

ARAB STUDENT AID INTERNATIONAL

FINANCIAL STATEMENTS

December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board and Management of
Arab Student Aid International

Opinion

We have audited the accompanying financial statements of Arab Student Aid International (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis for the year ended December 31, 2021 and the related statement of receipts, expenses and other changes in net assets – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Arab Student Aid International as of December 31, 2021 the receipts, expenses, and other changes in net assets for the period then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Arab Student Aid International 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.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to error or fraud.

Auditors' Responsibility

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 the one resulting from error, as fraud may involve collusion, forgery, intentional 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Arab Student Aid International'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 the management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arab Student Aid International'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.

DATE OF DRAFT ACCEPTANCE

ARAB STUDENT AID INTERNATIONAL

Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
December 31, 2021

	<u>2021</u>
<u>ASSETS</u>	
Cash	\$ 144,491
Funds on Deposit with Kuwait Agency	358,672
Investments	4,153,199
Property, Plant, and Equipment	24,613
Accumulated Depreciation	<u>(18,121)</u>
Total Assets	<u>\$ 4,662,854</u>
<u>NET ASSETS</u>	
Total Net Assets	<u>4,662,854</u>
Total Liabilities and Net Assets	<u>\$ 4,662,854</u>

ARAB STUDENT AID INTERNATIONAL

Statement of Receipts, Expenses, and Other Changes In Net Assets - Modified Cash Basis
For the year ended December 31, 2021

	<u>2021</u>
Receipts	
Contributions	\$ 18,687
Investment Income (Net of Investment Fees \$21,979)	661,758
Scholarship Reimbursements	<u>269,282</u>
Total Receipts	949,727
Expenses	
Personnel & Benefits	97,923
Scholarships	86,765
Grants	151,805
Rent	15,080
Supplies	3,294
Utilities	5,856
Bank Service Charges	7,141
Professional Fees	24,973
Automobile	2,796
Other Expenses	<u>7,632</u>
Total Expenses	<u>403,265</u>
Change In Net Assets	546,462
Net Assets, Beginning of the Year	4,116,392
Net Assets, End of the Year	<u><u>4,662,854</u></u>

ARAB STUDENT AID INTERNATIONAL

Notes to the Financial Statements
December 31, 2021

Note 1 – Nature of the Organization

Arab Student Aid International (ASAI) was organized in 1976 by a group of Arab and American academicians and businessmen. ASAI is a nonprofit, nonpolitical, non-religious organization whose purpose is to provide financial assistance to qualified students from the Arab States in order to pursue degrees in higher education.

Note 2 - Summary of Significant Accounting Policies and Description of Key Accounts

Basis of Presentation

The financial statements are presented on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The significant ways in which the modified cash basis differs from GAAP:

1. Revenues derived from pledges are recognized when received as opposed to when pledged.
2. Revenues received from dividends are recognized when received as opposed to when declared.
3. Contributed services are not recognized as revenue or expense in the financial statements.
4. Expenditures/expenses are recognized on a cash basis.
5. Loans made to students are recognized as expense and repayments are recognized as reimbursements.
6. ASAI does not follow Accounting Standards Codification (ASC) 958, which requires nonprofit entities to show its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets are shown as unrestricted.
7. No statement of cash flows is prepared as required by GAAP.
8. GAAP requires a disclosure which explains in detail the methodology used to value securities included in the financial statements. The detailed disclosure has been omitted since the securities are valued using the fair market values listed on the brokers' statements.
9. Statement of Functional Expenses.

The effect of the above differences has not been calculated but is presumed to be material.

Use of Estimates

The process of preparing financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses.

Tax Status

ASAI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

ARAB STUDENT AID INTERNATIONAL

Notes to the Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies and Description of Key Accounts (Continued)

Loans to Students

It is the Organization's policy regarding its loans to eligible students that the collection terms are based upon each student's financial position. The goal is to permit the student to repay the loans without causing undue financial stress. The Organization recognizes that most of the students are living and working in countries less developed and with limited employment opportunities. These factors make it very difficult to value outstanding receivables, which makes it challenging to meet the main principals of accrual GAAP based accounting.

Investments

Investments are presented on the statement of assets, liabilities, and net assets at their estimated fair value, not cost. All investment related activity is reported as Investment Income on the statement of receipts, expenses, and other changes in net assets – modified cash basis and include unrealized holding gains and losses as well as realized gains and losses on sales.

Note 3 – Operating Leases

ASAI conducts its operations from an office in Dublin, Ohio that is leased month to month. Rent expense for the year ended December 31, 2021 was \$13,920.

Note 4 - Concentration of Business Risk

During the fiscal year ended December 31, 2021, ASAI's cash account was insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Though ASAI may occasionally go over these limits, the cash balance was fully insured under FDIC at December 31, 2021.

ASAI's contributors are located primarily in the Arab States. During the fiscal year ended December 31, 2021, grants from the Arab Fund for Social and Economic Development (AFSED) comprised about 39% of total receipts. A decrease in funding from AFSED could have a significant impact on the operations of ASAI.

Note 5 – Funds on Deposit

The Organization has an agency relationship with an organization in Kuwait. The agency relationship is to facilitate the receipt of donations from donors in the Middle East, as well as disbursing funds for scholarships/grants for students in the Middle East. As of December 31, 2021, the balance held by the agent was \$358,672.

Note 6 – Subsequent Events

Subsequent events were evaluated through DATE OF DRAFT ACCEPTANCE, which is the date financial statements were available to be issued.