

**THE MIDDLE EAST INSTITUTE**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2022 AND 2021**

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 3
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	4
Statement of Activities, Year Ended December 31, 2022	5
Statement of Activities, Year Ended December 31, 2021	6
Statement of Functional Expenses, Year Ended December 31, 2022	7
Statement of Functional Expenses, Year Ended December 31, 2021	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, 2022 and 2021, 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, 2022 and 2021, 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, including omissions, 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, 2022, The Middle East Institute adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-02, Topic 842 *Leases*, as amended. Our opinion is not modified with respect to this matter.



Washington, DC  
March 13, 2024

**THE MIDDLE EAST INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 956,382	\$ 661,531
Grants and contributions receivable	1,485,160	1,040,620
Accounts receivable	96,393	128,247
Prepaid expenses	75,706	78,453
Total Current Assets	2,613,641	1,908,851
<b>PROPERTY AND EQUIPMENT, NET</b>	14,056,649	14,457,316
<b>OTHER ASSETS</b>		
Investments in board designated account	10,632,568	12,494,035
Investments - endowment funds	3,934,639	4,720,058
Investments in beneficial interest in perpetual trust	1,243,587	1,457,951
Total Other Assets	15,810,794	18,672,044
<b>TOTAL ASSETS</b>	\$ 32,481,084	\$ 35,038,211
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 231,198	\$ 190,099
Accrued expenses	86,522	106,603
Deferred revenue	785,874	720,291
Total Current Liabilities	1,103,594	1,016,993
<b>NON-CURRENT LIABILITIES</b>		
Repayment of PPP loan (Note O)	718,558	-
Line of credit	3,636,452	1,523,285
Total Non-Current Liabilities	4,355,010	1,523,285
Total Liabilities	5,458,604	2,540,278
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	10,462,754	13,293,923
Board designated	10,632,568	12,494,035
Total without donor restrictions	21,095,322	25,787,958
With donor restrictions	5,927,158	6,709,975
Total Net Assets	27,022,480	32,497,933
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 32,481,084	\$ 35,038,211

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
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 3,505,482	\$ 320,000	\$ 3,825,482
Grants	923,222	-	923,222
In-kind donations	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)	-
<b>Total Revenue and Support</b>	<b>5,713,071</b>	<b>271,147</b>	<b>5,984,218</b>
<b>EXPENSES</b>			
Program Services:			
Center for Policy Studies	3,972,522	-	3,972,522
Center for Arts and Culture	588,522	-	588,522
Center for Education	735,654	-	735,654
Communications	662,087	-	662,087
<b>Total Program Services</b>	<b>5,958,785</b>	<b>-</b>	<b>5,958,785</b>
Support Services:			
Fundraising	662,087	-	662,087
General and administrative	979,602	-	979,602
<b>Total Support Services</b>	<b>1,641,689</b>	<b>-</b>	<b>1,641,689</b>
<b>Total Expenses</b>	<b>7,600,474</b>	<b>-</b>	<b>7,600,474</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(1,887,403)</b>	<b>271,147</b>	<b>(1,616,256)</b>
<b>OTHER CHANGES</b>			
Repayment of PPP loan (Note O)	(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)
<b>Total Other Changes</b>	<b>(2,805,233)</b>	<b>(1,053,964)</b>	<b>(3,859,197)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(4,692,636)</b>	<b>(782,817)</b>	<b>(5,475,453)</b>
<b>NET ASSETS, beginning of year</b>	<b>25,787,958</b>	<b>6,709,975</b>	<b>32,497,933</b>
<b>NET ASSETS, end of year</b>	<b>\$ 21,095,322</b>	<b>\$ 5,927,158</b>	<b>\$ 27,022,480</b>

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

**THE MIDDLE EAST INSTITUTE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 2,804,162	\$ 575,000	\$ 3,379,162
Grants	884,708	-	884,708
Forgiveness of PPP loan	359,279	-	359,279
Center for Policy Studies	539,859	-	539,859
Center for Education	327,060	-	327,060
Interest and dividends, net	225,772	115,546	341,318
Rental and other income	96,527	-	96,527
Membership dues	34,300	-	34,300
Net assets released from restrictions	85,663	(85,663)	-
Total Revenue and Support	5,357,330	604,883	5,962,213
<b>EXPENSES</b>			
Program Services:			
Center for Policy Studies	3,899,992	-	3,899,992
Center for Arts and Culture	577,777	-	577,777
Center for Education	722,221	-	722,221
Communications	649,999	-	649,999
Total Program Services	5,849,989	-	5,849,989
Support Services:			
Fundraising	649,999	-	649,999
General and administrative	846,679	-	846,679
Total Support Services	1,496,678	-	1,496,678
Total Expenses	7,346,667	-	7,346,667
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(1,989,337)	604,883	(1,384,454)
<b>OTHER CHANGES</b>			
Net appreciation in fair value of board designated investments	1,126,714	-	1,126,714
Net appreciation in fair value of endowment investments	-	335,732	335,732
Net appreciation in beneficial interest in perpetual trust	-	117,606	117,606
Total Other Changes	1,126,714	453,338	1,580,052
<b>CHANGE IN NET ASSETS</b>	(862,623)	1,058,221	195,598
<b>NET ASSETS, beginning of year</b>	26,650,581	5,651,754	32,302,335
<b>NET ASSETS, end of year</b>	\$ 25,787,958	\$ 6,709,975	\$ 32,497,933

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
Insurance	-	-	-	-	-	-	71,257	71,257	71,257
Interest	-	-	-	-	-	-	114,813	114,813	114,813
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	871,441	129,102	161,378	145,240	1,307,161	145,240	161,379	306,619	1,613,780
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
Utilities	48,655	7,208	9,010	8,109	72,982	8,109	9,011	17,120	90,102
Total	<u>\$ 3,972,522</u>	<u>\$ 588,522</u>	<u>\$ 735,654</u>	<u>\$ 662,087</u>	<u>\$ 5,958,785</u>	<u>\$ 662,087</u>	<u>\$ 979,602</u>	<u>\$ 1,641,689</u>	<u>\$ 7,600,474</u>

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

**THE MIDDLE EAST INSTITUTE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021**

	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	\$ 1,911,756	\$ 283,223	\$ 354,029	\$ 318,626	\$ 2,867,634	\$ 318,626	\$ 354,028	\$ 672,654	\$ 3,540,288
Employee benefits	207,672	30,766	38,458	34,612	311,508	34,612	38,457	73,069	384,577
Payroll taxes	151,029	22,375	27,968	25,171	226,543	25,171	27,969	53,140	279,683
Subtotal Personnel Costs	2,270,457	336,364	420,455	378,409	3,405,685	378,409	420,454	798,863	4,204,548
Bad debt	-	-	-	-	-	-	2,416	2,416	2,416
Bank charges	-	-	-	-	-	-	31,389	31,389	31,389
Depreciation and amortization	231,840	34,347	42,933	38,640	347,760	38,640	42,934	81,574	429,334
Dues and subscriptions	47,023	6,966	8,708	7,837	70,534	7,837	8,708	16,545	87,079
Facilities, food and beverages	140,685	20,842	26,053	23,448	211,028	23,448	26,052	49,500	260,528
Insurance	-	-	-	-	-	-	69,004	69,004	69,004
Interest	-	-	-	-	-	-	21,152	21,152	21,152
Miscellaneous	-	-	-	-	-	-	499	499	499
Occupancy and utilities	60,314	8,935	11,169	10,052	90,470	10,052	11,171	21,223	111,693
Postage and delivery	27,287	4,042	5,053	4,548	40,930	4,548	5,053	9,601	50,531
Printing and publications	38,688	5,732	7,165	6,448	58,033	6,448	7,164	13,612	71,645
Professional services	874,213	129,513	161,891	145,702	1,311,319	145,702	161,892	307,594	1,618,913
Promotion and outreach	8,409	1,246	1,557	1,402	12,614	1,402	1,557	2,959	15,573
Repairs and maintenance	31,514	4,669	5,836	5,252	47,271	5,252	5,836	11,088	58,359
Supplies and equipment	48,510	7,187	8,983	8,085	72,765	8,085	8,984	17,069	89,834
Telecommunications	81,257	12,038	15,048	13,543	121,886	13,543	15,046	28,589	150,475
Travel and entertainment	39,795	5,896	7,370	6,633	59,694	6,633	7,368	14,001	73,695
Total	<u>\$ 3,899,992</u>	<u>\$ 577,777</u>	<u>\$ 722,221</u>	<u>\$ 649,999</u>	<u>\$ 5,849,989</u>	<u>\$ 649,999</u>	<u>\$ 846,679</u>	<u>\$ 1,496,678</u>	<u>\$ 7,346,667</u>

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

**THE MIDDLE EAST INSTITUTE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (5,475,453)	\$ 195,598
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation and amortization	400,667	429,334
Forgiveness of PPP loan	-	(359,279)
Net depreciation (appreciation) in fair value of investments	3,859,197	(1,580,052)
Change in beneficial interest in perpetual trust	214,364	(91,743)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Grants and contributions receivable	(444,540)	(1,040,620)
Accounts receivable	31,854	(50,003)
Prepaid expenses	2,747	2,416
Increase (decrease) in liabilities:		
Accounts payable	41,099	73,944
Accrued expenses	(20,081)	(13,103)
Deferred revenue	65,583	(604,108)
Repayment of PPP loan (Note O)	718,558	-
Net Cash Used for Operating Activities	(606,005)	(3,037,616)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(31,070)
Proceeds from sales of investments	1,583,320	1,688,100
Purchases of investments	(2,581,267)	(2,011,896)
Net Cash Used for Investing Activities	(997,947)	(354,866)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	-	359,279
Proceeds from line of credit	2,113,167	1,523,285
Reduction in beneficial interest in perpetual trust	(214,364)	91,743
Net Cash Provided by Financing Activities	1,898,803	1,974,307
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	294,851	(1,418,175)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	661,531	2,079,706
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 956,382	\$ 661,531
<b>SUPPLEMENTARY INFORMATION:</b>		
Cash payments for interest expense	\$ 110,302	\$ 16,641

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

**THE MIDDLE EAST INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**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.

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE A – ORGANIZATION AND NATURE OF BUSINESS – continued**

*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.

**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 February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842), as amended. FASB Accounting Standards Codification (“ASC”) 842 supersedes the lease requirements in FASB ASC 840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. MEI adopted FASB ASC Topic 842, with an initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*.

As part of the transition, MEI implemented new controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

- a) No reassessment of whether any expired or existing contracts contain a lease.
- b) No reassessment of initial direct costs for any existing leases as of the effective date.
- c) In calculating the right-of-use assets and lease liability, MEI has elected to combine lease and, non-lease components.
- d) As an accounting policy, MEI has also elected to apply the short-term lease exception to all leases having initial terms of 12 months or less and recognizes occupancy expense on a straight-line basis over the lease term.

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Adoption of New Accounting Pronouncements (continued)

During 2022, MEI had a long-term lease for a copier in which the total amount due on the remaining lease obligation was considered nominal, and therefore, monetarily insignificant to these financial statements. As a result, there was no finance lease, right-of-use asset or lease liability reported on the statement of financial position as of December 31, 2022.

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 included as part of an investment portfolio. Cash and cash equivalents in non-interest bearing 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.

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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, 2021, grants and contributions receivable totaled \$0, and accounts receivable totaled \$78,244.

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 donation.

Property and Equipment

Property and equipment are recorded at cost and depreciated and amortized over the estimated useful life 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 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, 2021, deferred revenue totaled \$1,324,399.

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(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. 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.

*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 students attend the classes.

*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. For the years ended December 31, 2022 and 2021, publication and books sales totaled \$5,946 and \$27,604, respectively.

*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.



**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

Reclassifications

For comparative purposes, certain amounts were reclassified on the statements of financial position and activities from net assets without donor restrictions to net assets with donor restrictions as of and for the year ended June 30, 2022. The reclassification was made to conform to the current year presentation, and had no effect on the previously reported net assets or change in net assets.

**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, 2022 and 2021, MEI had no liability for tax on unrelated business income. MEI files 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 ending December 31, 2019 through 2021, are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**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:

	2022	2021
Cash and cash equivalents	\$ 956,382	\$ 661,531
Grants and contributions receivable	1,485,160	1,040,620
Accounts receivable	96,393	128,247
Investments in board designated account	10,632,568	12,494,035
Investments - endowment funds	3,934,639	4,720,058
Investments in beneficial interest in perpetual trust	1,243,587	1,457,951
Total Financial Assets	18,348,729	20,502,442
Less: board designated reserves	(10,632,568)	(12,494,035)
Less: net assets with donor restrictions	(5,927,158)	(6,709,975)
Total Financial Assets Available to Meet Cash		
Needs for General Expenditures within One Year	\$ 1,789,003	\$ 1,298,432

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE E – PROPERTY AND EQUIPMENT**

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

	2022	2021
Building and improvements	\$ 16,584,080	\$ 16,584,080
Office equipment and furniture	836,781	836,781
Land	334,115	334,115
	17,754,976	17,754,976
Less: accumulated depreciation	(3,698,327)	(3,297,660)
Property and Equipment, Net	\$ 14,056,649	\$ 14,457,316

Depreciation and amortization expense related to property and equipment totaled \$400,667 and \$429,334, for the years ended December 31, 2022 and 2021, 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, 2022 AND 2021**  
(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, 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>\$14,768,575</u>	<u>\$ 1,042,219</u>	<u>\$ -</u>	<u>\$15,810,794</u>

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(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, 2021:

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 287,316	\$ -	\$ -	\$ 287,316
Common and preferred stock	479,563	-	-	479,563
U.S. Treasury bonds	-	158,992	-	158,992
Corporate bonds	-	621,164	-	621,164
Municipal bonds	-	133,189	-	133,189
Asset backed securities	13,887	-	-	13,887
Other fixed income securities	179,442	-	-	179,442
Certificates of deposit	-	239,641	-	239,641
Mutual funds:				
Fixed income	4,437,595	-	-	4,437,595
Equity	11,783,978	-	-	11,783,978
Other	30,000	-	-	30,000
Exchange traded funds	307,277	-	-	307,277
Total Assets at Fair Value	\$17,519,058	\$ 1,152,986	\$ -	\$18,672,044

**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.

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE G – ENDOWMENTS** - continued

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 approves 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, 2022 and 2021, there were no deficiencies in either endowment.

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE G – ENDOWMENTS - continued**

MEI’s endowment net assets consists 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, 2022 AND 2021**  
(continued)

**NOTE G – ENDOWMENTS** - continued

MEI’s endowment net assets consist of the following as of December 31, 2021:

	<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	-	922,749	922,749
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	-	1,297,309	1,297,309
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 4,720,058</u>	<u>\$ 4,720,058</u>

Changes in the endowment net assets for the year ended December 31, 2021, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2020	\$ -	\$ 4,285,546	\$ 4,285,546
Interest and dividends (less fees of \$9,823)	-	98,780	98,780
Net appreciation in fair value of investments	-	335,732	335,732
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 4,720,058</u>	<u>\$ 4,720,058</u>

**NOTE H – BOARD DESIGNATED SPECIAL PURPOSE 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>2022</u>	<u>2021</u>
Capital campaign	\$ 53,935	\$ 61,352
Special purposes	10,578,633	12,432,683
Total	<u>\$ 10,632,568</u>	<u>\$ 12,494,035</u>



**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**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 \$32,000, which could change depending on the program’s needs and endowment earnings. As of December 31, 2022 and 2021, the fair value of investments totaled \$1,243,587 and \$1,457,951, 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, 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 consists 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, 2022 AND 2021**  
(continued)

**NOTE I – BENEFICIAL INTEREST IN PERPETUAL TRUST - continued**

MEI’s beneficial interest in perpetual trust consists of the following as of December 31, 2021:

	<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	-	407,089	407,089
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,457,951</u>	<u>\$ 1,457,951</u>

Changes in beneficial interest in perpetual trust consist of the following for the year ended December 31, 2021, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning fair value, 1/1/2021	\$ -	\$ 1,366,208	\$ 1,366,208
Distributions	-	(42,629)	(42,629)
Interest and dividends (less fee of \$7,726)	-	16,766	16,766
Net appreciation in fair value of investments	-	117,606	117,606
Ending fair value, 12/31/2021	<u>\$ -</u>	<u>\$ 1,457,951</u>	<u>\$ 1,457,951</u>

**NOTE J – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were restricted for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beneficial interest in perpetual trust - scholarships	\$ 1,243,587	\$ 1,457,951
MEI annual conference, award and speaker	2,331,836	2,797,309
Support for the MEI Library	1,602,803	1,922,749
Yousef Al Otaiba (YAO) program	748,932	531,966
Total	<u>\$ 5,927,158</u>	<u>\$ 6,709,975</u>

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

(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% and 3.00% as of December 31, 2022 and 2021, respectively. 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 2022, MEI drew down \$2,120,000 from the line of credit in order to pay operation expenses. As of December 31, 2022 and 2021, the outstanding debt related to the line of credit totaled \$3,636,452 and \$1,523,285, respectively.

For the years ended December 31, 2022 and 2021, the amortized loan fees totaled \$4,511 for both years, which were charged to interest expense.

**NOTE L – LEASE COMMITMENTS**

During November 2020, MEI entered into a one year rental agreement for an apartment space in connection with its Frontier Europe Program. The agreement expired in November 2021 and was not renewed.

**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, 2022 and 2021, totaled \$65,850 and \$68,250, 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 employment. 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, 2022 and 2021, totaled \$191,202 and \$159,830, respectively.

**THE MIDDLE EAST INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE O – PPP 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, and the sum is anticipated to be returned in 2024.

**NOTE P – SUBSEQUENT EVENTS**

In preparing these financial statements, MEI has evaluated events and transactions for potential recognition or disclosure through March 13, 2024, 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.