

**MIDDLE EAST MEDIA AND
RESEARCH INSTITUTE, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2012

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

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Independent Auditor's Report

Board of Directors
Middle East Media and Research Institute, Inc.

I have audited the accompanying statement of financial position of the Middle East Media and Research Institute, Inc. as of June 30, 2012 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middle East Media and Research Institute, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Silver Spring, Maryland
September 4, 2012

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

Cash and cash equivalents	\$ 593,448
Contributions receivable	303,775
Grant revenue receivable	13,333
Other receivables	8,074
Prepaid expenses	38,652
Deposits	36,301
Property, equipment and improvements, net of accumulated depreciation of \$121,439	<u>61,197</u>
Total assets	<u><u>\$ 1,054,780</u></u>

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 155,246</u>
Total liabilities	<u>155,246</u>

NET ASSETS

Unrestricted	799,534
Temporarily restricted	<u>100,000</u>
Total net assets	<u>899,534</u>
Total liabilities and net assets	<u><u>\$ 1,054,780</u></u>

The accompanying notes are an integral part of these financial statements

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions	\$ 4,538,875	\$ 200,000	\$ 4,738,875
Grant revenue	133,333	-	133,333
Gain on sales of securities	1,039	-	1,039
Interest and dividend income	1,024	-	1,024
Other income	101,163	-	101,163
Net assets released from restrictions	100,000	(100,000)	-
	4,875,434	100,000	4,975,434
EXPENSES			
Program services	4,412,941	-	4,412,941
General and administrative	184,620	-	184,620
Fundraising	303,064	-	303,064
Total expenses	4,900,625	-	4,900,625
Change in net assets	(25,191)	100,000	74,809
Net assets, beginning of year	824,725	-	824,725
Net assets, end of year	\$ 799,534	\$ 100,000	\$ 899,534

The accompanying notes are an integral part of these financial statements

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

Operating activities	
Change in net assets	\$ 74,809
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	34,251
Gain on sale of marketable securities	(1,039)
Contributions of marketable securities	(12,303)
Decrease in prepaid expenses	2,755
Decrease in contributions receivable	226,885
Increase in grant revenue receivable	(13,333)
Increase in other receivables	(8,074)
Increase in accounts payable	30,830
Decrease in deposits	7,807
	<hr/>
Net cash used in operating activities	342,588
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Investing activities	
Purchase of property and equipment	(6,746)
Proceeds from sale of marketable securities	13,342
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Net cash used in investing activities	6,596
	<hr/>
Net increase in cash and cash equivalents	349,184
Cash and cash equivalents as of beginning of year	<hr/> 244,264
Cash and cash equivalents as of end of year	<hr/> <hr/> \$ 593,448
Supplemental disclosure of cash flow information	
Fully depreciated fixed assets were disposed of:	
Property and equipment	<hr/> \$ 204,704
Accumulated depreciation	<hr/> <hr/> \$ (204,704)

The accompanying notes are an integral part of these financial statements

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION:

Organization:

The Middle East Media and Research Institute, Inc. (the "Institute"), a non-profit organization based in Washington, DC, was organized to serve as a clearinghouse for information regarding news and other cultural media in and on the subject of the Middle East.

Contributions:

Contributions are recognized as revenues upon receipt of unconditional promises to give.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, i.e., 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.

Cash equivalents:

For purposes of the statement of cash flows, the Institute considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Property and equipment:

Purchased or constructed property and equipment are recorded at cost. Depreciation is provided by the straight-line and accelerated methods over the estimated useful lives of the assets.

Income taxes:

The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income for 2012.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED):

Income taxes (Continued):

The Institute is not subject to income taxes in accordance with the Income Taxes topic of FASB ASC (formerly FIN 48). The Income Taxes topic of FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods, disclosures and transition relating to the adoption of the new accounting standards. The Company adopted FASB ASC 740-10 as of July 1, 2009, as required, and determined that its adoption did not have a material impact on the Institute's financial position and results of operations.

Management has evaluated significant tax positions of its consolidated for-profit subsidiaries against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2012. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Institute's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2009, 2010 and 2011.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

2. PROPERTY AND EQUIPMENT:

Major components and useful lives of property and equipment as of June 30, 2012 are as follows:

<u>Major components</u>	<u>Useful Life</u>	
Furniture and equipment	5 - 10 years	\$182,636
Accumulated depreciation		<u>121,439</u>
		<u>\$ 61,197</u>

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due during the year ended June 30, 2012.

4. COMMITMENTS

The Institute signed a lease for its office space through May, 2013. Under the terms of the lease, monthly rental payments are currently \$15,605 per month plus pass-through expenses for taxes and operating expenses over base year amounts. In September 2007, the Institute leased additional office space under a lease agreement that expires May 31, 2013. Monthly rental payments are \$7,888 for the first year and increase every year as scheduled in the lease agreement.

The Institute entered into a sub-lease agreement with a tenant to rent the additional office space for monthly rentals equal to the amount charged under the lease agreement. The agreement was effective until January 31, 2011, at which time the subtenant vacated the premises. During the year ended June 30, 2012, the additional space was leased to a new tenant, whereupon the Institute was relieved of further liability under the lease.

Future minimum lease commitments for the year ended June 30 are as follows:

2013	\$173,653
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MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

5. RELATED PARTY TRANSACTIONS

The Institute receives translation, monitoring and other services from an affiliated organization which, in turn compensates the president of the Institute. The amount paid to the affiliate, net of the compensation to the president, was \$2,282,705 during the year ended June 30, 2012.

6. RETIREMENT PLAN

Effective January 1, 2005, the Institute adopted a 401(k) plan whereby all employees may participate and elect to defer part of their income. Employees who have completed two years of service are eligible to participate in employer contributions and are immediately vested in those contributions. Employer contributions are discretionary and are determined annually. For the year ended June 30, 2012, employer contributions amounted to \$23,517.

7. SUBSEQUENT EVENTS

The Subsequent Events Topic 855 of FASB ASC establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The FASB ASC Subsequent Events topic defines the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure, the circumstances under which an organization shall recognize events occurring after the balance sheet date and the disclosures that an organization shall make about those events or transactions. The FASB ASC Subsequent Events Topic defines two types of subsequent events. The first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The second consists of events or transactions that did not exist at the balance sheet date but arose after that date but before the financial statements were issued or available to be issued.

Management evaluated all events and transactions that occurred after June 30, 2012 through September 4, 2012, the date these financial statements were available to be issued.