

# **America-Mideast Educational and Training Services, Inc.**

Uniform Guidance  
Supplementary Financial Report  
Year Ended September 30, 2017

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RSM US LLP

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
America-Mideast Educational and Training Services, Inc.  
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of America-Mideast Educational and Training Services, Inc. (AMIDEAST), which comprise the statement of financial position as of September 30, 2017, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AMIDEAST's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AMIDEAST's internal control. Accordingly, we do not express an opinion on the effectiveness of AMIDEAST's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether AMIDEAST's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Response to Finding**

AMIDEAST's response to the finding identified in our audit is described in the accompanying management response to findings and corrective action. AMIDEAST's response was not subject to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AMIDEAST's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Washington, D.C.  
February 1, 2018



RSM US LLP

**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance and Schedule of Indirect Cost Rates**

To the Board of Directors  
America-Mideast Educational and Training Services, Inc.  
Washington, D.C.

**Report on Compliance for Each Major Federal Program**

We have audited America-Mideast Educational and Training Services, Inc.'s (AMIDEAST) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AMIDEAST's major federal programs for the year ended September 30, 2017. AMIDEAST's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of AMIDEAST's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AMIDEAST's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of AMIDEAST's compliance.

**Opinion on Each Major Federal Program**

In our opinion, AMIDEAST complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

## **Report on Internal Control Over Compliance**

Management of AMIDEAST is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AMIDEAST's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AMIDEAST's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Schedule of Indirect Cost Rates**

We have audited the financial statements of AMIDEAST as of and for the year ended September 30, 2017, and have issued our report thereon dated February 1, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. The accompanying schedule of indirect cost rates is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of indirect cost rates are fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Washington, D.C.  
February 1, 2018

**America-Mideast Educational and Training Services, Inc.**

**Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017**

Federal Grantor/Program Title/Grant Name	Federal CFDA Number	AMIDEAST Project Number	Grant/Contract Number	Federal Expenditures	Amount Provided to Subrecipients
<b>United States Agency for International Development</b>					
USAID Foreign Assistance for Programs Overseas:	98.001				
Direct award:					
USAID/Leadership Teacher Development (LTD)		10144	294-A-12-00006	\$ 4,886,022	\$ -
USAID/School Support Program (SSP)		10145	AID-294-A-13-00006	3,882,112	660,479
Higher Education Initiative (HEI)-Public University Egypt		10001	AID-263-A-15-00018	1,997,697	69,799
Education for the Future (EFT)		10147	AID-294-A-17-00006	4,944	-
USAID/Palestinian Faculty Development Program (PFDP)		10140	294-A-00-05-00234-00	3,563	-
USAID/Professional Training Program		10138	268-A-00-01-00220-00	(505)	-
USAID/Model School Network (MSN) Program		10142	294-A-00-07-00214-00	(1,350)	-
Passed through:					
World Learning					
Quality Instruction Towards Access and Basic Education					
Improvement (QITABI)		40201	AID-268-A-14-00003	681,325	-
FY17 iBT Training Local Scholarship Program		40214	AID-363-A-15-00020	63,183	-
Institute for International Education (IIE):					
Local Scholarship Program Summer Intensive Prgm		40701	AID263A1500020	(1,790)	-
<b>Total United States Agency for International Development</b>				<b>11,515,201</b>	<b>730,278</b>
<b>United States Department of State</b>					
Investing in People in the Middle East and North Africa:	19.021				
Direct award:					
English for Mission Contacts (EFMC) Program		21112	SIZ-100-15-CA027	232,254	124,368
Camp Discovery 17		21901	S-IS400-17-GR-0011	194,925	-
American House Ramallah Jerusalem 17		21862	S-I400-16-CA-0041	153,969	-
US EmbassyCairo-ACCESS Pipeline		21317	S-EG-300-13-GR-038	121,812	-
English Language Resource Center Faculty Training 2 Prog		21892	SEG30016GR050	113,524	-
Libya PCELT 2 Program		21872	S-LY80016GR008	70,607	-
American Language Center Amman		21910	S-JO-100-17-CA-002	56,837	-
US Embassies-English Language grants		21203	Various	53,921	-
American Corner TUNIS FY2016		21231	STS80016GR042PDPR02A	51,160	-
Chris Hastings Logistics		21912	SIZ-100-17-GR030	45,733	-
USDOS/Additional Field Office Grants		21282	Various	42,318	-
Ministry of Education PCELT - Program		21857	SOKU200-16-GR-008	40,558	-
Libyan Distance Learning		21852	S-LY800-16-GR-006	38,021	-
Camp Discovery Tunisia		21909	S-TS-800-17-GR-0063	37,993	-
Donna Brinton Logistics		21900	SJZ-100-17-GR018	37,989	-
Professional Certificate in English Language (PCELT) for Gaza 2015		21111	S-IS400-15-GR-0063	30,589	-
Rural Teach Train.Prog IV		21100	S-YE-700-14-GR-019	30,478	-
Iraqi Kurdistan Region Madrassa Education Pr		21918	SIZ-100-17-GR-029	28,709	-
Skills for Success 16		21489	S-EG-300-16-GR038	28,670	-
Al Azhar Darrassa Project		21117	SFG30015GR058	27,069	-
US Embassy Grants-Training		21303	Various	26,952	-
David Bohlke Workshop Program		21895	SIZ-100-17-GR002	24,977	-
English Language Training Conference Jordan		21919	S-JO-100-17-GR053	19,495	-
TechCamp Libya FY16		21225	S-LY800-16-GR-001	18,265	5,000
American Corner Sousse FY16		21229	S-TS800-16-GR-043	14,682	-
English Language for Journalists 2016		21204	STS80015GB027PDPR03	13,356	-
ACCESS Alumni Scholarship		21107	S-IS400-15-GR-0048	12,250	-
Fulbright Foreign Language Teachers Assistant		21851	S-LY800-16-GR-007	11,723	-
Tech Camp Conferences		21214	STS80015GB053PDPR03	10,382	-
Professional Certificate in English Language (PCELT) Libya Training		21233	S-LY800-16-GR-002	8,771	-
Libyan Scouts Train Event		21911	S-Ly800-17-GR-003	5,774	-

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**America-Mideast Educational and Training Services, Inc.**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2017**

Federal Grantor/Program Title/Grant Name	Federal CFDA Number	AMIDEAST Project Number	Grant/Contract Number	Federal Expenditures	Amount Provided to Subrecipients
Access for Mosul Internally Displaced Persons Program		21915	SIZ10017GR020	5,601	-
EdUSA FY16 Tunis Program		21886	STS80016GR073PDPR03	5,218	-
Conversational English for Alumni Program		21874	S-EG-300-16-GR-032	5,029	-
US EmbassyTunisia/English Language & Exchange		21298	IA-480-026PA	4,967	-
US EmbassyAmman .-Teacher.Training.Library		21201	S-JO-10009-GR067	4,653	-
US EmbassyTunisia/Faculty of Judicial Sciences		21853	S-4480T-06-GR089	3,509	-
Fulbright ITP Testing		21913	SIZ-100-17-GR031	3,153	-
US EmbassyTunis-English Language for Judicial Sciences		21880	S-4480T-08-GR-139	2,727	-
America House Ramallah-Jerusalem 15		21110	S-IS400-15-CA-0064	2,654	-
US Embassy-FY2010-11 Scholar		21865	SSY400-10-GR-027	2,634	-
International Leaders in Education Program		21908	S-EG-300-17-GR-018	2,605	-
Teaching Excellence. and Achievement Program		21907	S-EG-300-17-GR-019	2,411	-
EdUSA Outreach FY15-Lebanon		21105	S-LE200-15-GR-001	1,998	-
USDOS/ECA/English Access Microscholarship Program FY 2008		20872	S-ECAAL-08-CA-229(MA	1,951	-
US EmbassyTunis-Test Preparation		21899	S-4480T-09-GR-189	1,872	-
US Embassy Syria-Tuition/books Access to American Culture		21806	S-476SY-04-GR-005	1,596	-
Egypt Access FY08		21883	S-ECAAL-08-CA-229 (MA)	1,264	-
US EmbassySana'aYemeni American Language Institute		21842	SYE700-07-GR-060	1,248	-
US EmbassyTunis-Leadership Development Year 3		21898	S-TS800-09-GR-203	1,157	-
International Leaders in Education Program and Teaching Excellence and Achie		21305	SEG30016GR022	997	-
TOEFL for Fulbright ITP-2013		21102	SIZ-100-13-GR033	978	-
US EmbassyYemen-Rurual Teachers Training Program		21230	S-YE-700-11-GR-023	508	-
English for Governance		21905	S-TS-800-17-GR-0057	382	-
Key Influencers Tunisia		21904	S-TS800-17-GR-0052	271	-
US Embassy Egypt/English Access Microscholarship Program		21302	S-EG-300-11-GR081	220	-
US Cons.Jer./Ramadan Carnival		21879	SIS400-08-GR-0030	198	-
US EmbassyBahrain/Kuwaut.ACCESS Summer Internship		21859	S-BA-300-08-GR-014	188	-
US EmbassyCairo-Leadership Training Program Alexandria Judges		21837	S-EG-300-07-GR019	154	-
US EmbassyJerusalem Youth Exchange and Study		21854	SIS400-07-GR-0062	151	-
US Cons.Jerusalem American House		21206	SIS400-10-CA-0032	147	-
PCELT Kuwait FY18 Program		21923	S-KU200-17-GR006	78	-
Alumni Environmental Awareness Campaign		21220	SIS400-10-GR-0083	54	-
US Embassy Sanaa-Rural Teacher Training Program III		21318	S-YE-700-13-GR-031	53	-
Skills for Success Access Grads FY16		21114	STS80015GR054PDPR03	36	-
Summer Arts Camp2005		21811	S-JO-100-04-GR-040	29	-
Jordan- Recruitment for Near East and South Asia Exchange Program		21861	S-JO100-08-GR-024	28	-
TOEFL for Fulbright ITP-2014		21103	SIZ-100-14-GR026	21	-
Camp Discovery X		21848	SJS40016GR0011	14	-
US Embassies – Field Office “Other” Grants		21221	Various	7	-
Human Resources Libya Training		21232	S-LY800-16-GR-003	(3)	-
US EmbassyTunis-PRIME II		21891	S-TS800-09-GR-202	(3)	-
Workforce Improvement and Skill Enhancement (WISE) FY16 Tunis		21224	STS80015GR055PDPR03	(9)	-
US Consulate Jerusalem-English Language Teacher Training		21319	S-IS400-13-GR-0078	(10)	-
US EmbassyTunis-Learn & Serve		21866	S-4480T-07-GR-103	(51)	-
US Cons.Jerusalem Alumni Grants		21887	SIS400-09-CA-0040	(348)	-
Internship Training Program		21101	S-YE-700-14-GR-020	(438)	-
US EmbassyTunis English Language for Journalists		21816	IA-480-PA/MEPI-03	(771)	-
English for Religious Purposes-Alexandria		21215	S-EG-300-10-GR089	(869)	-
DOS Exchange Alumni FY15		21116	SJO10015GR031	(946)	-
UN-Libyan Archeologist		21113	S-LY800-15-GR-004	(1,516)	-
EdUSA Strategic Funds 15		21108	S-EG-15-GR-004	(1,674)	-
US EmbassyTunis-Common Law		21890	S-4480T-09-GR-186	(3,950)	-
US Consulate Jerusalem.Ramallah Gala 09		21889	SIS400-09-GR-0057	(4,596)	-
				<b>1,649,340</b>	<b>129,368</b>
Passed through:					
Bardo United Nations English Language for Journalists		40676	S-4480T-10-GR-269A	(723)	-

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**America-Mideast Educational and Training Services, Inc.**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2017**

Federal Grantor/Program Title/Grant Name	Federal CFDA Number	AMIDEAST Project Number	Grant/Contract Number	Federal Expenditures	Amount Provided to Subrecipients
Kirkwood Community College: Kirkwood Community College – US –Tunisia Community College Development Partnership		40683	S-TS-800-12-GR-095	(18,876)	-
				<u>1,629,741</u>	<u>129,368</u>
Academic Exchange Programs – Graduate Students	19.400				
Direct award:					
Fulbright FY17		20206	S-ECAGD-17-CA-1009	3,654,117	-
USDOS/Fulbright FY15		20319	S-ECAGD-15-CA-1019	3,470,585	-
Fulbright FY16		20202	S-ECAGD-16-CA-1002	2,916,991	48,476
USDOS/Fulbright FY14		20316	S-ECAGD-14-CA-1016	235,452	-
USDOS/Fulbright FY 2013		20306	S-ECAGD-13-CA-028(SS)	94,737	-
USDOS/Fulbright FY 2008		20852	S-ECAAE-08-CA-024(LM)	3,691	-
USDOS/Fulbright FY11		20211	S-ECAAE-11-CA-022(DT)	(42)	-
USDOS/Fulbright FY10		20893	S-ECAAE-10-CA-035(DT)	(42)	-
USDOS Fulbright FY18		20215	S-ECAGD-18-CA-1004	(1,230)	-
USDOS/Fulbright FY12		20226	S-ECAAE-12-CA-006(SS)	(1,583)	-
USDOS/Fulbright FY 2009		20874	S-ECAAE-09-CA-019(SJ)	(7,998)	-
				<u>10,364,678</u>	<u>48,476</u>
Passed through:					
Cyprus Fulbright Commission-Fulbright Short Term Prg.		40653	S-ECAAE-09-CA-019 (SJ)	1,475	-
Jordan-America Commission for Educational Exchange		40655	N/A	(10)	-
Cyprus-America Scholarship Program XVIII		40643	N/A	(149)	-
				<u>10,365,994</u>	<u>48,476</u>
Academic Exchange Programs – English Language Programs:	19.421				
Direct award:					
USDOS/Access 09		20895	S-ECAAL-09-CA-176(EB)	8,325	-
Passed through:					
FHI360:					
FHI360 FY14 Access		40686	S-ECAGD-14CA1167A001	2,029,567	3,086
Access FY15		40209	S-ECAGD-15CA-1130	1,816,422	2,000
FHI360 FY13 Access		40698	S-ECAGD-13-CA-180(DT)	265,825	-
Access Provider Workshop		40695	S-ECAGD-13-CA-180	(3,785)	-
ACCESS IT Teacher Training FY13		40702	SFCAGD2CA290DT	(10,104)	-
FHI360-Access FY12 Field Office Grants		40685	S-ECAAL-12-CA-169(DT)	(31,137)	-
				<u>4,075,113</u>	<u>5,086</u>
Academic Exchange Programs – Educational Advising and Student Services:	19.432				
Direct award:					
FY16 Advising Grant		20303	S-ECAGD-16-CA-1013	573,600	-
				<u>573,600</u>	<u>-</u>
Middle East Partnership Initiative:	19.500				
Direct award:					
Tomorrows Leaders 2016		20212	S-NEAAC-16-CA-1046	326,299	-
USDOS/Lincoln Incentive Grants II		20308	S-NEAPI-12-CA-049	13,644	-
Middle East Partnership Initiative – Alumni Network Local Chapter for Oman		20231	S-NEAPI-11-CA-355	13	-
USDOS/U.S.-Middle East Partnership Initiative (MEPI)- I omorrow's Leaders IV		20307	S-NEAPI-14-CA-1008	(3)	-
USDOS/NEA U.S.-Middle East Partnership Initiative (MEPI) A-PLUS Alumni Networks		20204	S-NEAPI-08-CA-288	(32)	-
USDOS/U.S.-Middle East Partnership Initiative (MEPI)-Tomorrow's Leaders V		21205	S-NEATU-10-CA-031	(534)	-
Middle East Partnership Initiative – Tomorrow's Leaders III, Priority Area B		20203	S-NEAAC-15-CA-1073	(746)	-
		20309	S-NEAPI-12-CA-1002	(3,771)	-
				<u>334,870</u>	<u>-</u>

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**America-Mideast Educational and Training Services, Inc.**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2017**

Federal Grantor/Program Title/Grant Name	Federal CFDA Number	AMIDEAST Project Number	Grant/Contract Number	Federal Expenditures	Amount Provided to Subrecipients
Professional and Cultural Exchange Programs – Citizen Exchanges	19.415				
Passed through:					
American Councils for International Education:					
Youth Exchange and Study 15 Program Academic Year17-18		40207	S-ECAGD-15-CA-1113	743,947	-
American Council for International Education YES14		40204	S-ECAGD-15-CA-1113	538,335	-
Youth Exchange & Study 13		40692	S-ECAGD-14-CA-1086	474,655	550
American Council for International Education-National Security Language Initiative for Youth Year17-18		40208	S-ECAGD-16-CA-1077	371,934	-
American Councils for International Education -(National Security Language Initiative for Youth (NSLI-Y)16-17		40700	2013-M-3	250,525	-
AYUSA/Youth Exchange and Study V		40640	S-ECAPY-06-GR-171(MA	30,455	-
American Councils for International Education – Youth Study and Exchange (YES) XI		40677	S-ECAPY-12-GR-167(KF	13,894	-
Youth Exchange and Study AY18-19 Inbound		40213	S-ECAGD-17-CA-1074	3,554	-
American Councils for International Education -(National Security Language Initiative for Youth (NSLI-Y) 14-15		40696	S-ECAGD-13-CA-130(BR	1,579	-
American Councils for International EducationYouth Exchange and Study 9		40663	S-ECAPY-10-GR-236(KF	785	-
AYUSA/Youth Exchange and Study IV		40635	N/A	105	-
Global Nomads Group-Youth TechCamps		40693	S-ECAGD-13-CA-159(CJ	95	-
AYUSA/Youth Exchange and Study Abroad		40654	S-ECAPY-08-GR-217 (SS)	16	-
National Security Language Initiative for Youth-Summer 2012		40675	S-ECAPY-11-CA-140(KE	(7)	-
AYUSA/Youth Exchange and Study VI		40645	S-ECAPY-07-GR-152 (MA)	(2,176)	-
AYUSA/Youth Exchange and Study VIII		40658	S-ECAPY-09-GR-172(SM	(4,981)	-
American Councils for International Education -(National Security Language Initiative for Youth (NSLI-Y)15-16		40699	S-ECAGD-14-CA-1078	(10,964)	-
American.Council for.International.Educucation.Youth Exchange and Study10		40672	S-ECAPY-11-GR-174(KF	(26,224)	-
Legacy International:					
Legacy Professional Fellows Program 3		40211	S-ECAGD-16-CA-1087	7,252	-
Legacy Professional Fellows Program 2		40206	S-ECAGD-15-CA-1119	7,086	-
Legacy International.-Legislative .Fellows.		40681	S-ECAPE-12-GR-204(KF	1,000	-
Legacy Professional Fellows Program		40603	S-ECAGD-14-CA-1127	(2,734)	-
				<u>2,398,131</u>	<u>550</u>
Educational and Cultural Exchange Programs:					
Direct award:	19.022				
EdUSA Outreach FY17		21893	SJS40017FAA0001	17,000	-
FY16 EdUSA Outreach		21876	S-LE200-16-CA-007	7,188	-
EDUSA Strategic Funds FY16		21850	S-FG-300-16-GR-036	6,300	-
EdUSA FY17 Support Tunisia		21914	S-TS-800-17-GR-0055	59	-
US Cons.Jeruselem Youth Education Program		21310	S-IS400-12-GR-0052	(793)	-
EdUSA Outreach FY2016		21849	S-IS400-16-GR-0006	(1,296)	-
				<u>28,458</u>	<u>-</u>
Academic Exchange Programs - Teachers:	19.408				
Passed through:					
American Councils for International Education:					
American Councils for International Education – Teachers of Critical Languages Program (TCLP)		40649	Various	9,929	-
American Councils for International Education Critical Language Skills Program FY 2014		40697	S-ECAGD-13-CA-014(KF	7,362	-
Critical Language Skills Program-Summer 2012		40674	ECA/A/E-13-01-OY-B	500	-
Critical Language Skills Program-Resident Director Expenses		40689	S-ECAGD-13-CA-014(KF	(2,473)	-
				<u>15,318</u>	<u>-</u>
Global Counterterrorism Programs					
Direct award:	19.701				
Critical Thinking		21863	STS80016GR077PDPR03	115,616	-
				<u>115,616</u>	<u>-</u>

(Continued)

**America-Mideast Educational and Training Services, Inc.**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2017**

Federal Grantor/Program Title/Grant Name	Federal CFDA Number	AMIDEAST Project Number	Grant/Contract Number	Federal Expenditures	Amount Provided to Subrecipients
Public Diplomacy Programs					
Direct award:	19.040				
Access FY13 Alumni Jordan		21917	S-JO-100-17-GR-044	9,236	-
English Language Olympics Jordan		21903	S-JO-100-17-GR033	8,083	-
English Language Initiative Algeria		21906	S-AG100-17-CA001	3,793	-
				<u>21,112</u>	<u>-</u>
Bureau of Near Eastern Affairs					
Direct award:	19.600				
Nahdhat Shabab Yemen Program		20785	S-NEAAC-17-GR-1026	32,701	-
Tomorrows Leaders VII		20213	S-NEAAC-17-CA-1029	16,731	-
				<u>49,432</u>	<u>-</u>
Environmental and Scientific Partnerships and Programs					
Direct award:	19.017				
Pennsylvania State University-Boost-Tunisia		40690	S-LMAOM-12-GR-1232	12,305	-
				<u>12,305</u>	<u>-</u>
International Programs to Support Democracy, Human Rights and Labor					
Direct award:	19.345	20868	S-LMAQM-08-GR-575	(770)	-
USDOS/Iraqi Womens Democracy Initiative				<u>(770)</u>	<u>-</u>
Other:	19.XXX				
Passed through:					
The Cyprus Fulbright Commission					
Cyprus-American Scholarship Program (CASP) 2014-2018		40202	MOA dated 10/24/2014	(976)	-
				<u>(976)</u>	<u>-</u>
<b>Total United States Department of State</b>				<u>19,617,944</u>	<u>183,480</u>
<b>United States Department of Education</b>					
International Research and Studies Program					
Direct award:					
USDOE-Colloquial Arabic Project	84.017A	32001	P017A090323	(44,020)	-
				<u>(44,020)</u>	<u>-</u>
<b>Total United States Department of Education</b>				<u>(44,020)</u>	<u>-</u>
<b>Total expenditures of federal awards</b>				<u>\$ 31,089,125</u>	<u>\$ 913,758</u>

See notes to schedule of expenditures of federal awards.

**America-Mideast Educational and Training Services, Inc.**

**Notes to Schedule of Expenditures of Federal Awards**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of America-Mideast Educational and Training Services, Inc. (AMIDEAST) under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of AMIDEAST, it is not intended to and does not present the financial position, changes in net assets or cash flows of AMIDEAST.

**Note 2. Summary of Significant Accounting Policies for Federal Award Expenditures**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. AMIDEAST does not utilize the 10% de minimis indirect cost rate as provided under the Uniform Guidance as it does not meet the criteria to elect it. Rather, AMIDEAST has a negotiated indirect cost rate negotiated with the U.S. Department of the Interior under a provisional/final rate structure. AMIDEAST applies the approved rate(s) to its Federal awards unless statutory or agreed-upon rate caps are in place that limited indirect recovery.

**America-Mideast Educational and Training Services, Inc.**

**Schedule of Indirect Cost Rates  
Year Ended September 30, 2017**

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Absences and fringe benefits:

Fringe benefit costs	(A)	<u>\$ 3,943,727</u>
Chargeable salaries	(B)	<u>\$ 10,919,607</u>
Absence costs	(C)	<u>\$ 2,215,788</u>
Total salaries	(D) =(B)+(C)	<u>\$ 13,135,395</u>
Absence rate	(C)/(B)	20%
Fringe benefit rate	(A)/(D)	30%

Organizational overhead:

Total overhead	(E)	<u>\$ 5,641,159</u>
Total on-site direct labor	(F)	<u>\$ 9,202,910</u>
Organizational overhead rate	(E)/(F)	61%

**General and administrative:**

General and administrative costs	(G)	<u>\$ 11,314,752</u>
Total direct labor		\$ 12,301,992
Total overhead	(E)	5,641,159
Other direct costs		5,464,327
First \$25,000 of subaward costs		<u>441,774</u>
	(H)	<u>\$ 23,849,252</u>
General and administrative rate	(G)/(H)	47%

**America-Mideast Educational and Training Services, Inc.**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2017**

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**Section I. Summary of Auditor's Results**

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes        X   No
- Significant deficiency(ies) identified?   X   Yes             None reported

Noncompliance material to financial statements noted?        Yes        X   No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?        Yes        X   No
- Significant deficiency(ies) identified?        Yes        X   None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       Yes        X   No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers(s)</u>
Academic Exchange Programs – Graduate Students	19.415
USAID Foreign Assistance for Program Overseas	19.421

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 932,674

Auditee qualified as low-risk auditee?

  X   Yes             No

(Continued)

**America-Mideast Educational and Training Services, Inc.**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2017**

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**Section II. Financial Statement Findings**

**Finding 2017-001: Financial statement preparation and closing process – repeat finding  
significant deficiency**

**Criteria:** In accordance with the Uniform Guidance and accounting principles generally accepted in the United States of America, a recipient's financial management systems shall provide for accurate, current and complete disclosure of the financial results of each project or program whereas all issues and adjustments noted as part of the reconciliation process must be timely and properly reflected in the accounting records of the organization. Additionally the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, although not a legal requirement, provides best practices for non-public entities for the five components of internal control, including control activities.

**Condition:** A formal review and reconciliation was not completed in its entirety to ensure all accounts were accurately reconciled in accordance with generally accepted accounting principles (GAAP) and as a result, we identified several errors and/or inconsistencies in accounting records. While the collective amount of these was not material to the overall financial statements, multiple accounts and amounts were affected.

**Context:** Several errors were identified during our testing of account balances including prepaid assets, accounts receivable, allowance for receivables, accounts payable and deferred rent.

**Cause:** Although management performed a closing process, it did not identify all adjustments in order to comply with proper GAAP and reporting standards.

**Effect:** Without making all necessary journal entries to ensure financial statements are in accordance with GAAP, management may not have a complete status of financial activities during the year and at year-end and, therefore, may not make informed decisions in a timely manner.

**Recommendation:** We recommend that management thoroughly review all accounts and transactions and continue to assess the internal control processes to ensure timely and accurate preparation of the financial statements in accordance with GAAP.

**Views of responsible officials and planned corrective actions:** See attached letter.

**Section III. Findings and Questioned Costs for Federal Awards**

None Reported

**America-Mideast Educational and Training Services, Inc.**

**Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2017**

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**Finding 2016-001**

**Condition and context:** A formal review and reconciliation was not completed in its entirety to ensure all accounts were closed for the period and accurately reconciled in accordance with generally accepted accounting principles (GAAP) and as a result, we identified several errors and/or inconsistencies in accounting records. While the collective amount of these was not material to the overall financial statements, multiple accounts and amounts were affected.

**Current status:** See finding 2017-001

**Finding 2016-002**

Same as Finding 2016-001

**Finding 2016-003**

**Condition and context:** As part of our procedures over compliance with cost share requirements, we compared recorded cost share expenses to the amounts reported by AMIDEAST on SF-425. As a result, we noted that cost share expenses for the year ended September 30, 2016, were overstated by \$74,762 for AMIDEAST's special project number 10001 and understated by \$34,301 for special project 10145 as reported in the SF-425.

**Current status:** Corrective action was taken.

Views of responsible officials and planned corrective actions to the findings of AMIDEAST's 2017 Fiscal year audit.

Management has reviewed the findings and the following comments;

Finding 2017-001

**Condition:** A formal review and reconciliation was not completed in its entirety to ensure all accounts were closed for the period and accurately reconciled in accordance with generally accepted accounting principles (GAAP) and as a result, we identified several errors and/or inconsistencies in accounting records. While the collective amount of these was not material to the overall financial statements, multiple accounts and amounts were affected.

**Current status:** In FY 2017, significant attention was placed on reconciling the balance sheet, prior to year-end. To facilitate the reconciliation process, the balance sheet account reconciliations were divided between the HQ and FO staff. On a bimonthly basis, the staff met to discuss the status of accounts and to ensure that the appropriate research was done to accomplish the reconciliations. Moving forward, Management will ensure that all balance sheet accounts are properly reconciled, that staff are trained properly, and that staff follow all relevant policies and procedures.

# **America-Mideast Educational and Training Services, Inc.**

Financial Report  
September 30, 2017

## Contents

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
America-Mideast Educational and Training Services, Inc.  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying financial statements of America-Mideast Educational and Training Services, Inc. (AMIDEAST), which comprise the statement of financial position as of September 30, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 America-Mideast Educational and Training Services, Inc. as of September 30, 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.

**Report on Summarized Comparative Information**

We have previously audited AMIDEAST's 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2018, on our consideration of AMIDEAST's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AMIDEAST's internal control over financial reporting and compliance.

*RSM US LLP*

Washington, D.C.  
February 1, 2018

**America-Mideast Educational and Training Services, Inc.**

**Statement of Financial Position  
September 30, 2017  
(With Comparative Totals for 2016)**

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 2,514,665	\$ 3,511,138
Receivables, net	10,891,732	10,698,507
Promises to give, net	62,590	243,669
Prepaid expenses and other	1,556,441	1,821,182
Inventory, net	559,522	695,211
Investments	14,481,426	13,107,240
Property and equipment, net	1,910,322	2,156,849
	<u>\$ 31,976,698</u>	<u>\$ 32,233,796</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 5,360,315	\$ 5,535,133
Accrued expenses	2,661,537	2,564,475
Severance payable	2,127,162	1,995,968
Deferred revenue	3,845,421	5,305,000
Capital lease obligations	144,093	207,679
Deferred rent	1,754,874	1,835,558
	<u>15,893,402</u>	<u>17,443,813</u>
Commitments and contingencies (Notes 11, 12 and 13)		
Net assets:		
Unrestricted:		
Undesignated	825,382	487,806
Board designated endowment	12,544,806	11,364,119
	<u>13,370,188</u>	<u>11,851,925</u>
Temporarily restricted	2,713,108	2,938,058
	<u>16,083,296</u>	<u>14,789,983</u>
	<u>\$ 31,976,698</u>	<u>\$ 32,233,796</u>

See notes to financial statements.

America-Mideast Educational and Training Services, Inc.

Statement of Activities

Year Ended September 30, 2017

(With Comparative Totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Grants and contracts	\$ 43,572,461	\$ -	\$ 43,572,461	\$ 42,052,396
Fees for services	20,587,876	-	20,587,876	22,989,758
Contributions	1,414,430	214,583	1,629,013	1,307,452
Investment income	1,464,891	-	1,464,891	650,431
Other	14,899	-	14,899	120,004
Net assets released from restrictions	439,533	(439,533)	-	-
<b>Total support and revenue</b>	<b>67,494,090</b>	<b>(224,950)</b>	<b>67,269,140</b>	<b>67,120,041</b>
Expenses:				
Program services:				
Field offices	37,475,040	-	37,475,040	39,152,043
Exchange programs	15,271,528	-	15,271,528	13,952,043
Other programs	1,429,953	-	1,429,953	1,767,599
<b>Total program services</b>	<b>54,176,521</b>	<b>-</b>	<b>54,176,521</b>	<b>54,871,685</b>
Supporting services	11,799,306	-	11,799,306	13,239,421
<b>Total expenses</b>	<b>65,975,827</b>	<b>-</b>	<b>65,975,827</b>	<b>68,111,106</b>
<b>Change in net assets</b>	<b>1,518,263</b>	<b>(224,950)</b>	<b>1,293,313</b>	<b>(991,065)</b>
Net assets:				
Beginning	11,851,925	2,938,058	14,789,983	15,781,048
Ending	<b>\$ 13,370,188</b>	<b>\$ 2,713,108</b>	<b>\$ 16,083,296</b>	<b>\$ 14,789,983</b>

See notes to financial statements.

**America-Mideast Educational and Training Services, Inc.**

**Statement of Functional Expenses  
Year Ended September 30, 2017  
(With Comparative Totals for 2016)**

	Program Services				Headquarters Overhead	General and Administrative	2017 Total	2016 Total
	Field Offices	Exchange Programs	Other Programs	Total Program Services				
Salaries	\$ 6,302,109	\$ 1,037,399	\$ 572,029	\$ 7,911,537	\$ 62,632	\$ 6,494,132	\$ 14,468,301	\$ 15,257,684
Benefits	1,910,536	308,952	165,405	2,384,893	18,247	2,117,829	4,520,969	4,575,538
<b>Total salaries and benefits</b>	<b>8,212,645</b>	<b>1,346,351</b>	<b>737,434</b>	<b>10,296,430</b>	<b>80,879</b>	<b>8,611,961</b>	<b>18,989,270</b>	<b>19,833,222</b>
Consulting and professional services	4,448,803	328	2,197	4,451,328	34,380	880,123	5,365,831	6,664,990
Travel	576,770	40,870	44,116	661,756	31	284,612	946,399	1,026,041
Conferences and meetings	96,261	67,990	6,741	170,992	-	109,628	280,620	242,754
Printing, postage and delivery	213,084	19,891	9,057	242,032	280	63,137	305,449	354,776
Subcontracts and subagreements	1,953,316	48,476	-	2,001,792	-	-	2,001,792	1,642,573
Occupancy	3,895,398	2,570	-	3,897,968	814,090	-	4,712,058	5,009,316
Office expense	1,203,581	1,753	6,350	1,211,684	316,705	-	1,528,389	1,564,532
Telecommunications	136,149	4,594	1,689	142,432	314	309,908	452,654	530,813
Furniture, equipment and software	2,833,975	127	1,891	2,835,993	84,356	-	2,920,349	3,413,603
Depreciation and amortization	173,442	-	-	173,442	171,497	-	344,939	1,127,028
Participant and student	7,861,997	12,645,799	208,242	20,716,038	15,932	-	20,731,970	18,633,182
Other pass through*	4,447,401	-	18,353	4,465,754	-	-	4,465,754	4,382,194
Miscellaneous	1,422,218	267,466	15,455	1,705,139	-	1,225,214	2,930,353	3,686,082
<b>Total other costs</b>	<b>29,262,395</b>	<b>13,099,864</b>	<b>314,091</b>	<b>42,676,350</b>	<b>1,437,585</b>	<b>2,872,622</b>	<b>46,986,557</b>	<b>48,277,884</b>
<b>Total</b>	<b>37,475,040</b>	<b>14,446,215</b>	<b>1,051,525</b>	<b>52,972,780</b>	<b>1,518,464</b>	<b>11,484,583</b>	<b>65,975,827</b>	<b>68,111,106</b>
Allocated overhead costs	-	825,313	378,428	1,203,741	(1,203,741)	-	-	-
	<b>\$ 37,475,040</b>	<b>\$ 15,271,528</b>	<b>\$ 1,429,953</b>	<b>\$ 54,176,521</b>	<b>\$ 314,723</b>	<b>\$ 11,484,583</b>	<b>\$ 65,975,827</b>	<b>\$ 68,111,106</b>

\* Other pass through includes ACCESS subgrants.

See notes to financial statements.

**America-Mideast Educational and Training Services, Inc.**

**Statement of Cash Flows**  
**Year Ended September 30, 2017**  
**(With Comparative Totals for 2016)**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,293,313	\$ (991,065)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	344,939	1,127,028
Unrealized and realized gains on investments, net	(1,163,258)	(441,984)
(Decrease) increase in allowance for inventory obsolescence	(84,187)	258,500
Write off of obsolete inventory	-	257,035
Discount on promises to give	(7,766)	7,766
Loss on disposal	-	71,496
Increase in provision for doubtful accounts	17,012	167,736
Deferred rent	(80,684)	(34,432)
Changes in net assets and liabilities:		
(Increase) decrease in:		
Receivables	(210,237)	501,490
Promises to give	188,845	184,415
Inventory	219,876	(514,893)
Prepaid expenses and other	264,741	643,993
Increase (decrease) in:		
Accounts payable	(174,818)	(296,333)
Severance payable	131,194	5,605
Accrued expenses	97,062	(298,810)
Deferred revenue	(1,459,579)	(204,362)
<b>Net cash (used in) provided by operating activities</b>	<b>(623,547)</b>	<b>443,185</b>
Cash flows from investing activities:		
Purchases of investments	(3,739,500)	(3,085,704)
Proceeds from sale of investments	3,528,572	2,957,769
Purchases of property and equipment	(98,412)	(538,690)
<b>Net cash used in investing activities</b>	<b>(309,340)</b>	<b>(666,625)</b>
Cash flows from financing activities:		
Principal payments under capital lease obligations	(63,586)	(148,742)
Principal payments on line of credit, net	-	(1,369,561)
<b>Net cash used in financing activities</b>	<b>(63,586)</b>	<b>(1,518,303)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(996,473)</b>	<b>(1,741,743)</b>
Cash and cash equivalents:		
Beginning	3,511,138	5,252,881
Ending	\$ 2,514,665	\$ 3,511,138
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 36,247	\$ 42,095

See notes to financial statements.

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies

**Nature of organization:** America-Mideast Educational and Training Services, Inc. (AMIDEAST), founded in 1951 as a private, nonprofit organization, was established to promote cooperation and understanding between the people of the United States and the people of the Middle East and North Africa (MENA). AMIDEAST's commitment to this goal is expressed primarily through education, information and development programs. AMIDEAST's sources of funds are cost-reimbursement contracts, grants and cooperative agreements from federal awarding agencies, foreign governments and private organizations, as well as fee for service activities. AMIDEAST currently operates in 11 countries in the MENA region.

A summary of AMIDEAST's significant accounting policies follows:

**Basis of accounting:** The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when notification of the contribution is received, revenue is recognized when earned and expenses are recognized when incurred.

**Basis of presentation:** The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, AMIDEAST 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.

**Unrestricted net assets:** Are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Board-designated net assets are unrestricted net assets designated by the Board of Directors for specific purposes.

**Temporarily restricted net assets:** Result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of AMIDEAST pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or used for specified purposes.

**Permanently restricted net assets:** Result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by AMIDEAST's actions. There were no permanently restricted as of September 30, 2017.

**Financial risk:** AMIDEAST maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. AMIDEAST has not experienced any losses in such accounts. AMIDEAST believes it is not exposed to any significant financial risk on cash.

AMIDEAST invests in a professionally managed portfolio that contains various securities. Such investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

AMIDEAST had approximately \$2 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2017.

**Cash and cash equivalents:** For purposes of reporting cash flows, AMIDEAST considers money market accounts to be cash equivalents. Money market funds held in investment accounts are excluded from cash and cash equivalents and reported with investments.

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Restricted cash:** AMIDEAST maintains a cash balance at two foreign locations where there are funds not available to be transferred outside the country due to governmental restrictions. Restricted cash is \$920,916 at September 30, 2017, which is included in cash and cash equivalents.

**Reimbursable expenditures under contracts and grants and receivables:** Receivables for U.S. Government awards are comprised mainly of allowable costs in excess of amounts billed and reimbursed to AMIDEAST. Recoverable costs for federal awards are billable when allowable expenditures are incurred except that tuition payments under the Fulbright programs are billable when they are paid by AMIDEAST. As these amounts are mainly due from the U.S. Government, it is anticipated that all receivables are collectible.

Receivables related to fee for service activities are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding invoices on a monthly basis. Receivables are considered past due if the invoice has been outstanding more than 30 days. The provision for doubtful accounts at September 30, 2017, was \$566,995.

**Promises to give:** Contributions are recognized when the donor makes a written promise to give to AMIDEAST that is, in substance, unconditional. Promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded. AMIDEAST's promises to give are receivable over a five-year period and are discounted at a rate of 2% per annum. The allowance for doubtful promises to give is based on management's experience and its analysis of specific promises to give. Recoveries of promises to give previously written off are recorded as revenue as received. Based on management's evaluation of the collectability of promises to give, no provision for an allowance for doubtful promises was necessary. The promises to give of \$62,590 are due in the year ending September 30, 2018.

**Inventory:** Inventory consists primarily of books, posters and study materials. Inventory is carried at the lower of cost or net realizable value, with cost determined using the average cost method. Management establishes a reserve for any inventory deemed to be non-saleable. The allowance for obsolescence, based on management's evaluation of the salability of inventory at September 30, 2017, was \$188,514.

**Investments:** Investments with readily determinable fair values are reflected at fair value. To adjust the carrying values of these investments, the change in fair market value is charged or credited to current operations.

**Property and equipment:** Property and equipment is recorded at cost and depreciated on the straight-line basis over their estimated useful lives, ranging from three to ten years. Leasehold improvements are recorded at cost and amortized over the shorter of the asset's useful life or the term of the lease. AMIDEAST capitalizes all property and equipment purchased with a cost of \$5,000 or more.

**Valuation of long-lived assets:** AMIDEAST reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Severance payable:** Laws and regulations in several foreign countries in which AMIDEAST has offices require payments to be made to employees at time of separation based on years of service.

**Deferred rent:** AMIDEAST has noncancellable lease agreements for rental spaces in Washington, D.C. and foreign offices. Under the terms of the lease agreement in Washington, D.C., AMIDEAST has rent abatement for seven months free of charge. The benefits that AMIDEAST receives from the free months and rent increases in future years are being allocated on a straight-line basis over the term of the lease as an offset against each period's occupancy expenditures. In addition, a landlord improvement allowance was provided for leasehold improvements. This benefit is being recognized on a straight-line basis over the life of the lease agreement.

**Support and revenue:** AMIDEAST receives grants and contracts from federal agencies and private grantors for various purposes. Cost reimbursement grants for particular projects are deemed to be earned and are reported as revenue when AMIDEAST has incurred expenses in compliance with the specific conditions and restrictions. Revenues derived from performance of services are recognized in the period in which the services are provided. Amounts collected in advance are recorded as deferred revenue.

Unconditional contributions are recorded as unrestricted, temporarily restricted or permanently restricted support when received, depending on the existence and/or nature of any donor restrictions. Receipts from conditional contributions are classified as refundable advances until expended for the purposes of the contributions. 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.

**Foreign currency translation:** Monthly expenses that are incurred by project field operations in foreign countries are translated using the average exchange rate in effect at the beginning of each month.

**Indirect expenses:** Indirect costs are charged to all awards based on a provisional rate established by AMIDEAST's cognizant agency. Any variance between the provisional rate and the final negotiated rate is adjusted at the end of the fiscal year.

**Expenses:** Direct costs associated with specific programs are recorded as program expenses. Fringe benefits are pooled and allocated based on salaries. General and administrative expenses are partially allocated in the statement of activities. Subgrants, subcontracts and pass-through costs are recognized as expenses depending on the terms of the specific grant or contract agreement, which is either when distribution is made or when subgrantee incurs reimbursable expenses.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Income taxes:** AMIDEAST is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to AMIDEAST's tax exempt purpose is subject to taxation as unrelated business income. AMIDEAST had no unrelated business income for the year ended September 30, 2017; therefore, no tax provision has been made in these financial statements. Management evaluated AMIDEAST's tax positions and concluded that AMIDEAST had taken no uncertain tax positions that require adjustment to the financial statements. Generally, AMIDEAST is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2014.

**Prior year information:** The financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AMIDEAST's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

**Recent accounting pronouncements:** In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. AMIDEAST has not yet evaluated the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. AMIDEAST is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under generally accepted accounting principles in the United States of America (U.S. GAAP). The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU No. 2014-09, as deferred one year by ASU No. 2015-14, will be effective for annual reporting periods beginning after December 15, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU No. 2014-09 or (b) retrospective with the cumulative effect of initially applying ASU No. 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU No. 2014-09. AMIDEAST has not yet evaluated the impact of this ASU on its financial statements.

**Subsequent events:** AMIDEAST evaluated subsequent events through February 1, 2018, which is the date the financial statements were available to be issued.

#### Note 2. Receivables

Receivables at September 30, 2017, consist of the following:

Reimbursable expenditures under contracts and grants	\$ 9,774,466
Field office fee for service	1,419,706
Testing	156,460
Staff/consultant	76,734
Other	31,361
	<u>11,458,727</u>
Less provision for doubtful accounts	566,995
	<u>\$ 10,891,732</u>

#### Note 3. Investments

Investments at September 30, 2017, consist of the following:

Common stock	\$ 8,215,956
Cash/money market	2,471,803
Corporate bonds	933,078
Government securities	2,116,153
Mutual funds	744,436
	<u>\$ 14,481,426</u>

The investments detailed above include \$12,544,804 of a board designated endowment fund (Note 7).

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 3. Investments (Continued)

Investment gain for the year ended September 30, 2017, consists of the following:

Unrealized and realized gains net	\$ 1,163,258
Interest and dividends	301,633
	<u>1,464,891</u>
Less investment fees, included in expenses	81,470
	<u>\$ 1,383,421</u>

#### Note 4. Property and Equipment

Property and equipment and accumulated depreciation at September 30, 2017, and depreciation expense for the year ended September 30, 2017, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation and Amortization Expense
Furniture and equipment	3-10 years	\$ 458,987	\$ 136,928	\$ 322,059	\$ 246,658
Leasehold improvements	Life of lease	2,513,208	984,058	1,529,150	11,788
Capital leases – computers	5 years	786,699	727,586	59,113	86,493
		<u>\$ 3,758,894</u>	<u>\$ 1,848,572</u>	<u>\$ 1,910,322</u>	<u>\$ 344,939</u>

#### Note 5. Line of Credit

AMIDEAST has an express credit line loan agreement, which is tied to the fair market value of the investment portfolio. There is currently no expiration date on this line. The line bears interest at London Interbank Offered Rate (LIBOR) one-month plus 1.5% and is secured by AMIDEAST's investment portfolio assets. AMIDEAST had no outstanding debt balance at September 30, 2017.

#### Note 6. Accrued Expenses

Accrued expenses at September 30, 2017, consist of the following:

Vacation	\$ 894,977
Payroll benefits	895,041
Consultant – Global Dimension for Education	434,448
Other	437,071
	<u>\$ 2,661,537</u>

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 7. Board Designated Endowment Funds

The Board of Directors has designated endowment funds for future reserves, as follows:

Endowment net assets, beginning of year	\$ 11,364,119
Investment return:	
Investment income, net of fees	177,790
Net realized and unrealized gain	1,002,897
Total investment gain	<u>1,180,687</u>
Endowment net assets, end of year	<u>\$ 12,544,806</u>

**Interpretation of relevant law:** The ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. The Codification also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA. The required disclosures are as follows:

1. The duration and preservation of the fund
2. The purposes of AMIDEAST and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation

**Return objective and risk parameters:** AMIDEAST's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs and recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. AMIDEAST targets a diversified asset allocation that places a greater emphasis on equity securities investments to achieve its long-term return objectives within prudent risk constraints. AMIDEAST has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. AMIDEAST has a preference for simple investment structures which will have lower cost, easier oversight and less complexity for internal financial management and auditing.

**Spending policy:** AMIDEAST will appropriate for expenditure in its annual budget a maximum of 100% of the earnings. There may be times when AMIDEAST may opt not to take the maximum spending rate, but rather to reinvest some or all of the annual return.

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended September 30, 2017, were as follows:

	Balance September 30, 2016	Additions	Released	Balance September 30, 2017
Purpose restricted:				
Arab Heritage Fund	\$ 844,665	\$ -	\$ -	\$ 844,665
Diana Kamal Scholarship Fund	416,060	26,650	26,650	416,060
Hope Fund Administration	221,525	137,411	137,411	221,525
ALAB	311,383	-	28,871	282,512
David Mize Scholarship	303,384	-	-	303,384
Other	185,675	12,000	12,000	185,675
Norwegian Ministry of Foreign Affairs	110,551	-	-	110,551
PCELT Pilot	80,634	-	-	80,634
Kyali Grant	65,205	-	-	65,205
Chevron	28,187	34,601	34,601	28,187
Gaza Support	48,732	-	-	48,732
Fulbright Alumni Association	29,907	-	-	29,907
English and Technology Project	24,659	-	-	24,659
Egypt 50th Anniversary	23,822	-	-	23,822
Time restricted:				
Diana Kamal Scholarship Fund	196,079	3,921	200,000	-
Occidental	47,590	-	-	47,590
	<u>\$ 2,938,058</u>	<u>\$ 214,583</u>	<u>\$ 439,533</u>	<u>\$ 2,713,108</u>

#### Note 9. Retirement Plan

AMIDEAST has a 401(k) profit sharing retirement plan covering all eligible employees. The 401(k) plan provides for a discretionary contribution to be determined annually. Employees are eligible for the employer contribution upon 21 years of age and two years of service. Contributions for the year ended September 30, 2017, were \$261,169.

#### Note 10. Fair Value Measurements

The Fair Value Measurement Topic of the FASB ASC establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. This topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities

**Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data

**Level 3:** Unobservable inputs that are not corroborated by market data

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 10. Fair Value Measurements (Continued)

To determine the appropriate levels, AMIDEAST performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by AMIDEAST at September 30, 2017.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Money market	\$ 2,471,803	\$ 2,471,803	\$ -	\$ -
Common stock:				
Financial	1,899,759	1,899,759	-	-
Technology	1,810,774	1,810,774	-	-
Services	1,659,552	1,659,552	-	-
Consumer goods	1,487,305	1,487,305	-	-
Healthcare	956,297	956,297	-	-
Basic materials	262,025	262,025	-	-
Industrial goods	140,244	140,244	-	-
Bonds:				
Corporate bonds	933,078	-	933,078	-
Government securities	2,116,153	-	2,116,153	-
Mutual funds:				
Equity energy	315,008	315,008	-	-
Commodities precious metals	225,273	225,273	-	-
Europe stock	204,155	204,155	-	-
	<u>\$ 14,481,426</u>	<u>\$ 11,432,195</u>	<u>\$ 3,049,231</u>	<u>\$ -</u>

The money market, common stock and mutual funds of AMIDEAST are publicly traded and are considered Level 1 items. AMIDEAST's corporate and government fixed income securities (bonds) are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are therefore considered Level 2 items.

#### Note 11. Commitments

**Operating leases:** AMIDEAST has noncancellable operating leases for office space and office equipment that expire at various dates through June 2026. The office lease for Washington, D.C. calls for annual escalations of 2.5% and a total of seven months of rent abatement during two separate periods of time during the years ended September 30, 2015 and 2016. The lease also provides for a tenant improvement allowance of \$1,428,280. A deferred rent liability of \$1,754,874 is recorded on the statement of financial position in relation to the tenant improvement allowance, rental abatement, and escalating lease payments. Total rent charged to operations for the year ended September 30, 2017, was approximately \$4,236,838.

## America-Mideast Educational and Training Services, Inc.

### Notes to Financial Statements

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#### Note 11. Commitments (Continued)

Future minimum rental payments on the leases are as follows:

Years ending September 30:	
2018	\$ 2,821,903
2019	2,872,653
2020	2,723,226
2021	2,397,487
2022	1,911,588
Thereafter	6,726,270
	<u>\$ 19,453,127</u>

**Educational Testing Services:** AMIDEAST has entered into an agreement with Educational Testing Services (ETS) to sell and administer certain ETS tests in foreign countries through October 31, 2018. Under the agreement, AMIDEAST is required to purchase minimum testing units annually through 2018.

Future minimum testing purchase requirements are as follows:

Years ending September 30:	
2018	\$ 996,695
2019	83,814
	<u>\$ 1,080,509</u>

#### Note 12. Contingencies

AMIDEAST participates in a number of federally-assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

In the ordinary course of business, AMIDEAST is a party to claims and litigation. Management, based on consultation with legal counsel, is of the opinion that the ultimate outcome of these claims will have no material impact on the financial position, change in net assets or liquidity of AMIDEAST.

#### Note 13. Major Funders

During the year ended September 30, 2017, approximately 46% of AMIDEAST's support and revenue and 37% of AMIDEAST's receivables and reimbursable expenditures under contracts and grants were derived from grants from the U.S. Department of State and the U.S. Agency for International Development.