MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

YEAR ENDED DECEMBER 31, 2015

https://doi.org/10.1017/rms.2016.162 Published online by Cambridge University Press

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YEAR ENDED DECEMBER 31, 2015

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BFC
BEACHFLEISCHMAN

Independent Auditors' Report

Board of Directors and Management
Middle East Studies Association of North America, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of Middle East Studies Association of North America, Inc. which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards established by the AICPA Auditing Standards Board. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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https://doi.org/10.1017/rms.2016.162 Published online by Cambridge University Press

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middle East Studies Association of North America, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

BeachFleischman PC

Tucson, Arizona
June 22, 2016

https://doi.org/10.1017/rms.2016.162 Published online by Cambridge University Press

MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

Current assets:		
Cash and cash equivalents	$	694,477
Investments		923,905
Accounts receivable		1,530
Pledges receivable, current portion		30,000
Prepaid expenses		6,494
Total current assets		1,656,406
Property and equipment, net		812
Pledges receivable, net of current portion		20,000
Endowment cash and cash equivalents		3,000
Endowment investments		23,134
	$	1,703,352

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	$	8,817
Accrued expenses		29,420
Deferred revenue		50,190
Total current liabilities		88,427
Commitments		
Net assets:		
Unrestricted:		
Undesignated		1,333,076
Invested in property and equipment		812
		1,333,888
Temporarily restricted		254,903
Permanently restricted		26,134
		1,614,925
	$	1,703,352

See notes to financial statements.

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support:				
Advertising	$ 22,755	$ –	$ –	$ 22,755
Annual meeting	305,459	750	–	306,209
Contributions	56,875	22,390	–	79,265
Donated facilities, University of Arizona	24,540	–	–	24,540
Institutional membership dues	274,030	–	–	274,030
Institutional membership dues	27,500	–	–	27,500
Investment loss, net	(40,952)	(6,964)	–	(47,916)
Other revenue	2,393	–	–	2,393
Publication sales	4,241	–	–	4,241
Net assets released from restrictions	13,046	(13,046)	–	–
Total revenues and support	689,887	3,130	–	693,017
Expenses:				
Program services	642,991	–	–	642,991
Fundraising	24,234	–	–	24,234
General and administrative	55,829	–	–	55,829
Total expenses	723,054	–	–	723,054
Increase (decrease) in net assets	(33,167)	3,130	–	(30,037)
Net assets, beginning	1,367,055	251,773	26,134	1,644,962
Net assets, ending	$ 1,333,888	$ 254,903	$ 26,134	$ 1,614,925

See notes to financial statements.

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services			Supporting Services			
	Annual meeting	Other program services	Total program services	Fundraising	General and administrative	Total supporting services	Total expenses
Awards and grants	$ –	$ 15,035	$ 15,035	$ –	$ –	$ –	15,035
Board meetings	–	–	–	–	11,255	11,255	11,255
Contracted services from the University of Arizona	97,198	183,880	281,078	18,877	29,138	48,015	329,093
Depreciation	302	571	873	59	90	149	1,022
Diect annual meeting expense	153,206	–	153,206	–	–	–	153,206
Dues	1,386	2,622	4,008	269	416	685	4,693
Fees	6,992	13,226	20,218	1,359	2,095	3,454	23,672
Office supplies and expense	11,638	49,535	61,173	2,261	10,663	12,924	74,097
Publication costs, Cambridge University Press	–	86,441	86,441	–	–	–	86,441
Rent expense donated by the University of Arizona	7,249	13,710	20,959	1,409	2,172	3,581	24,540
	$ 277,971	$ 365,020	$ 642,991	$ 24,234	$ 55,829	$ 80,053	$ 723,054

See notes to financial statements.

MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities:	
Decrease in net assets	$ (30,037)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	1,022
Net realized losses on investments	6,458
Net unrealized losses on investments	56,706
Changes in operating assets and liabilities:	
Accounts receivable	485
Pledges receivable	20,000
Prepaid expenses	611
Accounts payable	(15,716)
Accrued expenses	12,054
Deferred revenue	(18,670)
Net adjustments	62,950
Net cash provided by operating activities	32,913
Cash flows from investing activities:	
Proceeds from sale of investments	213,559
Purchases of investments	(229,588)
Net cash used in investing activities	(16,029)
Net increase in cash and cash equivalents	16,884
Cash and cash equivalents, beginning	677,593
Cash and cash equivalents, ending	$ 694,477

See notes to financial statements.

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. Description of organization and summary of significant accounting policies:

Organization:

Middle East Studies Association of North America, Inc. (MESA or the Organization) was organized in 1966 by a group of American and Canadian scholars to promote high standards of scholarship and instruction in Middle East studies, to facilitate communication among scholars through meetings and publications and to foster cooperation among people and organizations concerned with the scholarly study of the Middle East. Membership includes subscriptions to the International Journal of Middle East Studies, the Review of Middle East Studies and the Newsletter.

Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Recognition of contributions:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Endowment contributions are reported as additions to permanently restricted net assets. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Donated goods, services and facilities:

Support arising from donated goods, services and facilities is recognized in the financial statements at its fair value. Donated services are recognized when the services received:

(a) create or enhance nonfinancial assets or
(b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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1. Description of organization and summary of significant accounting policies (continued):

Donated goods and services (continued):

Although the Organization utilizes the services of graduate students to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the financial statements because the above criteria are not met.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC and SIPC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Pledges receivable:

Unconditional promises to give are recognized as revenues when notice of the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. Promises to give that are collectible over future periods are discounted to their net present value. The Organization records bad debt losses and an allowance when promises to give are considered uncollectible. At December 31, 2015, pledges receivable are considered fully collectible. Pledges receivable less than one year were $30,000 and pledges receivable in one to five years were $20,000 at December 31, 2015.

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at their fair value in the statements of financial position determined by quoted market prices. Donated investments are valued at their fair value at date of gift. Investment gains and losses are included in the changes in net assets in the accompanying statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or legal requirements.

Realized gains or losses on disposition of investments are recorded on a trade date basis using the specific identification method. The fair value of investment securities is estimated based upon the last trade price on a national securities exchange or in the over-the-counter market. If no trade price is reported for the measurement date, the fair value is estimated based upon the current bid price at the close of business on the measurement date.

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1. Description of organization and summary of significant accounting policies (continued):

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. The fair value for qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Property, equipment and depreciation:

Property and equipment are stated at cost except for donated equipment, which is recorded at its fair market value at the date of gift. Property and equipment with a value of greater than or equal to $2,000 is capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Endowments:

The Organization's endowments consist of four individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of MESA has interpreted Arizona's version (titled the "Management of Charitable Funds Act" (the Act)) of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) net investment income from the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the net investment income is added to the fund. The remaining portion of the net investment income in the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by the Act.

Deferred revenue:

Deferred revenue represents membership dues, annual meeting registration fees and international postage fees received for future years. Revenues are recognized in their related period.

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1. Description of organization and summary of significant accounting policies (continued):

Allocation of indirect expenses:

Expenses that can be identified with a specific program or support service are charged directly to the program according to their natural expense classification. Indirect expenses are allocated to the various programs and supporting services benefited based on salaries as a function of staff time by functional area.

Tax exempt status:

The Organization is exempt from income taxes under both federal (Internal Revenue Code Section 501(c)(3)) and Arizona income tax laws, and is classified as other than a private foundation. Accordingly, no provision for federal and state income taxes is made. Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI).

GAAP requires management to perform an evaluation of all tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for federal and state purposes.

The Organization is only subject to income taxes on UBTI as applicable. As a result, the Organization is required to file informational returns for federal and state purposes and, if it has UBTI, federal and state income tax returns. Management has performed its evaluation of tax positions taken on all open tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard.

From time to time, the Organization may be subject to penalties assessed by various taxing authorities, which are classified as general and administrative expenses, if they occur.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to December 31, 2015 through June 22, 2016, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

2. Investments:

The Organization's fair value of investments at December 31, 2015 are as follows:

Bonds	$	96,728
Mutual funds		341,896
Stocks		508,415
Total investments		947,039
Less restricted for endowments		23,134
Unrestricted and temporarily restricted investments	$	923,905

Investment income for 2015 is as follows:

Dividends and interest	$	31,313
Investment fees		(16,065)
Net realized losses on investments		(6,458)
Net unrealized losses on investments		(56,706)
	$	(47,916)

The fair value of the investments above have been measured on a recurring basis using the market approach and priced based on quoted market information (level 1).

3. Property and equipment:

Office furniture and equipment	$	31,787
Less accumulated depreciation		30,975
	$	812

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4. Temporarily restricted net assets:

Temporarily restricted net asset activity for 2015 is as follows:

	Beginning balance	Contributions/ investment gains	Releases	Ending balance
Academic freedom	$ 127,161	$ 15,759	$ (3,078)	$ 139,842
Aramex visiting scholar	1,304	–	(1,304)	–
Bacharach service award	14,177	(370)	(1,328)	12,479
Hourani book award	4,888	757	(1,000)	4,645
Kerr dissertation award	–	640	(640)	–
Owen economic book award	6,782	–	–	6,782
PERMES project	43,221	–	–	43,221
Pourshariati award	252	–	–	252
Student travel grant	801	750	(1,196)	355
Wadad Kadi travel award	45,000	–	(4,500)	40,500
Endowment net assets	8,187	(1,360)	–	6,827
	$ 251,773	$ 16,176	$ (13,046)	$ 254,903

5. Endowments:

The endowment net asset composition by type of fund at December 31,2015 is as follows:

	Temporarily restricted	Permanently restricted
Bacharach service award	$ 581	$ 2,500
Hourani award	5,116	15,000
Kerr dissertation award	–	3,000
Mentoring award	1,130	5,634
	$ 6,827	$ 26,134

Changes in endowment net assets for 2015 are as follows:

	Temporarily restricted	Permanently restricted
Endowment net assets, beginning	$ 8,187	$ 26,134
Investment loss	(1,360)	–
Appropriation of endowment assets for expenditures	–	–
Endowment net assets, ending	6,827	5,634

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

5. Endowments (continued):

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires to retain as a fund of perpetual duration. As of December 31, 2015, there were no deficiencies of this nature.

Return objectives and risk parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce modest income while not exposing the corpus to significant market or credit risk. Actual returns in any given year may vary from this parameter.

Spending policy and how the investment objectives relate to spending policy:

The management of the Organization and its Board of Directors did not have a specific written spending policy in accordance with the Act. However, the Organization has a spending policy in practice whereby amounts are appropriated based on determination of certain criteria to include the preservation of the endowment corpus, consideration of economic conditions, effects of inflation and deflation and the expected return from income and appreciation of investments. This is consistent with the Organization's objective to preserve the endowment assets held in perpetuity.

6. Commitments:

MESA has an agreement through December 31, 2015 with the Syndicate of the Press of Cambridge University to publish and distribute The International Journal of Middle East Studies and the Review of Middle East Studies to each member. Publication expense for 2015 was $84,323.

The Organization has entered into several agreements with various hotels to hold their annual meetings through 2020. In the event that the Organization cancels any of these agreements, they could be subject to cancellation fees calculated in accordance with the agreement at the time of cancellation.

7. Concentration:

MESA has no employees and contracts its professional and office labor from the University of Arizona.

https://doi.org/10.1017/rms.2016.162 Published online by Cambridge University Press

Aims & Scope

The *Review of Middle East Studies (RoMES)* is the Middle East Studies Association's journal of review. Published twice a year, each issue includes research articles, essays, brief reports on emerging topics and issues, and reviews of books, films, music, software, and exhibitions relevant to Middle East studies.

The focus of *RoMES* is the state of the craft in all fields of Middle East studies, including Islamic and cultural studies, with an emphasis on new and evolving topics and issues in scholarship, including research methods, ethical issues, and pedagogy. *RoMES* addresses primarily the modern period, but the journal also publishes scholarship on premodern topics of interest to a wider audience of Middle East scholars.

Mission Statement

The Middle East Studies Association (MESA) is a non-political association that fosters the study of the Middle East, promotes high standards of scholarship and teaching, and encourages public understanding of the region and its peoples through programs, publications and services that enhance education, further intellectual exchange, recognize professional distinction, and defend academic freedom.

The Secretariat

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https://doi.org/10.1017/rms.2016.162 Published online by Cambridge University Press

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