

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2010

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, 2010 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, 2010, 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.

Isaac Reitberger, CPA

Silver Spring, Maryland
January 6, 2011

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Cash and cash equivalents	\$ 392,075
Prepaid expenses	6,254
Contributions receivable	325,300
Marketable securities	10,716
Deposits	43,808
Property, equipment and improvements, net of accumulated depreciation of \$258,504	<u>90,212</u>
Total assets	<u><u>\$ 868,365</u></u>

LIABILITIES

Accounts payable	\$ 74,066
Security deposit payable	<u>7,508</u>
Total liabilities	<u>81,574</u>

NET ASSETS

Unrestricted	786,791
Temporarily restricted	<u>-</u>
Total net assets	<u>786,791</u>
Total liabilities and net assets	<u><u>\$ 868,365</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, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions	\$ 4,507,099	\$ -	\$ 4,507,099
Interest and dividend income	217	-	217
Other income	30,244	-	30,244
Net assets released from restriction	-	-	-
	<u>4,537,560</u>	<u>-</u>	<u>4,537,560</u>
EXPENSES			
Program services	4,111,654	-	4,111,654
General and administrative	218,450	-	218,450
Fundraising	296,745	-	296,745
Total expenses	<u>4,626,849</u>	<u>-</u>	<u>4,626,849</u>
Change in net assets	(89,289)	-	(89,289)
Net assets, beginning of year	<u>876,080</u>	<u>-</u>	<u>876,080</u>
Net assets, end of year	<u>\$ 786,791</u>	<u>\$ -</u>	<u>\$ 786,791</u>

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, 2010

Operating activities	
Change in net assets	\$ (89,289)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	37,913
Contributions of securities	(10,716)
Decrease in prepaid expenses	34,561
Decrease in contributions receivable	19,903
Increase in accounts payable	<u>31,832</u>
Net cash used in operating activities	<u>24,204</u>
Investing activities	
Purchase of property and equipment	<u>(2,705)</u>
Net cash used in investing activities	<u>(2,705)</u>
Net increase in cash and cash equivalents	21,499
Cash and cash equivalents as of beginning of year	<u>370,576</u>
Cash and cash equivalents as of end of year	<u>\$ 392,075</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

During the year ended June 30, 2010, the Institute disposed of fully depreciated property and equipment as follows:

Furniture and equipment	\$ (15,827)
Accumulated depreciation	<u>\$ 15,827</u>

The accompanying notes are an integral part of these financial statements

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 2010.

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

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, 2010. 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, 2007, 2008 and 2009.

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, 2010

2. PROPERTY AND EQUIPMENT:

Major components and useful lives of property and equipment as of June 30, 2010 are as follows:

<u>Major components</u>	<u>Useful Life</u>	
Furniture and equipment	5 - 10 years	\$348,716
Accumulated depreciation		<u>258,504</u>
		<u>\$ 90,212</u>

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due during the year ended June 30, 2010.

1. COMMITMENTS

The Institute signed a lease for its office space through May, 2013. Under the terms of the lease, monthly rental payments are currently \$14,853 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 is in effect until January 31, 2011. Although the original landlord approved this sublease agreement, the Institute is still responsible for the rental payments should the subtenant default.

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

2011	\$288,613
2012	\$284,868
2013	\$273,170

MIDDLE EAST MEDIA AND RESEARCH INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

5. RELATED PARTY TRANSACTIONS

The Institute receives translation 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 \$1,242,659 during the year ended June 30, 2010.

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, 2010, retirement plan expense amounted to \$25,205.