

Amideast, Inc.

Uniform Guidance
Supplementary Financial Report
Year Ended September 30, 2022

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RSM US LLP

**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

Board of Directors
Amideast, 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 (*Government Auditing Standards*), the financial statements of Amideast, Inc. (Amideast), which comprise the statement of financial position as of September 30, 2022, 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 22, 2023.

Report on 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) as a basis for designing 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in schedule of findings and questioned costs as item 2022-01 that we consider to be a significant deficiency.

Report on 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 financial statements. 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*.

Amideast's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Amideast's response to the finding identified in our audit and described in the accompanying the schedule of findings and questioned costs. Amideast's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 22, 2023



RSM US LLP

**Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance; and Report on
Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

Independent Auditor's Report

Board of Directors
Amideast, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Amideast, Inc. (Amideast) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Amideast's major federal programs for the year ended September 30, 2022. Amideast's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Amideast complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Amideast and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Amideast's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Amideast's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Amideast's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Amideast's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Amideast's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Amideast's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Amideast's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022 and have issued our report thereon dated March 22, 2023, 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 expenditures 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 22, 2023

Amideast, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022**

Federal Grantor/Program Title/Grant Name	Assistance Listing Number	Grant/Contract Number	Federal Expenditures	Amounts to Subrecipients
United States Agency for International Development				
USAID Foreign Assistance for Programs Overseas:	98.001			
Direct award:				
Higher Education Initiative (HEI)-Public University Egypt USAID/Pal.Fac.Dev.Program		AID-263-A-15-00018 294-A-00-05-00234-00	\$ 4,702,067 (3,563)	\$ 136,440 -
Total United States Agency for International Development			4,698,504	136,440
United States Department of State				
Investing in People in the Middle East and North Africa:	19.021			
Direct award:				
GazaEdUSA Scholar2020		SIS50020GR0005	21,600	-
Distance Advis Libya FY20		SLY80020GR0001	60,793	-
EFMC Erbil		SIZ10020CA0005	133,003	-
EFMC Baghdad		SIZ10020CA0004	138,329	-
America House FY21		SIS50020CA0048	33,980	-
America House FY21Admin		SIS50020CA0049	88,232	-
Access Inspire II		SJO10020CA0073	116,528	-
AMAL@AMIDEAST		SYE70020GR0002	47,290	-
Civil Society Mini-Grants		SYE70020GR0003	57,762	-
AC Sousse FY20		STS80020GR0046	13,662	-
PCELT Libya 2021		SLY80020GR0005	40,210	-
US Univ Readiness Prog		STC10020CA0037	28,366	-
YEP RAK City & YEP Al Jaz		STC10020GR0031	41,738	-
AMAL KSA		SYE70020GR0008	(37)	-
TOEFL ITP for FFS 2021		SIZ10021GR3015	(21)	-
Yemeni Womens FY21		SYE70021GR3005	40,165	-
Youth English Program		STC10021GR3007	66,046	-
Embassy PCELT UAE		STC10021GR3014	93,494	-
EASP III		SYE70021GR3010	91,089	-
USG Alum Sup Grant FY22		SIS50021CA3024	51,781	-
Trng Gaza Acc FY22		SIS50021GR3027	23,766	-
Climate Change Ent FY22		SIS50021GR3021	21,235	-
Access for Adults FY22		SIS50021GR3025	126,711	-
America House FY22		SIS50021CA3020	206,863	-
America House22 Prog Supp		SIS50021CA3026	369,146	-
Access SuppWkshps-FY22		SIS50022GR0004	38,327	-
EdUSA Advising Group 2022		SIS50022GR0014	9,862	-
Libya PCELT TOT in Jordan		SLY80022GR0006	11,850	-
TOEFL ITP FFS 2022		SIZ10022GR0006	18,900	-
Iraq Fulbright vstng sch		SIZ10018GR0014	(412)	-
21st Century Journalism		SYE70022GR0004	2,062	-
English After School		S-YE-700-17-GR-001	103,884	-
Amer Corners-Iraq		SIZ10018CA006	179,915	-
Access Alumni Conference		SJO10018GR093	2,171	-
America House FY19		S-IS400-18-GR-0043	18,801	-
Gaza Graduate Study 2019		S-IS400-19-GR-0007	2,804	-
American House FY20		SIS40019GR0068	35,284	-
Access Alumni Program		SIS40019GR0074	2,806	-
AspireInternshipTrain Pro		SYE70019GR0002	61,370	-
Rural Teacher Trng Prog		SYE70019GR0003	29,909	-
WB TechCamp Prog FY20		SIS40019GR0067	(26)	-
Iraq Visiting Scholar Pro		SIZ10019GR0030	361,888	-
ELRC Grant 2019		SEG30019CA0098	(21)	-
PCELT/EduUSA FY18		SJO10019CA0105	27,180	-
Fulb Visiting 10th Annive		SIZ10019GR0051	4,674	-
Today Lead TomEntrepn		SIS40019GR0054	(10)	-
Total 19.021			2,822,949	-

(Continued)

Amideast, Inc.

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2022**

Federal Grantor/Program Title/Grant Name	Assistance Listing Number	Grant/Contract Number	Federal Expenditures	Amounts to Subrecipients
Educational and Cultural Exchange Programs				
Appropriation Overseas Gants:				
Direct award:				
Alex American Corner Prog	19.022	SEG30020GR0068	\$ 2,208	\$ -
Min of Environ 21		SEG30021GR3014	8,413	-
Total 19.022			<u>10,621</u>	<u>-</u>
Public Diplomacy Programs:				
Direct award:				
Amer Corner Ren-Alex Proj	19.040	SEG30020GR0014	(32)	-
English for Journalists		SJO10020CA0065	35,856	-
PCELT Kuwait 2021		SKU20020GR0015	(88)	-
Quincy College Prep Progr		SSA70020CA0014	42,150	-
Skills to Careers Initiat		SJO10021CA3018	46,780	-
Amer Corners Tun 21-22		STS80021GR3031	112,104	-
Kuwait PCELT 2022		SKU20021GR3013	75,150	-
TOEFL iBT Test Prep 22		SKU20021GR3006	24,959	-
Advisors in MOE Schools		SKU20021CA3015	35,939	-
College Readiness Prog 22		SKU20021GR3008	21,488	-
Career Dev Prog 2022		SKU20021GR3005	21,256	-
USEmb 3RSTEM FY21/22		SEG30021GR3050	56,788	-
Competitive College Club		SMO55020GR0046	9,144	-
PCELT		SMO55017GR0097	5,253	-
Passed through:				
Mercy Corps		SJO10020CA0076	20,806	-
Total 19.040			<u>507,553</u>	<u>-</u>
Academic Exchange Programs - Graduate Students				
Direct award:				
Fulbright FY16	19.400	S-ECAGD-16-CA-1002	(81)	-
Fulbright FY17		S-ECAGD-17-CA-1009	16,002	-
Fulbright FY18		S-EACGD-18-CA-1004	60,603	-
Fulbright FY20		SECAGD20CA0007	1,402,530	-
Fulbright FY21		SECAGD 21 CA 3007	2,540,721	181,161
Fulbright FY22		SECAGD22CA0005	4,255,380	99,901
Fulbright FY23		S-ECAGD-23-CA-0005	2,000	-
USDOS/Fulbright FY14		S-ECAGD-14-CA-1016	(648)	-
USDOS/Fulbright FY15		S-ECAGD-15-CA-1019	(100)	-
Fulbright FY19		SACAGD19CA0034	15,354	-
Fulbright Libya Trav Logi		SLY80019GR0006	16,588	-
Total 19.400			<u>8,308,349</u>	<u>281,062</u>
Academic Exchange Programs - Scholars:				
Direct Award:				
Libya MEPI TL Logistics G	19.401	SLY80022GR0002	5,690	-
Total 19.401			<u>5,690</u>	<u>-</u>
Academic Exchange Programs - Teachers:				
Passed through:				
American Councils for International Education:				
TCLP XI Teach Cri Lang	19.408	SECAGD20CA0004	446	-
TCLP XII		SECAGD21CA3002	17,141	-
Total 19.408			<u>17,587</u>	<u>-</u>
Professional and Cultural Exchange Programs – Citizen Exchanges:				
Passed through:				
The Aspen Institute:				
Qisasna I 2021-2022	19.415	S-ECAGD-18-CA-0070	127,254	42,975
Passed through:				
American Councils for International Education:				
Yes 17 Pro 19-20 Academic		S-ECAGD-18-CA-0044	728	-
YES AY20-21		SECAGD19CA0101	349,179	-
YES AY20-23		SECAGD20CA0035	677,418	-
YES AY21-24		SECAGD21CA3080	982,868	-
AmCnl.Intl.Ed-NSLI-Y20-21		SECAGD19CA0054	(245)	-
AmCnl.Intl.Ed-NSLI-Y21-22		SECAGD20CA0027	772,598	-
AmCnl.Intl.Ed-NSLI-Y22-23		SECAGD20CA0027	5,524	-
AmCnl.Intl.Ed-NSLI-Y18-19		S-ECAGD-17-CA-1053	(158)	-
YES Program FY22-25		S-ECAGD-22-CA-0096	21,973	-
Passed through:				
Legacy International:				
Legacy PFP 9 Tunisia		S-ECAGD-21-CA-3107	5,965	-
Total 19.415			<u>2,943,104</u>	<u>42,975</u>

(Continued)

Amideast, Inc.

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2022**

Federal Grantor/Program Title/Grant Name	Assistance Listing Number	Grant/Contract Number	Federal Expenditures	Amounts to Subrecipients
Academic Exchange Programs – English Language Programs:	19.421			
Passed through:				
FHI360:				
ACCESS FY17		S-ECAGD-17-CA-1065	\$ (41)	\$ -
Access Prof Dev FY22		S-ECAGD-17-CA-1065	15,411	-
ECA MoEnv FY22		SECAGD17CA1065	32,696	-
ACCESS FY19		S-ECAGD-19-CA-0156	801,781	-
Access FY18		SECAGD18CA0067	900,984	-
Total 19.421			<u>1,750,831</u>	<u>-</u>
Academic Exchange Programs – Educational Advising and Student Services:	19.432			
Direct award:				
FY16 Advising Grant		S-ECAGD-16-CA-1013	(6,673)	-
EdUSA FY19-21		SECAGD19CA0032	120,086	-
EdUSA FY22-24		SECAGD22CA0012	690,357	-
Quincy College Prep 21-22		SSA70021CA3019	107,985	-
Total 19.432			<u>911,755</u>	<u>-</u>
ECA - American Spaces:				
Direct award:	19.441			
Alex American Corner FY23		SEG30022GR0014	2,028	-
Total 19.441			<u>2,028</u>	<u>-</u>
Middle East Partnership Initiative:				
Direct award:	19.500			
MEPI Econ Empwrt		SNEAAC21CA3029	396,409	-
Total 19.500			<u>396,409</u>	<u>-</u>
Bureau of Near Eastern Affairs:				
Direct award:	19.600			
Skills for Tomorrow Libya		SNEAAC19GR0058	394,666	-
Tomorrows Leaders VII		S-NEAAC-17-CA-1029	645,456	-
Total 19.600			<u>1,040,122</u>	<u>-</u>
Passed through:				
The Cyprus Fullbright Commission	19.XXX			
CASP 2014-2018		N/A	47	-
CASPXX		N/A	2,444	-
CASP XXI		N/A	52	-
CASP XXII		N/A	1,246	-
Total 19.XXX			<u>3,789</u>	<u>-</u>
Total United States Department of State			<u>18,720,787</u>	<u>324,037</u>
Total expenditures of federal awards			<u>\$ 23,419,291</u>	<u>\$ 460,477</u>

See notes to schedule of expenditures of federal awards.

Amideast, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal expenditures of Amideast, Inc. (Amideast) under programs of the federal government for the year ended September 30, 2022. 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). 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.

Amounts provided to subrecipients shown separately on the schedule of expenditures of federal awards are also a component of the federal expenditures presented.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the 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 negotiates and utilizes an indirect cost rate with the federal government and therefore does not utilize the 10% de minimis cost rate option under Uniform Guidance.

Amideast, Inc.

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2022**

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

Assistance Listing Numbers(s)

USAID Foreign Assistance for Programs Overseas

98.001

Middle East Partnership Initiative

19.500

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

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

(Continued)

Amideast, Inc.

**Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2022**

Section II. Financial Statements Findings

Significant Deficiency

Finding No. 2022-001: Misappropriation of Assets

Criteria: Statement on Auditing Standards No. 115 (SAS No. 115) defines the categories of deficiencies that may be identified during the external audit of the financial statements and requires the auditor to communicate in writing any significant deficiencies that were identified.

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 deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Condition: During the year, the accounting department of Amideast identified unusual transactions and upon further investigation, it was noted that there were fraudulent purchases by an employee through inappropriate use of the corporate credit card. All the charges were for administration expenses and no donors were affected.

Cause: The cause was due to the unusual transition due to COVID-19 that resulted in purchase of equipment and health supplies, and also with the hybrid and remote work environment that resulted in supplies being delivered outside the office. In addition, the reviewer was not properly reviewing the detail transactions.

Effect: The breakdown in controls resulted in misappropriation of assets of a significant amount through inappropriate use of a corporate credit card between the period January 2020 through June 2022. As noted above, there was no effect to any donor funding, as all the charges were to administration.

Recommendation: Management should take actions to further enforce compliance with the purchase card policy and ensure that card holders perform effective reviews of their card charges.

Views of Responsible Individuals: Management agrees with the finding. See corrective action plan.

Section III. Findings and Questioned Costs for Federal Awards

None reported.

Amideast Inc.

**Summary Schedule of Prior Audit Findings
Year Ended September 30, 2022**

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.



Finding 2022-001: Misappropriation of Assets

Corrective Action Plan

Name of person responsible for corrective action plan – Debby Blazquez, Vice President of Finance/ CFO

Completion Date: August 2022

View of Responsible Individuals:

Amideast believes that the internal control system is effective in fraud detection because the routine variance analysis performed by the finance team made the appropriate vice president aware of the higher than normal expenses and subsequently discovered the fictitious and questionable purchases. Amideast concurs with the auditors that the fictitious activity was not detected in a timely manner. Once fraud was proven, we almost immediately implemented additional controls. It is important to note that none of the fraudulent purchases directly impacted programmatic expenses and we were reimbursed in full from the credit card company.

Corrective Action

Shortly after the fraud was discovered, the finance department tightened the already compliant policy, provided training to all card holders and card users on the proper use of purchase cards and related policy requirements. In particular, the training emphasized the following already established policies:

- All purchase card users are required to obtain supervisory preapprovals for all purchases.
- All purchase card users must prepare a purchase card log timely and reconcile the log to the card statement and supporting invoices before submission for approval by their supervisors. The submission must be made within 30 days from the date of card statement.
- Other staff must be involved in the receiving process to ensure proper segregation of duties.
- Supervisors are required to perform robust and detailed review of all purchase card charges to ensure they are supported with original invoices.
- All exceptions to the policy must be approved by the CFO.

In addition to the enhanced controls above, Amideast has started using fraud alerts provided by American Express, which require Controller's approval for certain types of purchases that appear to be non-business related (e.g., jewelry). When the Controller receives alerts to approve purchases by phone and email, the Controller discusses the purchases with the card holder and the CFO before approving the transactions.

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Amideast, Inc.

Financial Report
September 30, 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
Amideast, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Amideast, Inc. (Amideast), which comprise the statement of financial position as of September 30, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Amideast as of September 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Amideast and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, Amideast adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* as of October 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Amideast's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not an absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Amideast's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Amideast's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Amideast's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 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 22, 2023, 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 solely 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 the effectiveness of Amideast's 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 22, 2023

Amideast, Inc.

**Statement of Financial Position
September 30, 2022
(With Comparative Totals for 2021)**

	2022	2021
Assets		
Cash and cash equivalents	\$ 3,181,655	\$ 5,797,430
Investments	15,179,295	17,637,532
Receivables, net	8,094,433	7,771,092
Promises to give, net	15,000	90,000
Prepaid expenses and other	894,020	1,431,968
Inventory, net	618,752	687,584
Property and equipment, net	3,598,319	3,026,434
Operating lease right-of-use assets	11,386,280	-
	\$ 42,967,754	\$ 36,442,040
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,023,439	\$ 4,046,620
Accrued expenses	2,363,131	2,809,766
Line of credit	2,950,000	2,950,000
Deferred revenue	4,751,598	5,682,204
Severance payable	2,675,117	2,565,894
Loans payable	2,040,378	1,222,000
Deferred rent	-	1,211,911
Lease liabilities, net	11,601,186	-
	30,404,849	20,488,395
Commitments and contingencies (Note 15)		
Net assets:		
Without donor restrictions:		
Undesignated	10,782,269	14,061,750
	10,782,269	14,061,750
With donor restrictions	1,780,636	1,891,895
	12,562,905	15,953,645
	\$ 42,967,754	\$ 36,442,040

See notes to financial statements.

Amideast, Inc.

**Statement of Activities
Year Ended September 30, 2022
(With Comparative Totals for 2021)**

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Grant revenue	\$ 33,705,697	\$ -	\$ 33,705,697	\$ 30,494,844
Fees for services	12,154,649	-	12,154,649	12,119,062
Other contract revenue	2,157,701	-	2,157,701	801,195
Forgiveness of Paycheck Protection Program loan	1,072,000	-	1,072,000	1,284,600
Employee Retention Tax Credit	90,973	-	90,973	1,753,045
Contributions	3,051	926,748	929,799	1,923,789
Investment (loss) income, net	(2,079,790)	-	(2,079,790)	2,769,844
Other	284,121	-	284,121	38,895
Net assets released from restrictions	1,038,007	(1,038,007)	-	-
Total support and revenue	48,426,409	(111,259)	48,315,150	51,185,274
Expenses:				
Program services:				
Field offices	23,863,773	-	23,863,773	24,955,253
Exchange programs	14,568,373	-	14,568,373	12,614,984
Other programs	2,203,915	-	2,203,915	1,100,854
Total program services	40,636,061	-	40,636,061	38,671,091
Supporting services	11,069,829	-	11,069,829	10,969,224
Total expenses	51,705,890	-	51,705,890	49,640,315
Change in net assets	(3,279,481)	(111,259)	(3,390,740)	1,544,959
Net assets:				
Beginning	14,061,750	1,891,895	15,953,645	14,408,686
Ending	\$ 10,782,269	\$ 1,780,636	\$ 12,562,905	\$ 15,953,645

See notes to financial statements.

Amideast, Inc.

**Statement of Functional Expenses
Year Ended September 30, 2022
(With Comparative Totals for 2021)**

	2022							2021 Total
	Program Services				Supporting Services		Total	
	Field Offices	Exchange Programs	Other Programs	Total Program Services	General and Administrative	Total		
Salaries	\$ 5,062,383	\$ 1,441,448	\$ 1,067,204	\$ 7,571,035	\$ 6,234,784	\$ 13,805,819	\$ 13,611,608	
Benefits	1,413,829	358,577	278,992	2,051,398	1,628,475	3,679,873	3,729,182	
Total salaries and benefits	6,476,212	1,800,025	1,346,196	9,622,433	7,863,259	17,485,692	17,340,790	
Participant and student	5,357,853	12,070,753	254,048	17,682,654	-	17,682,654	15,282,843	
Occupancy	3,569,126	208,913	182,740	3,960,779	497,964	4,458,743	5,074,391	
Consulting and professional services	2,745,689	15,840	20,176	2,781,705	658,766	3,440,471	3,196,868	
Other pass through	2,268,657	-	9,554	2,278,211	-	2,278,211	2,519,929	
Miscellaneous	496,910	68,562	31,444	596,916	1,274,368	1,871,284	1,867,968	
Office expense	718,148	69,834	198,284	986,266	191,043	1,177,309	1,190,085	
Subcontracts and subagreements	481,194	281,062	-	762,256	-	762,256	888,249	
Furniture, equipment and software	781,158	6,860	34,623	822,641	22,659	845,300	826,468	
Travel	284,664	16,962	31,627	333,253	192,511	525,764	227,961	
Depreciation and amortization	338,239	12,579	53,157	403,975	29,983	433,958	606,472	
Telecommunications	117,514	7,258	28,833	153,605	229,089	382,694	364,580	
Printing, postage and delivery	103,376	8,481	1,253	113,110	82,324	195,434	158,848	
Conferences and meetings	125,033	1,244	11,980	138,257	27,863	166,120	94,863	
Total other expenses	17,387,561	12,768,348	857,719	31,013,628	3,206,570	34,220,198	32,299,525	
Total	\$ 23,863,773	\$ 14,568,373	\$ 2,203,915	\$ 40,636,061	\$ 11,069,829	\$ 51,705,890	\$ 49,640,315	

See notes to financial statements.

Amideast, Inc.

Statement of Cash Flows
Year Ended September 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (3,390,740)	\$ 1,544,959
Adjustments to reconcile change in net assets to net cash used in operation activities:		
Depreciation and amortization	433,958	606,472
Forgiveness of Paycheck Protection Program promissory note	(1,072,000)	(1,284,600)
Capitalized loan interest	56,717	-
Loss on asset disposal	-	1,281
Unrealized and realized losses (gains) on investments, net	2,269,222	(2,619,757)
Increase in allowance for inventory obsolescence	5,934	40,258
Decrease in provision for doubtful accounts	(140,017)	(292,749)
Deferred rent	(1,211,911)	(172,523)
Rent expense in excess of payment	140,184	-
Foreign exchange gain on lease liability	(786,659)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(183,324)	(430,281)
Promises to give	75,000	25,000
Prepaid expenses and other	537,948	37,176
Inventory	62,898	160,126
Operating lease right-of-use assets	(11,526,464)	-
Increase (decrease) in:		
Accounts payable	(23,181)	(34,242)
Accrued expenses	(389,220)	273,336
Severance payable	109,223	186,696
Deferred revenue	(930,606)	(523,949)
Lease liabilities, net	12,387,845	-
Net cash used in operating activities	(3,575,193)	(2,482,797)
Cash flows from investing activities:		
Purchases of investments	(5,717,003)	(2,134,820)
Proceeds from sale of investments	5,906,018	2,130,859
Purchases of property and equipment	(1,005,843)	(134,980)
Net cash used in investing activities	(816,828)	(138,941)
Cash flows from financing activities:		
Repayments on loan payables	(16,339)	(10,000)
Loan borrowings	1,850,000	1,072,000
Principal payments under capital lease obligations	(57,415)	(54,349)
Net cash provided by financing activities	1,776,246	1,007,651
Net decrease in cash and cash equivalents	(2,615,775)	(1,614,087)
Cash and cash equivalents:		
Beginning	5,797,430	7,411,517
Ending	\$ 3,181,655	\$ 5,797,430
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 79,501	\$ 46,649
Supplemental schedule of noncash financing activities:		
Forgiveness of Paycheck Protection Program promissory note	\$ 1,072,000	\$ 1,284,600

See notes to financial statements.

Amideast, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Amideast, 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 grants and cooperative agreements from federal awarding agencies, foreign governments and private organizations, as well as fee for service activities. Amideast currently operates in eleven countries in the MENA region.

A summary of Amideast's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification or ASC). As required by the Not-for-Profit Entities Topic of the Codification, Amideast is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Represent resources that are neither purpose nor time restricted by donor-imposed stipulations. Undesignated net assets represent funds available for general operations.

Net assets with donor restrictions: Represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the organization pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or use for specified parties.

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.

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 \$579,004 at September 30, 2022, which is included in cash and cash equivalents.

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.

Notes to Financial Statements

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

Grant and contract receivables: Grants and contracts receivables are generated from prime and sub-recipient arrangements with federal governmental agencies and other various private entities. Billed amounts represent invoices that have been prepared and sent to the funder. Reimbursable expenditures under conditional grant awards and other agreements represent unbilled recoverable costs incurred and where applicable, accrued fixed fees related to grants and other agreements for which the funder has not been invoiced. 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.

Receivables related to fee for service activities are carried at original invoice amount. An estimate is made for doubtful accounts from fee for service activities and grants and contracts with private entities. It is anticipated that all receivables due from the U.S. government are collectible. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Receivables are considered past due if the invoice has been outstanding more than 30 days. The provision for doubtful accounts at September 30, 2022, was \$507,605.

Inventory: Inventory consists primarily of books, posters and study materials and tests. 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, 2022, was \$250,420.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair value. To adjust the carrying values of these securities, the change in fair value is recorded as a component of investment income in 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 3 to 39 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.

Leases: Amideast determines whether an arrangement contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration and other fact and circumstances.

Amideast has elected the practical expedient to not separate lease and non-lease components for certain classes of underlying assets. Amideast has equipment agreements, which generally have the lease and associated non-lease components accounted for as a single lease component. Amideast has real estate lease agreements with lease and non-lease components, which are accounted for as a single lease component where applicable.

Notes to Financial Statements

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

Right-of-use assets (ROU assets) represent Amideast's right to use an asset for the lease term and lease liabilities represent Amideast's obligation to make lease payments arising from the lease. ROU assets are calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date and initial direct costs incurred by Amideast and excludes lease incentives received from the lessor. Lease liabilities are recognized based on the present value of lease payments over the lease term. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to Amideast if the option were not exercised. Amideast utilizes the risk-free rate that aligns to lease term at commencement date to determine the present value of future payments.

Lease expense for operating leases is recognized on a straight-line basis over the term of the lease. Variable lease payments are the portion of lease payments that are not fixed over the term of the lease. Variable lease payments are expensed as incurred, and include certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease, as applicable. Amideast elected to exclude short-term leases, defined as leases with an initial term of twelve months or less, from the statement of financial position.

Valuation of long-lived assets: Amideast reviews property and equipment 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 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 reported 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.

Contributions: Unconditional contributions are recognized as revenue upon receipt or when unconditional promises to give are received. Contribution revenue is recorded as increases in net assets without donor restrictions, unless their use is limited by time or donor-imposed restrictions.

Conditional contributions are recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have other performance and/or control barriers that must be met in order to be entitled to the funds. Conditional revenues are recognized as funds are utilized for programmatic activities specified in the grant agreement. Accordingly, amounts received, but not yet recognized as revenue, are classified as deferred revenue in the statement of financial position. Recognized conditional grants are recorded to net assets without donor restrictions if any purpose or time restrictions are met simultaneously with the condition. As of September 30, 2022, there are \$51,329,424 of additional revenues to be earned on various conditional grants.

Amideast, Inc.

Notes to Financial Statements

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

Fee for service: Fee for service revenue consists of test service fees from Prometric and Educational Testing Services. Fee for service revenues are recognized at a point in time when the test service is provided. Amounts collected in advance are recorded as contract liabilities (deferred revenue). If revenue is recognized in advance of the right to invoice, a contract asset (accounts receivable) is recorded.

Contract assets and liabilities: Deferred revenue includes \$484,895 and \$143,779 of contract liabilities as of September 30, 2022 and 2021, respectively. Receivables include \$990,009 and \$938,124 of contract receivables as of September 30, 2022 and 2021, respectively. The opening balances as of October 1, 2020 were \$245,430 for contract liabilities and \$910,106 for contract receivables.

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.

Functional expenses: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. As a result, these expenses require allocation on a reasonable basis that is consistently applied within the organization. Direct costs associated with specific programs are recorded as program expenses. Salaries are allocated based on estimates of time and effort. Employee benefits and paid absences are allocated based on approved indirect rates. HQ occupancy, depreciation and expenses of the IT department are allocated based on labor costs.

Income taxes: Amideast is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Amideast is exempt from federal taxes on income other than unrelated business income. Amideast had no unrelated business income for the year ending September 30, 2022. Amideast is not classified as a private foundation under Section 509(a)(1) of the IRC.

Amideast follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Amideast may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position, are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated Amideast's tax positions and concluded that Amideast has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles (U.S. GAAP) 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.

Amideast, Inc.

Notes to Financial Statements

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

Adopted accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of their classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. Amideast adopted this accounting standard effective October 1, 2021. Amideast has adopted these provisions using the transition method provided by ASU 2018-11 in the year of adoption. As a result of the adoption of ASC 842, Amideast recorded right-of-use assets of \$14.1 million, and lease liabilities of \$15.2 million as of October 1, 2021, the date of adoption.

Subsequent events: Amideast has evaluated subsequent events through March 22, 2023, the date on which the financial statements were available to be issued.

Note 2. Liquidity and Availability

Amideast regularly monitors liquidity required to meet its operating needs, responsibilities to donors and other contractual commitments, while also striving to maximize the investment of its available funds. As part of Amideast's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

The following represents Amideast's financial assets at September 30, 2022:

Cash and cash equivalents	\$ 3,181,655
Receivables, net	8,094,433
Promises to give, net	15,000
Investments	<u>15,179,295</u>
Total financial assets	26,470,383
Less net assets with donor restrictions	<u>1,780,636</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 24,689,747</u></u>

Amideast, Inc.

Notes to Financial Statements

Note 3. Receivables

Receivables at September 30, 2022, consist of the following:

Grant receivables	\$ 5,658,924
Contract receivables	990,009
Refundable tax credits	830,441
Field office fee for service	697,773
Testing fee for service	355,792
Staff/vendors	69,099
	<u>8,602,038</u>
Less provision for doubtful accounts	507,605
	<u><u>\$ 8,094,433</u></u>

Note 4. Investments

Investments at September 30, 2022, consist of the following:

Common stock	\$ 7,282,380
Money market	3,391,866
Government securities	2,045,438
Mutual funds	2,459,611
	<u>\$ 15,179,295</u>

Investment loss for the year ended September 30, 2022, consists of the following:

Unrealized and realized loss, net	\$ (2,269,222)
Interest and dividends	289,856
Investment fees	(100,424)
	<u>\$ (2,079,790)</u>

Note 5. Property and Equipment

The following is a summary of property and equipment, net, at September 30, 2022:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net
Building	39 years	\$ 2,180,785	\$ 153,664	\$ 2,027,121
Capital lease	Life or lease term	278,868	195,208	83,660
Furniture and equipment	3-10 years	1,460,532	870,144	590,388
Leasehold improvements	Life or lease term	2,816,797	1,919,647	897,150
		<u>\$ 6,736,982</u>	<u>\$ 3,138,663</u>	<u>\$ 3,598,319</u>

Depreciation expense was \$433,958 for the year ended September 30, 2022.

Amideast, Inc.

Notes to Financial Statements

Note 6. Line of Credit

Line of credit: Amideast has a \$6,000,000 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 Secured Overnight Financing Rate (SOFR) one-month plus 1.125% (3.66% at September 30, 2022) and is secured by Amideast's investment portfolio assets. At September 30, 2022, the line of credit outstanding was \$2,950,000.

Note 7. Loan Payables

Paycheck Protection Program promissory note: In June 2021, Amideast applied for and received a second loan of \$1,072,000 from the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Funds from the note were to be used for payroll costs, interest on other debt obligations, leases and utilities. 60% of the loan proceeds were to be used for payroll costs. Amideast used the entire loan amount for qualifying expenses. Amideast applied for and received loan forgiveness for the entire loan amount of \$1,072,000 in June 2022. As Amideast elected to record the loan under ASC Topic 470, Amideast has recognized \$1,072,000 for the forgiveness in the statement of activities for the year ended September 30, 2022. The loan forgiveness is subject to audit by the Small Business Administration (SBA) for a period of six years after forgiveness.

Economic Injury Disaster Loan (EIDL): In June 2020, Amideast obtained \$150,000 from the SBA as a loan under the EIDL program to fund working capital. During the year ended September 30, 2022, the loan amount was increased to \$2,000,000. The loan is secured by Amideast's assets and bears interest at 2.75%. It matures in 30 years, and there is no pre-payment penalty or fees. Installment payments, including principal and interest, began in June 2022. The total loan payable balance was \$2,040,378 for the year ended September 30, 2022.

Note 8. Accrued Expenses

Accrued expenses at September 30, 2022, consist of the following:

Vacation	\$ 1,065,307
Payroll benefits	437,429
Partner's profit share	288,359
Rent payments	329,703
Other	242,333
	<u>\$ 2,363,131</u>

Note 9. Employee Retention Tax Credits

The Employee Retention Tax Credit (ERTC) is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021 and 70% of the qualified wages that were paid between January 1, 2021 and September 30, 2021. Amideast met eligibility requirements as an employer to receive the tax credit and based off qualified wages, results in additional income of \$90,973 recorded on the statement of activities for the year ended September 30, 2022, under the guidance of ASC 958-605.

Amideast, Inc.

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions during the year ended September 30, 2022, were as follows:

	Balance September 30, 2021	Additions	Released	Balance September 30, 2022
Purpose restricted:				
Arab Heritage Fund	\$ 1,245,003	\$ -	\$ 63,100	\$ 1,181,903
Hope Fund	155,491	468,085	524,398	99,178
Diana Kamal Scholarship Fund	257,344	228,551	220,217	265,678
Kyali Grant	65,205	-	-	65,205
Barja	42,685	-	-	42,685
Higher Education Initiative Cost Share	11,056	88,578	88,524	11,110
Chevron	-	51,558	51,558	-
ALAB Donations	21,971	75,196	583	96,584
Other	3,140	14,780	14,627	3,293
	<u>1,801,895</u>	<u>926,748</u>	<u>963,007</u>	<u>1,765,636</u>
Time restricted:				
Hope Fund	90,000	-	75,000	15,000
	<u>\$ 1,891,895</u>	<u>\$ 926,748</u>	<u>\$ 1,038,007</u>	<u>\$ 1,780,636</u>

Note 11. 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 one year of service. Contributions for the year ended September 30, 2022, were \$299,194 .

Note 12. Fair Value Measurements

The Fair Value Measurement Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the hierarchy are described below:

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments in Level 1 include money market funds, common stock and mutual funds.
- Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Corporate and government fixed income securities (bonds) are classified as Level 2 investments because its value is based on stated interest rates and quality ratings, which are observable at commonly quoted intervals.
- Level 3:** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Amideast does not have any investments classified as Level 3 investments.

Amideast, Inc.

Notes to Financial Statements

Note 12. Fair Value Measurements (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Amideast's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. To determine the appropriate levels, Amideast performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic.

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	\$ 3,391,866	\$ 3,391,866	\$ -	\$ -
Common stock:				
Financial services	2,095,230	2,095,230	-	-
Communication services	1,012,566	1,012,566	-	-
Consumer goods	1,444,114	1,444,114	-	-
Technology	1,045,450	1,045,450	-	-
Healthcare	811,169	811,169	-	-
Real estate	392,453	392,453	-	-
Energy	356,302	356,302	-	-
Airlines	125,096	125,096	-	-
Bonds:				
Government securities	2,045,438	-	2,045,438	-
Mutual funds:				
Commodities precious metals	278,406	278,406	-	-
Equity energy	608,569	608,569	-	-
Europe stock	156,910	156,910	-	-
Inflation-protected bond	220,666	220,666	-	-
Financial Group	1,195,060	1,195,060	-	-
	<u>\$ 15,179,295</u>	<u>\$ 13,133,857</u>	<u>\$ 2,045,438</u>	<u>\$ -</u>

Amideast, Inc.

Notes to Financial Statements

Note 13. Operating Leases

Amideast has noncancellable operating leases for office space and office equipment that expire at various dates through October 2031. 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 provided for a tenant improvement allowance of \$1,428,280. Total rent charged to operations for the year ended September 30, 2022, was \$3,787,316.

Operating lease right-of-use assets and lease liabilities as of September 30, 2022, consisted of the following:

Assets:

Operating lease assets	<u>\$ 11,386,280</u>
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Liabilities:

Operating lease liabilities	<u>\$ 11,601,186</u>
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The components of lease cost for the year ended September 30, 2022, were as follows:

Operating lease cost	\$ 2,863,056
Short-term cost	924,260
	<u>\$ 3,787,316</u>

Supplemental information regarding assumptions and cash flows for the operating leases for the year ended September 30, 2022, are as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 2,629,445
Leased assets obtained in exchange for new operating lease liabilities	\$ 233,611

The lease term and discount rate for operating leases are as follows:

Weighted average remaining lease term for operating leases	3.4 years
Weighted average discount rate for operating leases	1.17%

Amideast, Inc.

Notes to Financial Statements

Note 13. Operating Leases (Continued)

As of September 30, 2022, maturities of lease liabilities were as follows (in thousands):

Years ending September 30:	
2023	\$ 2,891,014
2024	2,731,460
2025	2,329,058
2026	1,773,287
2027	856,417
2028 and after	1,451,313
Total lease payments	<u>12,032,549</u>
Less imputed interest	(431,363)
Present value of lease liabilities	<u>\$ 11,601,186</u>

Note 14. Commitments and Contingencies

Federal program: 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.

Litigation: 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.

Educational Testing Services: In November 2022, Amideast entered into an agreement with Educational Testing Services Global (ETS Global) to sell and administer certain ETS tests in foreign countries. Under the agreement, Amideast is required to purchase approximately \$980,000 in testing units from December 1, 2022 until November 30, 2023.

Note 15. Major Funders

During the year ended September 30, 2022, approximately 49% of Amideast's support and revenue and 46% of Amideast's receivables and reimbursable expenditures under grants and other agreements were derived from grants from the U.S. Department of State and the U.S. Agency for International Development.