

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

Uniform Guidance  
Supplementary Financial Report  
Year Ended September 30, 2018

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**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***

**Independent Auditor's Report**

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

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, 2018, 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 March 26, 2019.

**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 2018-001 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.

March 26, 2019

**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**

**Independent Auditor's Report**

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

**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, 2018. 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, 2018.

### **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**

We have audited the financial statements of AMIDEAST as of and for the year ended September 30, 2018, and have issued our report thereon dated March 26, 2019, 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 the Uniform Guidance 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Washington, D.C.  
March 26, 2019

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

**Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2018**

| Federal Grantor/Program Title/Grant Name                                    | Federal<br>CFDA<br>Number | AMIDEAST<br>Project<br>Number | Grant/Contract Number | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients |
|---|---------------------------|-------------------------------|-----------------------|-------------------------|--|
| <b>United States Agency for International Development</b>                   |                           |                               |                       |                         |  |
| USAID Foreign Assistance for Programs Overseas:                             | 98.001                    |                               |                       |                         |  |
| Direct award:   |                           |                               |                       |                         |  |
| USAID/School Support Program (SSP)  |                           | 10145                         | AID-294-A-13-00006    | \$ 4,272,638            | \$ 547,915                             |
| Higher Education Initiative (HEI)-Public University Egypt                   |                           | 10001                         | AID-263-A-15-00018    | 3,932,393               | 157,169                                |
| USAID/Leadership Teacher Development (LTD)                                  |                           | 10144                         | 294-A-12-00006        | 2,362,202               | 124,041                                |
| Education for the Future (EFT)  |                           | 10147                         | AID-294-A-17-00006    | 1,206,454               | -                                      |
| USAID/PYCE  |                           | 10143                         | 279-A-00-01-00060-00  | 28,840                  | -                                      |
| USAID/Palestinian Faculty Development Program (PFDP)                        |                           | 10140                         | 294-A-00-05-00234-00  | 576                     | -                                      |
| Passed through:   |                           |                               |                       |                         |  |
| Quality Instruction Towards Access and Basic Education Improvement (QITABI) |                           | 40201                         | AID-268-A-14-00003    | 653,092                 | -                                      |
| Lotus Scholarship Program   |                           | 40217                         | AID-363-A-15-00020    | 112,890                 | -                                      |
| Institute for International Education (IIE):                                |                           |                               |                       |                         |  |
| Local Scholarship Program Summer Intensive Prgm                             |                           | 40701                         | AID-363-A-15-00020    | 106,233                 | -                                      |
| FY17 iBT Training Local Scholarship Program                                 |                           | 40214                         | AID-363-A-15-00020    | 2,855                   | -                                      |
| <b>Total United States Agency<br/>for International Development</b>         |                           |                               |                       | <b>12,678,173</b>       | <b>829,125</b>                         |
| <b>United States Department of State</b>                                    |                           |                               |                       |                         |  |
| Investing in People in the Middle East and North Africa:                    | 19.021                    |                               |                       |                         |  |
| Direct award:   |                           |                               |                       |                         |  |
| Skills for Success Libya  |                           | 21916                         | S-LY800-17-GR-001     | 267,444                 | 140,446                                |
| AH Ramallah-Jerusalem 18  |                           | 21924                         | S-IS400-17-GR-0051    | 264,906                 | -                                      |
| Al Azhar Darrassa Project   |                           | 21117                         | SFG30015GR058         | 210,764                 | -                                      |
| English for Mission Contacts (EFMC) Program                                 |                           | 21112                         | SIZ-100-15-CA027      | 146,643                 | 240,204                                |
| English After School  |                           | 21925                         | S-YE-700-17-GR-001    | 122,495                 | -                                      |
| Access for Mosul Internally Displaced Persons Program                       |                           | 21915                         | SIZ10017GR020         | 109,496                 | -                                      |
| American Language Center Amman  |                           | 21910                         | S-JO-100-17-CA-002    | 83,163                  | -                                      |
| Amer Corners-Iraq   |                           | 21935                         | SIZ10018CA006         | 73,973                  | -                                      |
| English Language Resource Center Faculty Training 2 Prog                    |                           | 21892                         | SEG30016GR050         | 71,681                  | -                                      |
| American House Ramallah Jerusalem 17  |                           | 21862                         | S-I400-16-CA-0041     | 62,542                  | -                                      |
| Libya PCELT 2018  |                           | 21922                         | S-LY800-17-GR-004     | 43,427                  | -                                      |
| Youth English Program   |                           | 21927                         | S-TC-100-17-GR-0016   | 38,873                  | 2,000                                  |
| EL Teacher Workshop   |                           | 21934                         | SIZ10018GR007         | 38,777                  | -                                      |
| PCELT Kuwait FY18 Program   |                           | 21923                         | S-KU200-17-GR006      | 32,597                  | -                                      |
| American Corner TUNIS FY2016  |                           | 21231                         | STS80016GR042PDPR02A  | 32,561                  | -                                      |
| Libyan Distance Learning  |                           | 21852                         | S-LY800-16-GR-006     | 31,558                  | -                                      |
| Libya Fulbright RecruitProg   |                           | 21939                         | S-LY80018GR001        | 25,509                  | -                                      |
| Iraq Fulbright vstng sch  |                           | 21119                         | SIZ10018GR0014        | 22,769                  | -                                      |
| SkillsforSuccess Damietta   |                           | 21926                         | SEG30017-GR-GR-063    | 19,831                  | -                                      |
| Am Corner Tunis FY17  |                           | 21921                         | S-TS-800-17-GR-0078   | 18,351                  | -                                      |
| USDOS/Additional Field Office Grants  |                           | 21282                         | Various               | 15,882                  | -                                      |
| Fulbright Foreign Language Teachers Assistant                               |                           | 21851                         | S-LY800-16-GR-007     | 13,063                  | -                                      |
| Skills for Success 16   |                           | 21489                         | S-EG-300-16-GR038     | 11,630                  | -                                      |
| Fulbright ITP Testing   |                           | 21913                         | SIZ-100-17-GR031      | 11,339                  | -                                      |
| Conversational English for Alumni Program                                   |                           | 21874                         | S-EG-300-16-GR-032    | 10,055                  | -                                      |
| Am Corner Sousse FY17   |                           | 21920                         | S-TS-800-17-GR-0077   | 10,043                  | -                                      |
| Camp Stand By Me  |                           | 21942                         | STS80018GR0009        | 9,966                   | -                                      |
| EL for Journalists  |                           | 21928                         | S-EG-300-17-GR-0062   | 8,640                   | -                                      |
| US EmbassyCairo-ACCESS Pipeline   |                           | 21317                         | S-EG-300-13-GR-038    | 5,091                   | -                                      |
| Teaching Excellence. and Achievement Program                                |                           | 21907                         | S-EG-300-17-GR-019    | 4,974                   | -                                      |
| International Leaders in Education Program                                  |                           | 21908                         | S-EG-300-17-GR-018    | 4,777                   | -                                      |

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

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2018**

| Federal Grantor/Program Title/Grant Name                            | Federal CFDA Number | AMIDEAST Project Number | Grant/Contract Number | Federal Expenditures | Amount Provided to Subrecipients |
|---|---------------------|-------------------------|-----------------------|----------------------|----------------------------------|
| English for Governance  |                     | 21905                   | S-TS-800-17-GR-0057   | \$ 4,377             | \$ -                             |
| Skills for Success 2  |                     | 21948                   | S-LY-800-18-GR-002    | 2,943                | -                                |
| Key Influencers Tunisia   |                     | 21904                   | S-TS800-17-GR-0052    | 2,918                | -                                |
| Teach Excel&Achieve Prog  |                     | 21938                   | SEG300118GR0020       | 1,500                | -                                |
| Camp Discovery 17   |                     | 21901                   | S-IS400-17-GR-0011    | 1,439                | -                                |
| PalstudyUSA   |                     | 21949                   | S-IS400-18-GR-0048    | 933                  | -                                |
| Camp Discovery Tunisia  |                     | 21909                   | S-TS-800-17-GR-0063   | 658                  | -                                |
| Amer. English Scholars Pr   |                     | 21121                   | SIS40018GR0024        | 602                  | -                                |
| Gaza Grad Study PG  |                     | 21930                   | S-IS400-18-GR-0002    | 589                  | -                                |
| English Language for Journalists 2016                               |                     | 21204                   | STS80015GB027PDPR03   | 144                  | -                                |
| EdUSA FY16 Tunis Program  |                     | 21886                   | STS80016GR073PDPR03   | 135                  | -                                |
| TechCamp Libya FY16   |                     | 21225                   | S-LY800-16-GR-001     | 114                  | -                                |
| English Language Training Conference Jordan                         |                     | 21919                   | S-JO-100-17-GR053     | (15)                 | -                                |
| US Embassy Egypt/English Access Microscholarship Program            |                     | 21302                   | S-EG-300-11-GR081     | (20)                 | -                                |
| Libyan Scouts Train Event   |                     | 21911                   | S-Ly800-17-GR-003     | (32)                 | -                                |
| David Bohlke Workshop Program                                       |                     | 21895                   | SIZ-100-17-GR002      | (47)                 | -                                |
| Chris Hastings Logistics  |                     | 21912                   | SIZ-100-17-GR030      | (49)                 | -                                |
| Tech Camp Conferences   |                     | 21214                   | STS80015GB053PDPR03   | (109)                | -                                |
| Rural Teach Train.Prog IV   |                     | 21100                   | S-YE-700-14-GR-019    | (134)                | -                                |
| Professional Certificate in English Language (PCELT) Libya Training |                     | 21233                   | S-LY800-16-GR-002     | (191)                | -                                |
| US Embassy Grants-Training  |                     | 21303                   | Various               | (237)                | -                                |
| Libya PCELT 2 Program   |                     | 21872                   | SLY80016GR008         | (292)                | -                                |
| Professional Certificate in English Language (PCELT) for Gaza 2015  |                     | 21111                   | S-IS400-15-GR-0063    | (542)                | -                                |
| US Embassies-English Language grants                                |                     | 21203                   | Various               | (2,703)              | -                                |
|   |                     |                         |                       | <u>1,834,801</u>     | <u>382,650</u>                   |
| Passed through:   |                     |                         |                       |                      |                                  |
| Access Alumni Jordan II   |                     | 40706                   | S-ECAGD-14-CA-1167-A  | 9,684                | -                                |
|   |                     |                         |                       | <u>1,844,485</u>     | <u>382,650</u>                   |
| Academic Exchange Programs – Graduate Students                      | 19.400              |                         |                       |                      |                                  |
| Direct award:   |                     |                         |                       |                      |                                  |
| USDOS Fulbright FY18  |                     | 20215                   | S-ECAGD-18-CA-1004    | 3,641,047            | -                                |
| Fulbright FY17  |                     | 20206                   | S-ECAGD-17-CA-1009    | 2,718,925            | 30,112                           |
| Fulbright FY16  |                     | 20202                   | S-ECAGD-16-CA-1002    | 1,241,182            | -                                |
| USDOS/Fulbright FY15  |                     | 20319                   | S-ECAGD-15-CA-1019    | 553,594              | -                                |
| USDOS/Fulbright FY14  |                     | 20316                   | S-ECAGD-14-CA-1016    | 185,784              | -                                |
| USDOS/Fulbright FY12  |                     | 20226                   | S-ECAAE-12-CA-006(SS) | (792)                | -                                |
| USDOS/Fulbright FY 2013   |                     | 20306                   | S-ECAGD-13-CA-028(SS) | (6,606)              | -                                |
|   |                     |                         |                       | <u>8,333,134</u>     | <u>30,112</u>                    |
| Academic Exchange Programs – English Language Programs:             | 19.421              |                         |                       |                      |                                  |
| Direct award:   |                     |                         |                       |                      |                                  |
| Key Influence Scholar 2018  |                     | 21946                   | STS80018GR0012        | 1,935                | -                                |
| English Governance 2018   |                     | 21945                   | STS80018GR0011        | 1,195                | -                                |
| Passed through:   |                     |                         |                       |                      |                                  |
| FHI360:   |                     |                         |                       |                      |                                  |
| Access FY15   |                     | 40209                   | S-ECAGD-15CA-1130     | 2,123,220            | 5,220                            |
| Access FY16   |                     | 40212                   | S-ECAGD-15CA-1130     | 1,957,882            | -                                |
| FHI360 FY14 Access  |                     | 40686                   | S-ECAGD-14CA1167A001  | 395,634              | -                                |
| ACCESS IT Teacher Training FY14                                     |                     | 40215                   | SECAGD14CA1167A001    | 44,080               | -                                |
| English Acc Microscholar  |                     | 40710                   | SECAGD14CA1167A002    | 30,973               | -                                |
| ACCESS FY17   |                     | 40003                   | S-ECAGD-17-CA-1065    | 24,505               | -                                |
| Access MicroScholar FY14  |                     | 40709                   | SECAGD14CA1167A002    | 12,588               | -                                |
| FHI360 FY13 Access  |                     | 40698                   | S-ECAGD-13-CA-180(DT) | (118)                | -                                |
|   |                     |                         |                       | <u>4,591,894</u>     | <u>5,220</u>                     |

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2018**

| Federal Grantor/Program Title/Grant Name                         | Federal<br>CFDA<br>Number | AMIDEAST<br>Project<br>Number | Grant/Contract Number | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients |
|--|---------------------------|-------------------------------|-----------------------|-------------------------|--|
| Academic Exchange Programs –                                     | 19.432                    |                               |                       |                         |  |
| Educational Advising and Student Services:                       |                           |                               |                       |                         |  |
| Direct award:  |                           |                               |                       |                         |  |
| FY16 Advising Grant  |                           | 20303                         | S-ECAGD-16-CA-1013    | \$ 697,116              | \$ -                                   |
| Education USA Strategic Fund FY17                                |                           | 21936                         | S-EG300-17-GR-0032    | 7,526                   | -                                      |
|  |                           |                               |                       | <u>704,642</u>          | <u>-</u>                               |
| Middle East Partnership Initiative:                              | 19.500                    |                               |                       |                         |  |
| Direct award:  |                           |                               |                       |                         |  |
| Abe Lincoln II   |                           | 20786                         | S-NEAAC-15-CA-1073    | 107,538                 | -                                      |
| USDOS/MEPI- Tomorrows Leaders                                    |                           | 20203                         | S-NEAAC-15-CA-1073    | (19)                    | -                                      |
| Tomorrows Leaders 2016   |                           | 20212                         | S-NEAAC-16-CA-1046    | (7,899)                 | -                                      |
|  |                           |                               |                       | <u>99,620</u>           | <u>-</u>                               |
| Professional and Cultural Exchange Programs – Citizen Exchanges  | 19.415                    |                               |                       |                         |  |
| Passed through:  |                           |                               |                       |                         |  |
| American Councils for International Education:                   |                           |                               |                       |                         |  |
| Youth Exchange and Study AY18-19 Inbound                         |                           | 40213                         | S-ECAGD-17-CA-1074    | 824,846                 | -                                      |
| Youth Exchange and Study 15 Program Academic Year17-18           |                           | 40207                         | S-ECAGD-15-CA-1113    | 564,346                 | 225                                    |
| American Council for International Education NSLI FY19           |                           | 40205                         | S-ECAGD-17-CA-1053    | 442,343                 | -                                      |
| American Council for International Education YES14               |                           | 40204                         | S-ECAGD-15-CA-1113    | 302,288                 | 3,240                                  |
| American Council for International Education-National Security   |                           |                               |                       |                         |  |
| Language Initiative for Youth (NSLI) 17-18                       |                           | 40208                         | S-ECAGD-16-CA-1077    | 292,568                 | -                                      |
| KSA Youth Exchange and Study FY17                                |                           | 40001                         | S-ECAGD-17-CA-1074    | 83,441                  | -                                      |
| American Councils for International Education -National Security |                           |                               |                       |                         |  |
| Language Initiative for Youth (NSLI) 16-17                       |                           | 40700                         | 2013-M-3              | (12,538)                | -                                      |
| Youth Exchange & Study 13  |                           | 40692                         | S-ECAGD-14-CA-1086    | (60,634)                | -                                      |
| Legacy International:  |                           |                               |                       |                         |  |
| Legacy Professional Fellows Program 3                            |                           | 40211                         | S-ECAGD-16-CA-1087    | 9,220                   | -                                      |
| Legacy Professional Fellows Program 4 - Lebanon                  |                           | 40221                         | S-ECAGD-17-CA-1081    | 8,801                   | -                                      |
| Legacy Professional Fellows Program 2                            |                           | 40206                         | S-ECAGD-15-CA-1119    | 5,951                   | -                                      |
| Legacy Professional Fellows Program 4 - Libya                    |                           | 40222                         | S-ECAGD-17-CA-1081    | 5,506                   | -                                      |
|  |                           |                               |                       | <u>2,466,138</u>        | <u>3,465</u>                           |
| Educational and Cultural Exchange Programs:                      |                           |                               |                       |                         |  |
| Direct award:  | 19.022                    |                               |                       |                         |  |
| FY17 EdUSA Outreach  |                           | 21902                         | S-LE200-17-CA-012     | 13,600                  | -                                      |
| EdUSA FY17 Support Tunisia                                       |                           | 21914                         | S-TS-800-17-GR-0055   | 9,256                   | -                                      |
| FY16 EdUSA Outreach  |                           | 21876                         | S-LE200-16-CA-007     | 8,812                   | -                                      |
| EDUSA Strategic Funds FY16                                       |                           | 21850                         | S-FG-300-16-GR-036    | 2,348                   | -                                      |
|  |                           |                               |                       | <u>34,016</u>           | <u>-</u>                               |
| Academic Exchange Programs - Teachers:                           | 19.408                    |                               |                       |                         |  |
| Passed through:  |                           |                               |                       |                         |  |
| American Councils for International Education:                   |                           |                               |                       |                         |  |
| Teachers of Critical Languages Program (TCLP)                    |                           | 40218                         | ECA-ECAAS-18-001      | 15,452                  | -                                      |
| Teachers of Critical Languages Program (TCLP)                    |                           | 40649                         | Various               | 292                     | -                                      |
|  |                           |                               |                       | <u>15,744</u>           | <u>-</u>                               |
| Global Counterterrorism Programs                                 |                           |                               |                       |                         |  |
| Direct award:  | 19.701                    |                               |                       |                         |  |
| Critical Thinking  |                           | 21863                         | STS80016GR077PDP03    | 30,086                  | -                                      |
| BLADI  |                           | 20323                         | SLMAQM18CA2032        | 8,543                   | -                                      |
|  |                           |                               |                       | <u>38,629</u>           | <u>-</u>                               |

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2018**

| Federal Grantor/Program Title/Grant Name       | Federal<br>CFDA<br>Number | AMIDEAST<br>Project<br>Number | Grant/Contract Number | Federal<br>Expenditures | Amount<br>Provided to<br>Subrecipients |
|--|---------------------------|-------------------------------|-----------------------|-------------------------|--|
| Public Diplomacy Programs                      |                           |                               |                       |                         |  |
| Direct award:                                  | 19.040                    |                               |                       |                         |  |
| ACCESS FY16 III                                |                           | 40220                         | SJO10017GR067         | \$ 62,093               | \$ -                                   |
| English Language Initiative Algeria            |                           | 21906                         | S-AG100-17-CA001      | 49,697                  | -                                      |
| YES Alumni Seminar                             |                           | 21932                         | SMO55017GR0091        | 30,453                  | -                                      |
| ACCESS FY16 II                                 |                           | 40219                         | SJO10017GR058         | 28,627                  | -                                      |
| Access FY13 Alumni Jordan                      |                           | 21917                         | S-JO-100-17-GR-044    | 17,703                  | -                                      |
| Eng Lang Olympics                              |                           | 21937                         | SJO10018GR014         | 15,585                  | -                                      |
| El Olympics Access                             |                           | 21940                         | S-JO-100-18-GR-041    | 6,421                   | -                                      |
| Jordan Access II FY16 Enh                      |                           | 21944                         | S-JO-100-17-GR060     | 4,989                   | -                                      |
| Access Devpt Conference                        |                           | 21941                         | S-JO-100-18-GR-056    | 4,000                   | -                                      |
| EdUSA Mor Travl OutRch                         |                           | 21933                         | SMO55017GR0056        | 1,643                   | -                                      |
|  |                           |                               |                       | <u>221,211</u>          | <u>-</u>                               |
| Bureau of Near Eastern Affairs                 |                           |                               |                       |                         |  |
| Direct award:                                  | 19.600                    |                               |                       |                         |  |
| Nahdhat Shabab Yemen Program                   |                           | 20785                         | S-NEAAC-17-GR-1026    | 503,483                 | -                                      |
| Tomorrows Leaders VII                          |                           | 20213                         | S-NEAAC-17-CA-1029    | 554,276                 | -                                      |
| MEPI/GU Capstone Seminar                       |                           | 40002                         | S-NEAAC-17-CA-1016    | 42,644                  | -                                      |
|  |                           |                               |                       | <u>1,100,403</u>        | <u>-</u>                               |
| <b>Total United States Department of State</b> |                           |                               |                       | <u>19,449,916</u>       | <u>421,447</u>                         |
| <b>Total expenditures of federal awards</b>    |                           |                               |                       | <u>\$ 32,128,089</u>    | <u>\$ 1,250,572</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, 2018. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenses in prior years.

#### **Note 3. Indirect Cost Rate**

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 Findings and Questioned Costs  
Year Ended September 30, 2018**

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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?
- Significant deficiency(ies) identified?

|                   |                     |
|-------------------|---------------------|
| _____ Yes         | _____ X _____ No    |
| _____ X _____ Yes | _____ None reported |

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      \_\_\_\_\_ X \_\_\_\_\_ No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

|           |                             |
|-----------|-----------------------------|
| _____ Yes | _____ X _____ No            |
| _____ 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:

Name of Federal Program or Cluster

CFDA Numbers(s)

Investing in People in the Middle East and North Africa  
Academic Exchange Programs – Graduate Students  
Bureau of Near Eastern Affairs

19.021  
19.400  
19.600

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

\$ 963,843

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, 2018**

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**Section II. Financial Statement Findings**

**Significant Deficiency in Internal Control Over Financial Reporting**

**Finding 2018-001: Financial Statement Closing Process**

**Criteria:** In accordance with the Uniform Grant 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 (COSO) of the Treadway Commission framework, although not a legal requirement, provides best practices for non-public entities for the five components of internal control, including control activities.

**Condition and context:** During our audit, there was a significant entry posted to increase revenue and investments resulting in a significant adjustment in the change in net assets.

**Cause:** Accounting staff was aware of the discrepancy in investments during the year and was awaiting on the investment advisor to provide information. However, there was significant timing lapse between the time the investments should have been adjusted and when the adjustment was made.

**Effect:** Without recording all transactions and journal entries into the accounting system timely to ensure financial statements are in accordance with generally accepted accounting principles (GAAP), management may not have a complete status of financial activities at year-end.

**Repeat Finding:** Yes

**Recommendation:** We recommend that management implement policies and procedures to record all transactions and journal entries timely into the accounting system, 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 correction action plan.

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

**Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2018**

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**Finding 2017-001: Financial Statement Preparation and Closing Process**

**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 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:** Finding repeated. See Finding 2018-001

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

**Management's Response to Findings and Corrective Action  
Year Ended September 30, 2018**

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**HEADQUARTERS**

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**Management response Finding 2018-001**

In Response to the investment entry, though unusual, the one investment entry was booked late due to a delay in receiving a response from the broker. Management was aware of the discrepancy but took a conservative approach, not recognizing the revenue, until the purchase price confirmation was received. In the future, we will insist follow-up and responses are done on a timely basis. Additionally, all communications and interactions with the broker will be in writing and documented. This process will allow timely entries and a clear understanding of transactions.

Management has devoted significant time and attention to reconciling all accounts on the statement of financial position in a timely manner. In addition to the work done in each field office, HQ and the Regional Finance Team meet on a monthly basis to review these accounts and ensure reconciliations are done in a timely manner. An aggressive effort has been made to investigate and clean up old balances. Older transactions without proper documents are written off. The CFO, Regional Finance and field office staff also have monthly meetings that involve sharing information, providing updates and trainings; often guest speakers are invited to provide clarity on specific topics requested by field office staff. Discussions include multiple topics that impact finance staff, including the coordination of month-end close, annual budget process, the importance of timely and accurate financial data, reconciliations, and inventory issues, etc. Our internal auditor travels to multiple field offices each year to perform internal audits that conform with COSO. The internal audits are thorough and related reports are comprehensive, including comments by both finance staff and the Country Director.

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

Financial Report  
September 30, 2018

## Contents

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RSM US LLP

## Independent Auditor's Report

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

### 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, 2018, 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, 2018, 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 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, 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 March 26, 2019, 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.  
March 26, 2019

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

**Statement of Financial Position  
September 30, 2018  
(With Comparative Totals for 2017)**

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Cash and cash equivalents                              | \$ 3,276,084         | \$ 2,514,665         |
| Receivables, net                                       | 5,477,150            | 10,891,732           |
| Prepaid expenses and other                             | 1,938,291            | 1,619,031            |
| Inventory, net   | 507,024              | 559,522              |
| Investments  | 16,108,474           | 14,481,426           |
| Property and equipment, net                            | 1,505,281            | 1,910,322            |
|  | <u>\$ 28,812,304</u> | <u>\$ 31,976,698</u> |
| <b>Liabilities and Net Assets</b>                      |                      |                      |
| Liabilities:   |                      |                      |
| Accounts payable                                       | \$ 4,469,303         | \$ 5,360,315         |
| Accrued expenses                                       | 2,568,526            | 2,661,537            |
| Severance payable                                      | 2,367,034            | 2,127,162            |
| Deferred revenue                                       | 804,398              | 3,845,421            |
| Capital lease obligations                              | 103,288              | 144,093              |
| Deferred rent  | 1,653,145            | 1,754,874            |
|  | <u>11,965,694</u>    | <u>15,893,402</u>    |
| Commitments and contingencies (Notes 9, 11, 12 and 13) |                      |                      |
| Net assets:  |                      |                      |
| Unrestricted:  |                      |                      |
| Undesignated   | 945,778              | 825,382              |
| Board designated endowment                             | 14,083,369           | 12,544,806           |
|  | <u>15,029,147</u>    | <u>13,370,188</u>    |
| Temporarily restricted                                 | 1,817,463            | 2,713,108            |
|  | <u>16,846,610</u>    | <u>16,083,296</u>    |
|  | <u>\$ 28,812,304</u> | <u>\$ 31,976,698</u> |

See notes to financial statements.

America-Mideast Educational and Training Services, Inc.

**Statement of Activities**  
**Year Ended September 30, 2018**  
**(With Comparative Totals for 2017)**

|                                       | 2018              |                           |                   | 2017<br>Total     |
|---------------------------------------|-------------------|---------------------------|-------------------|-------------------|
|                                       | Unrestricted      | Temporarily<br>Restricted | Total             |                   |
| Support and revenue:                  |                   |                           |                   |                   |
| Grants and contracts                  | \$ 43,890,700     | \$ -                      | \$ 43,890,700     | \$ 43,572,461     |
| Fees for services                     | 18,669,411        | -                         | 18,669,411        | 20,587,876        |
| Contributions                         | 2,348,276         | 568,971                   | 2,917,247         | 1,629,013         |
| Investment income                     | 782,066           | -                         | 782,066           | 1,464,891         |
| Other                                 | 42,208            | -                         | 42,208            | 14,899            |
| Net assets released from restrictions | 1,464,616         | (1,464,616)               | -                 | -                 |
| <b>Total support and revenue</b>      | <b>67,197,277</b> | <b>(895,645)</b>          | <b>66,301,632</b> | <b>67,269,140</b> |
| Expenses:                             |                   |                           |                   |                   |
| Program services:                     |                   |                           |                   |                   |
| Field offices                         | 37,926,518        | -                         | 37,926,518        | 37,475,040        |
| Exchange programs                     | 13,982,175        | -                         | 13,982,175        | 15,271,528        |
| Other programs                        | 1,057,881         | -                         | 1,057,881         | 1,429,953         |
| <b>Total program services</b>         | <b>52,966,574</b> | <b>-</b>                  | <b>52,966,574</b> | <b>54,176,521</b> |
| Supporting services                   | 12,571,744        | -                         | 12,571,744        | 11,799,306        |
| <b>Total expenses</b>                 | <b>65,538,318</b> | <b>-</b>                  | <b>65,538,318</b> | <b>65,975,827</b> |
| <b>Change in net assets</b>           | <b>1,658,959</b>  | <b>(895,645)</b>          | <b>763,314</b>    | <b>1,293,313</b>  |
| Net assets:                           |                   |                           |                   |                   |
| Beginning                             | 13,370,188        | 2,713,108                 | 16,083,296        | 14,789,983        |
| Ending                                | \$ 15,029,147     | \$ 1,817,463              | \$ 16,846,610     | \$ 16,083,296     |

See notes to financial statements.

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

**Statement of Functional Expenses  
Year Ended September 30, 2018  
(With Comparative Totals for 2017)**

|  | Program Services     |                      |                     |                              | Supporting Services      |                               | 2018<br>Total        | 2017<br>Total        |
|--|----------------------|----------------------|---------------------|------------------------------|--------------------------|-------------------------------|----------------------|----------------------|
|  | Field<br>Offices     | Exchange<br>Programs | Other<br>Programs   | Total<br>Program<br>Services | Headquarters<br>Overhead | General and<br>Administrative |                      |                      |
| Salaries                               | \$ 7,205,358         | \$ 1,134,706         | \$ 594,381          | \$ 8,934,445                 | \$ 49,410                | \$ 5,918,010                  | \$ 14,901,865        | \$ 14,468,301        |
| Benefits                               | 1,997,743            | 310,479              | 153,351             | 2,461,573                    | 13,523                   | 1,747,235                     | 4,222,331            | 4,520,969            |
| <b>Total salaries<br/>and benefits</b> | <b>9,203,101</b>     | <b>1,445,185</b>     | <b>747,732</b>      | <b>11,396,018</b>            | <b>62,933</b>            | <b>7,665,245</b>              | <b>19,124,196</b>    | <b>18,989,270</b>    |
| Participant and student                | 7,792,348            | 12,181,410           | 137,852             | 20,111,610                   | 4,530                    | -                             | 20,116,140           | 20,731,970           |
| Consulting and professional services   | 4,203,734            | 150                  | 47,704              | 4,251,588                    | 40,414                   | 1,092,818                     | 5,384,820            | 5,365,831            |
| Occupancy                              | 4,117,209            | -                    | -                   | 4,117,209                    | 798,822                  | -                             | 4,916,031            | 4,712,058            |
| Other pass through*                    | 4,535,658            | -                    | 21,066              | 4,556,724                    | -                        | -                             | 4,556,724            | 4,465,754            |
| Furniture, equipment and software      | 3,405,388            | -                    | 395                 | 3,405,783                    | 55,488                   | -                             | 3,461,271            | 2,920,349            |
| Subcontracts and subagreements         | 1,481,776            | 30,112               | -                   | 1,511,888                    | -                        | -                             | 1,511,888            | 2,001,792            |
| Office expense                         | 1,089,170            | 1,321                | 8,883               | 1,099,374                    | 370,599                  | -                             | 1,469,973            | 1,528,389            |
| Travel                                 | 438,210              | 41,376               | 56,197              | 535,783                      | 944                      | 277,587                       | 814,314              | 946,399              |
| Depreciation and amortization          | 198,390              | -                    | -                   | 198,390                      | 272,881                  | -                             | 471,271              | 344,939              |
| Telecommunications                     | 111,537              | 6,193                | 1,184               | 118,914                      | 402                      | 342,293                       | 461,609              | 452,654              |
| Printing, postage and delivery         | 245,309              | 23,838               | 6,750               | 275,897                      | 95                       | 65,955                        | 341,947              | 305,449              |
| Conferences and meetings               | 185,618              | 8,149                | 12,080              | 205,847                      | -                        | 62,710                        | 268,557              | 280,620              |
| Miscellaneous                          | 919,070              | 244,441              | 18,038              | 1,181,549                    | 117,156                  | 1,340,872                     | 2,639,577            | 2,930,353            |
| <b>Total other costs</b>               | <b>28,723,417</b>    | <b>12,536,990</b>    | <b>310,149</b>      | <b>41,570,556</b>            | <b>1,661,331</b>         | <b>3,182,235</b>              | <b>46,414,122</b>    | <b>46,986,557</b>    |
| <b>Total</b>                           | <b>\$ 37,926,518</b> | <b>\$ 13,982,175</b> | <b>\$ 1,057,881</b> | <b>\$ 52,966,574</b>         | <b>\$ 1,724,264</b>      | <b>\$ 10,847,480</b>          | <b>\$ 65,538,318</b> | <b>\$ 65,975,827</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, 2018**  
**(With Comparative Totals for 2017)**

|   | 2018               | 2017             |
|---|--------------------|------------------|
| Cash flows from operating activities:   |                    |                  |
| Change in net assets  | \$ 763,314         | \$ 1,293,313     |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                    |                  |
| Depreciation and amortization   | 471,271            | 344,939          |
| Unrealized and realized gains on investments, net   | (484,921)          | (1,163,258)      |
| Increase (decrease) in allowance for inventory obsolescence   | 27,739             | (84,187)         |
| Discount on promises to give  | (7,766)            | (7,766)          |
| (Decrease) increase in provision for doubtful accounts  | (116,595)          | 17,012           |
| Deferred rent   | (101,729)          | (80,684)         |
| Changes in net assets and liabilities:  |                    |                  |
| (Increase) decrease in:   |                    |                  |
| Receivables   | 5,531,177          | (210,237)        |
| Promises to give  | 7,766              | 188,845          |
| Prepaid expenses and other  | (319,260)          | 264,741          |
| Inventory   | 24,759             | 219,876          |
| Increase (decrease) in:   |                    |                  |
| Accounts payable  | (891,012)          | (174,818)        |
| Accrued expenses  | (93,011)           | 97,062           |
| Severance payable   | 239,872            | 131,194          |
| Deferred revenue  | (3,041,023)        | (1,459,579)      |
| <b>Net cash provided by (used in) operating activities</b>  | <b>2,010,581</b>   | <b>(623,547)</b> |
| Cash flows from investing activities:   |                    |                  |
| Purchases of investments  | (7,724,922)        | (3,739,500)      |
| Proceeds from sale of investments   | 6,582,795          | 3,528,572        |
| Purchases of property and equipment   | (66,230)           | (98,412)         |
| <b>Net cash used in investing activities</b>  | <b>(1,208,357)</b> | <b>(309,340)</b> |
| Cash flows from financing activities:   |                    |                  |
| Principal payments under capital lease obligations  | (40,805)           | (63,586)         |
| <b>Net cash used in financing activities</b>  | <b>(40,805)</b>    | <b>(63,586)</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>761,419</b>     | <b>(996,473)</b> |
| Cash and cash equivalents:  |                    |                  |
| Beginning   | 2,514,665          | 3,511,138        |
| Ending  | \$ 3,276,084       | \$ 2,514,665     |
| Supplemental disclosure of cash flow information:   |                    |                  |
| Cash payments for interest  | \$ 8,442           | \$ 36,247        |

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 net assets as of September 30, 2018.

**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 \$2.9 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2018.

**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 \$1.8 million at September 30, 2018, 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, 2018, was \$450,400.

**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, 2018, was \$216,253.

**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 recorded as a component of investment income on the statement of activities.

**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.

**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.

## 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)

**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.

**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, 2018; 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 2015.

**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, 2017, from which the summarized information was derived.

## 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)

**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. 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.

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.

## 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 June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU should assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in the ASU likely will result in more grants and contracts being accounted for as either contributions or conditional contributions than observed in practice under current guidance. The amendments in the ASU should be applied on a modified prospective basis, although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Entities should apply the amendments for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. AMIDEAST is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

**Subsequent events:** AMIDEAST evaluated subsequent events through March 26, 2019, which is the date the financial statements were available to be issued.

#### Note 2. Receivables

Receivables at September 30, 2018, consist of the following:

|  |                            |
|--|----------------------------|
| Reimbursable expenditures under contracts and grants | \$ 4,344,718               |
| Field office fee for service                         | 1,216,775                  |
| Testing  | 215,406                    |
| Staff/consultant                                     | 133,349                    |
| Other  | <u>17,302</u>              |
|  | 5,927,550                  |
| Less provision for doubtful accounts                 | <u>450,400</u>             |
|  | <u><u>\$ 5,477,150</u></u> |

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

### Notes to Financial Statements

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#### Note 3. Investments

Investments at September 30, 2018, consist of the following:

|                       |                      |
|-----------------------|----------------------|
| Common stock          | \$ 7,772,444         |
| Cash/money market     | 3,233,885            |
| Corporate bonds       | 2,392,559            |
| Government securities | 1,773,467            |
| Mutual funds          | 936,119              |
|                       | <u>\$ 16,108,474</u> |

The investments detailed above include \$14,083,369 of a board designated endowment fund (Note 7).

Investment gain for the year ended September 30, 2018, consists of the following:

|                                   |                   |
|-----------------------------------|-------------------|
| Unrealized and realized gains net | \$ 484,921        |
| Interest and dividends            | 297,145           |
|                                   | <u>\$ 782,066</u> |

#### Note 4. Property and Equipment

Property and equipment and accumulated depreciation at September 30, 2018, and depreciation expense for the year ended September 30, 2018, are as follows:

| Asset Category          | Estimated Useful Lives | Cost                | Accumulated Depreciation | Net                 | Depreciation and Amortization Expense |
|-------------------------|------------------------|---------------------|--------------------------|---------------------|---------------------------------------|
| Furniture and equipment | 3-10 years             | \$ 622,202          | \$ 405,973               | \$ 216,229          | \$ 213,170                            |
| Leasehold improvements  | Life of lease          | 2,473,566           | 1,184,514                | 1,289,052           | 258,101                               |
|                         |                        | <u>\$ 3,095,768</u> | <u>\$ 1,590,487</u>      | <u>\$ 1,505,281</u> | <u>\$ 471,271</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 1.125% and is secured by AMIDEAST's investment portfolio assets. AMIDEAST had no outstanding debt balance at September 30, 2018.

#### Note 6. Accrued Expenses

Accrued expenses at September 30, 2018, consist of the following:

|                  |                     |
|------------------|---------------------|
| Vacation         | \$ 916,530          |
| Payroll benefits | 746,606             |
| Other            | 905,390             |
|                  | <u>\$ 2,568,526</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 | \$ 12,544,806        |
| Contributions/designations              | 932,627              |
| Investment return:                      |                      |
| Investment income, net of fees          | 180,127              |
| Net realized and unrealized gain        | 425,809              |
| Total investment income                 | <u>605,936</u>       |
| Endowment net assets, end of year       | <u>\$ 14,083,369</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, 2018, were as follows:

|                                       | Balance<br>September 30,<br>2017 | Additions         | Released            | Balance<br>September 30,<br>2018 |
|---------------------------------------|----------------------------------|-------------------|---------------------|----------------------------------|
| Purpose restricted:                   |                                  |                   |                     |                                  |
| Arab Heritage Fund                    | \$ 844,665                       | \$ -              | \$ -                | \$ 844,665                       |
| David Mize Scholarship                | 303,384                          | -                 | -                   | 303,384                          |
| Barja                                 | -                                | 100,000           | -                   | 100,000                          |
| Hope Fund Administration              | 221,525                          | 413,936           | 548,710             | 86,751                           |
| ALAB                                  | 84,449                           | -                 | -                   | 84,449                           |
| Kyali Grant                           | 65,205                           | -                 | -                   | 65,205                           |
| Cisco                                 | 182,512                          | -                 | 125,439             | 57,073                           |
| Gaza Support                          | 48,732                           | -                 | -                   | 48,732                           |
| Occidental                            | 47,590                           | -                 | -                   | 47,590                           |
| Yeman Emergency Student Support Fund  | 31,425                           | -                 | -                   | 31,425                           |
| Fulbright Alumni Association          | 29,907                           | -                 | -                   | 29,907                           |
| Other                                 | 69,801                           | -                 | -                   | 69,801                           |
| English and Technology Project        | 24,659                           | -                 | -                   | 24,659                           |
| Egypt 50th Anniversary                | 23,822                           | -                 | -                   | 23,822                           |
| Diana Kamal Scholarship Fund          | 416,060                          | -                 | 416,060             | -                                |
| Norwegian Ministry of Foreign Affairs | 110,551                          | -                 | 110,551             | -                                |
| Pepsico                               | 100,000                          | -                 | 100,000             | -                                |
| PCELT Pilot                           | 80,634                           | -                 | 80,634              | -                                |
| Chevron                               | 28,187                           | 55,035            | 83,222              | -                                |
|                                       | <u>\$ 2,713,108</u>              | <u>\$ 568,971</u> | <u>\$ 1,464,616</u> | <u>\$ 1,817,463</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, 2018, were \$262,421.

#### 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, 2018.

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                | \$ 3,233,885         | \$ 3,233,885         | \$ -                | \$ -        |
| Common stock:               |                      |                      |                     |             |
| Financial                   | 2,605,403            | 2,605,403            | -                   | -           |
| Technology                  | 1,839,957            | 1,839,957            | -                   | -           |
| Services                    | 1,201,167            | 1,201,167            | -                   | -           |
| Consumer goods              | 1,150,615            | 1,150,615            | -                   | -           |
| Healthcare                  | 637,136              | 637,136              | -                   | -           |
| Basic materials             | 272,684              | 272,684              | -                   | -           |
| Industrial goods            | 65,482               | 65,482               | -                   | -           |
| Bonds:                      |                      |                      |                     |             |
| Corporate bonds             | 2,392,559            | -                    | 2,392,559           | -           |
| Government securities       | 1,773,467            | -                    | 1,773,467           | -           |
| Mutual funds:               |                      |                      |                     |             |
| Equity energy               | 530,180              | 530,180              | -                   | -           |
| Commodities precious metals | 209,169              | 209,169              | -                   | -           |
| Europe stock                | 196,770              | 196,770              | -                   | -           |
|                             | <u>\$ 16,108,474</u> | <u>\$ 11,942,448</u> | <u>\$ 4,166,026</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 \$1,653,145 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, 2018, was approximately \$3,645,172.

## 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: |                      |
| 2019                       | \$ 2,483,170         |
| 2020                       | 2,141,952            |
| 2021                       | 1,650,942            |
| 2022                       | 1,197,352            |
| 2023                       | 1,226,151            |
| Thereafter                 | 3,278,587            |
|                            | <u>\$ 11,978,154</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:

|                           |                   |
|---------------------------|-------------------|
| Year ending September 30: |                   |
| 2019                      | \$ 113,320        |
|                           | <u>\$ 113,320</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, 2018, approximately 50% of AMIDEAST's support and revenue and 69% 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.