net		590,143
Prepaid expenses		3,732
Total current assets		1,536,236
Property and equipment:		
Equipment		15,307
Less: accumulated depreciation		(8,201)
Total property and equipment, net		7,106
Other assets:		
Certificate of deposit		100,000
Total assets	$	1,643,342

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	$	37,874
Accrued vacation		44,367
Total liabilities		82,241
Net assets:		
Unrestricted		1,561,101
Temporarily restricted (Note 3)		-
Total net assets		1,561,101
Total liabilities and net assets	$	1,643,342

See accompanying notes to financial statements

INSTITUTE FOR MIDDLE EAST UNDERSTANDING
Statement of Activities
Year Ended December 31, 2017

UNRESTRICTED NET ASSETS

Support and revenue:	
Contributions	$ 1,273,145
Special events:	
Annual Galas (gross revenues of $1,090,188 less $221,567 of direct costs)	868,621
Interest income	28
Total unrestricted support and revenues	2,141,794
Net assets released from restrictions (Note 3)	
Total support and revenue	2,141,794
Expenses:	
Program services	1,250,517
Support services:	
Management, general and administrative	52,344
Fundraising	188,497
Total support services expenses	240,841
Total expenses	1,491,358
Increase (decrease) in unrestricted net assets	650,436

TEMPORARILY RESTRICTED NET ASSETS

Support and revenue:	
Contributions (Note 3)	-
Total temporarily restricted support and revenues	-
Net assets released from restriction (Note 3)	-
Increase (decrease) in temporarily restricted net assets	-
Increase (decrease) in net assets	650,436
Net assets beginning of year	910,665
Net assets at end of year	$ 1,561,101

See accompanying notes to financial statements.

INSTITUTE FOR MIDDLE EAST UNDERSTANDING
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Support Services: Management, General and Administrative	Support Services: Fundraising	Support Services: Total Support Services	Total
Salaries and related expenses	$ 746,918	35,955	164,018	199,973	946,891
Payroll taxes	48,646	2,341	10,682	13,023	61,669
Bank fees and other fees	13,472	4,551	24	4,575	18,047
Accounting	6,780	326	1,489	1,815	8,595
Professional services	182,740	-	-	-	182,740
Training	1,422	-	1,422	1,422	2,843
Web design and hosting	1,963	-	-	-	1,963
Office supplies	17,109	1,514	7,079	8,594	25,703
Printing and postage	230	6	1,190	1,196	1,426
Utilities and telephone	8,000	725	330	1,055	9,055
Meetings, travel, and related	75,254	-	889	889	76,143
Computer supplies and equipment	14,087	372	380	752	14,839
Rent	39,530	3,223	-	3,223	42,753
Insurance	5,770	2,104	19	2,123	7,893
Interest	2,559	933	8	942	3,501
Depreciation	2,054	104	442	546	2,600
Advertising	-	-	524	524	524
Bad debt expense	83,982	-	-	-	83,982
Taxes	-	191	-	191	191
Total Expenses	$ 1,250,517	52,344	188,497	240,841	1,491,358

See accompanying notes to financial statements.

INSTITUTE FOR MIDDLE EAST UNDERSTANDING
Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities:		
Increase (decrease) in net assets	$	650,436
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation		2,600
Decrease (increase) in pledges receivable		(106,743)
Decrease (increase) in prepaid expenses		16,268
Decrease (increase) in other assets		-
(Decrease) increase in accounts payable and accrued liabilities		4,892
Net cash provided by (used for) operating activities	$	567,453
Increase (decrease) in cash and cash equivalents		560,282
Cash and cash equivalents at beginning of year		382,079
Cash and cash equivalents at end of year	$	942,361

Supplemental disclosures of noncash investing and capital related financing activities:
For the year ended December 31, 2015, there were no material non-cash investing or financing activities.

Supplemental disclosure of cash flow information:

Cash paid for interest expense	$	3,501

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The significant accounting policies of the Institute for Middle East Understanding (the Institute) are presented to assist in the understanding of the Institute's financial statements. The financial statements and notes are representations of the Institute's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

Institute for Middle East Understanding is a 501(c)(3) nonprofit organization and was incorporated in the state of California in February of 2005. The Institute's mission is to provide journalists with quick access to information about Palestine and the Palestinians, as well as expert sources both in the United States and in the Middle East; and to work, both through its website and its staff with journalists to increase the public's understanding about the socio-economic, political and cultural aspects of Palestine, Palestinians and Palestinian Americans.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Institute's financial statements have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958 Not-for-Profit Entities*, the Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Institute considers all unrestricted short-term investments with an original maturity of three (3) months or less to be cash equivalents. Cash and cash equivalents consisted of deposits with financial institutions of $942,361 at December 31, 2017, which at times exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Certificate of Deposit

As of December 31, 2017, the Company owns a certificate of deposit in the amount of $100,000. The 58 month certificate matures in April 2020 at a rate of interest of approximately 2 percent per annum. Because the term of the certificate is greater than three months, it is not included by the Company as a cash equivalent for purposes of the statement of cash flows.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk

The Institute actively evaluates the credit worthiness of the institutions with which it invests. Approximately 20% of the Institute's total support and revenues was provided by one donor. Approximately 42% of total pledges receivable were provided by one donor.

Property and Equipment

Property and equipment are recorded at cost with depreciation provided using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Total depreciation expense for the year ended December 31, 2017 was $2,600. Donations of long-lived assets are recorded as contributions at their estimated fair values. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose in which case they are recorded as restricted contributions until such restriction expires. Repairs and maintenance to property, plant and equipment are expensed as incurred. When property, plant and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts, and any gain or loss on such disposition is reflected in income. It is the Institute's policy to capitalize property and equipment over $5,000.

Impairment of Long-Lived Assets

The Institute evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

Restricted and Unrestricted Revenue and Support

In accordance with *ASC 958-605, a*ll revenues, gains and other support are categorized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All support received that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements requires the Institute to make estimates and assumptions that affect the reported amounts of assets and disclosures of contingent assets and liabilities, and the reported revenue and expenses. Actual results may differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Institute follows guidance issued by the *ASC 820 Fair Value Measurements.* The Institute's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value because of the short-term nature of these instruments.

Expense Allocation

The costs of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Institute's principal program is to provide the public with a wide range of education and understanding of the Palestinian experience.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets. The Institute uses the allowance method to determine uncollectible promises receivable. There was no allowance recorded as of December 31, 2017 based on management's analysis of current specified promises made. Total pledges receivable as of December 31, 2017 were $590,143.

Income Tax Status

The Institute is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and files all federal and state information returns required by law. The Institute's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Accrued Vacation

Employees of the Institute are entitled to paid vacation days. The Institute's management estimated the amount of compensation for future absences to be $44,367 as of December 31, 2017.

Advertising Costs

Total advertising costs for the year ended December 31, 2017 was $524.

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

There were no temporary or permanently restricted net assets during the year ended December 31, 2017.

Temporarily Restricted Net Assets- Beginning of Year	Temporarily Restricted Revenues	Released From Restriction	Temporarily Restricted Net Assets- End of Year
$ -	-	-	-

NOTE 4 - DONATED SERVICES AND SUPPLIES

Donations of services are recognized in the financial statements if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis for deriving their value. For the year ended December 31, 2017, the Institute did not receive any services or supplies that were required to be recognized.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Operating Leases – The Company leases two office facilities under a non-cancelable operating lease. The Santa Ana, CA lease commenced in 2011 and expired on March 31, 2018 with total base monthly payments of approximately $955 month. Management is currently renewing the lease. The Brooklyn, NY lease commenced in 2011 and the term is month to month with total base monthly payments of approximately $2,500 month. Rent Expense associated with both facility leases (which included certain utilities) for the year ended December 31, 2017 totaled $42,753.

Future minimum lease payments under non-cancelable operating leases are as follows for the year ended December 31:

2018	$ 9,234
Total	$ 9,234

Other - The Institute is subject to legal proceedings, claims, and assessments which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, should they occur, will not materially affect the Institute's financial statements.

NOTE 8 - EMPLOYEE PENSION PLAN

The Institute has a defined contribution 401(k) profit sharing plan covering all eligible employees who have met the eligibility requirement. The Institute may make discretionary contributions to the plan at its option. Employees may contribute up to $18,000 of gross earnings for the calendar year 2017, and their contributions are 100% vested. For calendar year 2017, $6,000 is allowed as catch-up contribution for employees with ages of 50 and older. There were no discretionary contributions made by the Institute for fiscal year ended December 31, 2017.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 31, 2018 the date the financial statements were available to be issued.