NEAR EAST FOUNDATION AND SUBSIDIARY

Consolidated Financial Statements and
Supplementary Information as of
June 30, 2015 and 2014
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

NEAR EAST FOUNDATION AND SUBSIDIARY

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 28, 2016

To the Board of Directors of
Near East Foundation and Subsidiary:

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Near East Foundation and Subsidiary (a non-profit organization, the "Foundation"), which comprise the consolidated statements of financial position of as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of local operations in Jordan, Sudan or West Bank, which statements reflect total assets of $453,017, as of June 30, 2015 and total revenue and other support of $3,061,891, for the year ended. We did not audit the financial statements of local operations in Jordan or West Bank, which statements reflect total assets of $310,460, as of June 30, 2014 and total revenue and other support of $1,385,806, for the year ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the local operations in Jordan, Sudan and West Bank, is based solely on the reports of the other auditors. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibility (Continued)
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

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

Opinion
In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Other Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards*, as required by* Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations* and the Schedule of Direct Program Services by Location are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016 on our consideration of the Foundation'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 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 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 the Foundation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 1,587,036	$ 721,754
Accounts and loans receivable	412,906	286,532
Grants and contracts receivable	80,934	586,968
Prepaid expenses	74,029	22,190
Investments	3,706,220	3,921,425
Property and equipment, net	172,169	149,180
Total assets	$ 6,033,294	$ 5,688,049
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 571,041	$ 477,054
Deferred revenue	573,935	548,939
Total liabilities	1,144,976	1,025,993
NET ASSETS:		
Unrestricted	1,590,451	1,499,650
Temporarily restricted	186,078	50,617
Permanently restricted	3,111,789	3,111,789
Total net assets	4,888,318	4,662,056
Total liabilities and net assets	$ 6,033,294	$ 5,688,049

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Contributions	$ 940,680	$ 199,603	$ -	$ 1,140,283
Government grants and contracts	6,071,223	-	-	6,071,223
Private grants	452,584	-	-	452,584
In-kind contributions	187,849	-	-	187,849
Investment income, net	74,216	-	-	74,216
Program related income	4,950	-	-	4,950
Other income	16,161	-	-	16,161
Net assets released from restrictions	64,142	(64,142)	-	-
Total revenue and other support	7,811,805	135,461	-	7,947,266
EXPENSES:				
Direct program services	5,829,224	-	-	5,829,224
Program administration	1,035,329	-	-	1,035,329
Total program services	6,864,553	-	-	6,864,553
Management and general	640,146	-	-	640,146
Fund-raising	125,918	-	-	125,918
Total expenses	7,630,617	-	-	7,630,617
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	181,188	135,461	-	316,649
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(90,387)	-	-	(90,387)
CHANGE IN NET ASSETS	90,801	135,461	-	226,262
NET ASSETS - beginning of year	1,499,650	50,617	3,111,789	4,662,056
NET ASSETS - end of year	$ 1,590,451	$ 186,078	$ 3,111,789	$ 4,888,318

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Contributions	$ 347,046	$ 78,303	$ -	$ 425,349
Government grants and contracts	6,387,552	-	-	6,387,552
Private grants	32,350	-	-	32,350
In-kind contributions	33,731	-	-	33,731
Investment income, net	551,224	-	-	551,224
Program related income	8,495	-	-	8,495
Other income	3,868	-	-	3,868
Net assets released from restrictions	82,740	(82,740)	-	-
Total revenue and other support	7,447,006	(4,437)	-	7,442,569
EXPENSES:				
Direct program services	5,632,263	-	-	5,632,263
Program administration	763,117	-	-	763,117
Total program services	6,395,380	-	-	6,395,380
Management and general	424,577	-	-	424,577
Fund-raising	107,586	-	-	107,586
Total expenses	6,927,543	-	-	6,927,543
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	519,463	(4,437)	-	515,026
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	19,018	-	-	19,018
CHANGE IN NET ASSETS	538,481	(4,437)	-	534,044
NET ASSETS - beginning of year	961,169	55,054	3,111,789	4,128,012
NET ASSETS - end of year	$ 1,499,650	$ 50,617	$ 3,111,789	$ 4,662,056

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Direct Program Services	Program Administration	Total Program Services	Management and General	Fund-raising	Total
SALARIES AND RELATED EXPENSES:						
Salaries and wages	$ 1,379,507	$ 382,131	$ 1,761,638	$ 257,846	$ 75,259	$ 2,094,743
Fringe benefits	285,521	44,516	330,037	34,861	10,176	375,074
Total salaries and related expenses	1,665,028	426,647	2,091,675	292,707	85,435	2,469,817
EXPENSES:						
Professional fees / consultants	78,108	314,793	392,901	122,800	21,677	537,378
Occupancy and operating expenses	165,690	99,983	265,673	80,613	8,827	355,113
Travel	402,584	69,245	471,829	104,369	7,429	583,627
Equipment & furniture	52,517	18,187	70,704	22,210	1,282	94,196
Program activities	3,417,323	53,938	3,471,261	-	-	3,471,261
Miscellaneous expenses	47,974	52,536	100,510	17,447	1,268	119,225
	$ 5,829,224	$ 1,035,329	$ 6,864,553	$ 640,146	$ 125,918	$ 7,630,617

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Direct Program Services	Program Administration	Total Program Services	Management and General	Fund-raising	Total
SALARIES AND RELATED EXPENSES:						
Salaries and wages	$ 1,189,355	$ 378,279	$ 1,567,634	$ 243,237	$ 52,756	$ 1,863,627
Fringe benefits	269,843	73,753	343,596	59,954	11,491	415,041
Total salaries and related expenses	1,459,198	452,032	1,911,230	303,191	64,247	2,278,668
EXPENSES:						
Professional fees / consultants	161,460	123,502	284,962	25,727	26,573	337,262
Occupancy and operating expenses	180,976	56,549	237,525	46,470	5,090	289,085
Travel	434,214	96,305	530,519	30,498	10,764	571,781
Equipment & furniture	44,020	17,256	61,276	4,440	-	65,716
Program activities	3,292,718	2,005	3,294,723	-	-	3,294,723
Miscellaneous expenses	59,677	15,468	75,145	14,251	912	90,308
	$ 5,632,263	$ 763,117	$ 6,395,380	$ 424,577	$ 107,586	$ 6,927,543

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	$ 316,649	515,026
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	63,388	80,300
Realized and unrealized (gains) losses on investments	39,917	(432,039)
Change in value of investments in trusts held by others	-	3,540
Changes in:		
Accounts and loans receivable	(126,374)	(75,456)
Grants and contracts receivable	506,034	(436,532)
Prepaid expenses	(51,839)	(6,934)
Accounts payable and accrued expenses	93,987	189,290
Deferred revenue	24,996	(101,591)
Net cash flow from operating activities	866,758	(264,396)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(86,377)	(128,033)
Proceeds on sales of investments	3,216,769	1,236,580
Purchase of investments	(3,041,481)	(1,356,699)
Net cash flow from investing activities	88,911	(248,152)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	-	(94,127)
Net cash flow from financing activities	-	(94,127)
Change in cash and cash equivalents before effect of exchange rate changes	955,669	(606,675)
CASH AND CASH EQUIVALENTS - beginning of year	721,754	1,309,411
Effect of exchange rate changes on cash and cash equivalents	(90,387)	19,018
CASH AND CASH EQUIVALENTS - end of year	$ 1,587,036	$ 721,754

The accompanying notes are an integral part of these statements.

1. NATURE OF ORGANIZATION

Near East Foundation ("NEF" or the "Foundation") is an international non-governmental organization, founded in 1915, that fosters and supports civil society organizations in select African and Middle Eastern communities experiencing inveterate poverty, as well as conflict, migration and/or climate change. NEF designs and manages projects that engage communities in simple but innovative and sustainable practices and technologies to meet their basic needs in agriculture, education, healthcare and income generation, giving them the confidence and competence to seek services from their governments and broader societies.

To implement its projects, the organization maintains offices and staff in Armenia, Egypt, Jordan, Lebanon, Mali, Morocco, Palestinian Territories, and Sudan, as well as New York. Its presence in these countries is registered with each of the respective national authorities, and NEF also has a license from the U.S. Treasury Department to work in Sudan. NEF has supported other former and current employees to set up similar entities in other countries, but has not used these entities.

NEF has been classified as a 501(c)(3) organization and is exempt from federal income taxes under the provisions of 501(a) of the Internal Revenue Code and a similar provision of the State of New York tax laws. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

NEFdev, a for-profit subsidiary of NEF, was established in March 2006 to take advantage of United States government small business grants that would not be available to the not-for-profit NEF organization. NEFdev has been inactive as of June 30, 2008, but is expected to pursue small business grants in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Principles of Consolidation

The financial statements include the accounts of Near East Foundation and its Subsidiary (collectively the “Foundation”). In accordance with generally accepted accounting principles, all significant inter-company transactions and balances have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation
The Foundation reports its activities based on the existence or absence of donor-imposed restrictions utilizing the following net asset categories:

Unrestricted
Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Foundation.

Temporarily Restricted
Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. As such restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Permanently Restricted
Net assets that are subject to donor-imposed stipulations requiring the corpus of the gift be retained in perpetuity. Generally, such donors allow the income from these resources to be used for general or specific purposes.

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid instruments with original maturities at the time of purchase of three months or less, excluding cash held for investment purposes. The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Foundation maintains cash in bank deposit accounts denominated in foreign currency. Foreign currency denominated assets may involve more risk than domestic transactions, including political, economic and regulator risk. Risks may also arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of foreign currencies to the U.S. Dollar.

Accounts and Loans Receivables
Accounts receivable are stated at outstanding balances. The Foundation considers accounts receivable to be fully collectible based on management's review of individual accounts outstanding. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Loans receivable consist of amounts loaned to businesses to support agricultural production and food security. Loans are stated at unpaid principal balances plus interest, less the allowance for loan losses. Loans are due on demand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on past collection experience and an analysis of outstanding amounts. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged to the provision for loan losses. Management did not consider an allowance for loan losses necessary as of June 30, 2015 and 2014, and no loans were considered impaired.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary because of uncertainties associated with local economic conditions and future cash flows on impaired loans.

Grants and Contracts Receivable

Grants and contracts receivable represent revenue earned but not received from the grantors. The Foundation considers all grants and contracts receivable to be fully collectible based on management's review of contributions outstanding. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Investments

Investments are reported at fair value. Gains and losses on investments of temporarily or permanently restricted net assets are to be classified according to explicit donor-imposed stipulations. Absent donor-imposed stipulations, applicable state law is to be followed.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated financial statements. Realized gains or losses result from the sale of investments and are allocated to the applicable funds. Unrealized gains or losses result from market value fluctuations and are also allocated to the applicable funds. Both are recorded in the statement of activities and changes in net assets in investment income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment
Fixed assets are recorded at fair market value at the date of donation or at cost if purchased. The Foundation capitalizes fixed assets in excess of $5,000 with a useful life greater than one year. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 5 years.

Deferred Revenue
Deferred revenue consists of grant revenue, which has been received but not expended.

Endowment Funds
Endowment funds represent funds that are not available for current use because they have been restricted by donors.

Interpretation of Relevant Law
The Foundation's Board of Directors has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income. The Foundation also observes the Uniform Management of Institutional Funds Act protection of the historic gift value of individual endowment funds.

Donated Services, Supplies and Facilities
Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation received donated services valued at $141,809 and $24,596 for the years ended June 30, 2015 and 2014, respectively. The value of the donated services was included as in-kind contributions in the consolidated financial statements and the corresponding program expenses for the years ended June 30, 2015 and 2014, respectively.

The Foundation received donated facilities that are reflected as contributions at their respective estimated fair rental values with a commensurate charge to expense. For the years ended June 30, 2015 and 2014, donated space amounted to $46,040 and $9,135, respectively.

Functional Allocation of Expenses
The costs of providing the various programs have been summarized on a functional basis in the statements of activities and functional expenses. The costs are functionalized on a direct basis, where possible. Indirect costs are allocated on the basis of time spent.

Foreign Exchanges Gain or Loss
Monetary assets and liabilities denominated in foreign currencies are translated using rates prevailing at year-end. Revenues and expenses are translated at rates prevailing on the date of the respective transaction. Foreign exchange gains (losses) amounted to $(90,387) and $19,018 for years ended June 30, 2015 and 2014, respectively and are included in the accompanying consolidated statement of activities and changes in net assets as components of program and/or management and general expenses, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes
The Foundation is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified by the Internal Revenue Service as an entity which is not a private foundation.

3. FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis. (ASC) 820 sets out a fair value hierarchy and 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. The fair value hierarchy is defined as follows:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2: Valuations based on quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The asset's 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value.

Level 1 Fair Value Measurements
The fair value of the cash and cash equivalents, exchange traded funds, common stocks, and mutual funds are based on quoted prices in an open market.

3. FAIR VALUE MEASUREMENTS (Continued)

Level 2 Fair Value Measurements

The fair value of corporate and treasury bonds are determined by entering standard inputs into a pricing model. These inputs, listed in order of priority, include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data and industry and economic events. The custodian of the bonds relies on an independent pricing service to perform the pricing calculation. The fair value of investment in trusts held by others are based on quoted market prices of the underlying investments.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation's management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

There were no changes in valuation techniques used in 2015.

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value on a recurring basis:

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 129,230	$ -	$ -	$ 129,230
Exchange traded funds	1,362,162	-	-	1,362,162
Common stocks:				
Consumer goods	171,457	-	-	171,457
Financial	393,271	-	-	393,271
Healthcare	139,891	-	-	139,891
Industrial goods	102,895	-	-	102,895
Materials	149,939	-	-	149,939
Other	28,505	-	-	28,505
Services	159,507	-	-	159,507
Technology	156,363	-	-	156,363
Total common stocks	1,301,828	-	-	1,301,828
Mutual funds - fixed income	46,890	-	-	46,890
Mutual funds - equity	53,164	-	-	53,164
Total mutual funds	100,054	-	-	100,054

3. FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Corporate bonds:				
A1 Rated	-	51,807	-	51,807
A2 Rated	-	43,975	-	43,975
A3 Rated	-	57,748	-	57,748
AA1 Rated	-	27,672	-	27,672
B1 Rated	-	25,531	-	25,531
B2 Rated	-	31,013	-	31,013
B3 Rated	-	10,539	-	10,539
BA1 Rated	-	50,460	-	50,460
BA2 Rated	-	126,391	-	126,391
BA3 Rated	-	66,580	-	66,580
BAA1 Rated	-	260,907	-	260,907
BAA2 Rated	-	32,519	-	32,519
CAA1 Rated	-	23,888	-	23,888
Total corporate bonds	-	809,030	-	809,030
Treasury bonds	-	3,916	-	3,916
Total	$ 2,893,274	$ 812,946	$ -	$ 3,706,220

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 417,252	$ -	$ -	$ 417,252
Exchange traded funds	1,164,033	-	-	1,164,033
Common stocks:				
Consumer goods	258,768	-	-	258,768
Financial	383,257	-	-	383,257
Healthcare	156,561	-	-	156,561
Industrial goods	148,032	-	-	148,032
Materials	186,255	-	-	186,255
Other	41,185	-	-	41,185
Services	109,199	-	-	109,199
Technology	195,146	-	-	195,146
Total common stocks	1,478,403	-	-	1,478,403
Mutual funds - fixed income	29,274	-	-	29,274

3. FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Corporate bonds:				
A1 Rated	-	59,095	-	59,095
A2 Rated	-	49,253	-	49,253
A3 Rated	-	33,494	-	33,494
AA1 Rated	-	27,021	-	27,021
B1 Rated	-	77,024	-	77,024
B2 Rated	-	29,109	-	29,109
B3 Rated	-	30,472	-	30,472
BA1 Rated	-	27,340	-	27,340
BA2 Rated	-	94,459	-	94,459
BA3 Rated	-	100,112	-	100,112
BAA1 Rated	-	160,977	-	160,977
BAA2 Rated	-	120,818	-	120,818
BAA3 Rated	-	23,289	-	23,289
Total corporate bonds	-	832,463	-	832,463
Total	$ 3,088,962	$ 832,463	$ -	$ 3,921,425

4. INVESTMENTS

Investment income consists of the following at June 30:

	2015	2014
Interest and dividend income	$ 142,631	$ 144,588
Realized gains on investments	139,436	89,724
Unrealized gains (losses) on investments	(179,353)	342,315
	$ 102,714	$ 576,627

Investment income above is shown on the consolidated statements of activities and changes in net assets at June 30, 2015 and 2014, net of investment fees of $28,498 and $25,403, respectively.

5. LOANS RECEIVABLE

Loans receivable consist of amounts loaned to businesses of $178,313 and $179,313 at June 30, 2015 and 2014, respectively. All loans are considered current at June 30, 2015 and 2014. There are no loans on nonaccrual status as of June 30, 2015 and 2014.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30:

	2015	2014
Vehicles	$ 736,579	$ 665,953
Office equipment	105,643	105,643
Furniture and fixtures	53,000	35,422
	895,222	807,018
Less: accumulated depreciation	(723,053)	(657,838)
	$ 172,169	$ 149,180

7. OPERATING LEASES

The Foundation has several operating leases that are renewable on an annual basis or office space which expire at various dates through February 2017. Future minimum lease payments under the operating leases over one year as of June 30, 2015 are as follows:

2016	$ 57,391
2017	21,305
	$ 78,696

Rental expense under operating leases was $83,861 and $66,222 for the year ended June 30, 2015 and 2014, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by purpose or periods for the following locations:

	2015	2014
NEF - West Bank	$ 20,961	$ 16,365
NEF - Armenia	15,185	34,252
NEF - Lebanon	149,932	-
	$ 186,078	$ 50,617

The following represents assets released from restrictions for the following location:

	2015	2014
NEF- Lebanon	$ 67	$ -
NEF - West Bank	44,454	52,079
NEF - NY and Morocco	-	3,540
NEF - Armenia	19,621	20,363
NEF - Sudan	-	6,758
	$ 64,142	$ 82,740

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2015 and 2014 consist of investments to be held in perpetuity in funds as noted below for the purpose of generating income for the general purpose of the Foundation:

	2015	2014
Violet J. Jacobs Endowment Fund	$ 3,000,000	$ 3,000,000
Other	111,789	111,789
	$ 3,111,789	$ 3,111,789

The Foundation is subject to the New York Not-for-Profit Corporation Law. The Foundation has determined that when a contribution is received and the donor restricts the Foundation from spending the principal. New York Law requires the Foundation to treat the contribution received as an endowment. Such amount is recorded as permanently restricted and investment return is recorded as temporarily restricted until appropriated for spending.

The Foundation has adopted investment and spending policies for endowment assets that attempt to maintain a surplus for the Foundation to allow for possible distributions for operating expenses for unusual or unexpected repairs and improvements to its physical plants. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the board of directors, the overriding objective is to maintain purchasing power.

On March 5, 2010, a donor signed an agreement with the Foundation to provide cash totaling $3,000,000 to establish an endowment in perpetuity, the income from which will be used to support the operations of the Foundation. The terms of the agreement require the Foundation to actively pursue building its board, and to establish a spending rate of 7% measured on June 30 of each year if the value of the endowment is greater than its corpus and 5% if it falls below the corpus.

Endowment net assets are classified as follows for the years ended June 30:

	Temporarily Restricted	Permanently Restricted	Total
Balance, July 1, 2013	$ 55,054	$ 3,111,789	$ 3,166,834
Contributions	78,303	-	78,303
Net assets released from restrictions	(82,740)	-	(82,740)
Change in endowment net assets	(4,437)	-	(4,437)
Balance, June 30, 2014	$ 50,617	$ 3,111,789	$ 3,162,406
Contributions	199,603	-	199,603
Net assets released from restrictions	(64,142)	-	(64,142)
Change in endowment net assets	135,461	-	135,461
Balance, June 30, 2015	$ 186,078	$ 3,111,789	$ 3,297,867

9. PERMANENTLY RESTRICTED NET ASSETS (Continued)

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or relevant law requires the Foundation to retain as a fund of perpetual donation. Deficiencies of this nature would be reported in temporarily restricted net assets to the extent accumulated gains are available to absorb such loss. Otherwise, such deficiencies are reported in unrestricted net assets. There were no such deficiencies at June 30, 2015 or June 30, 2014.

10. RETIREMENT PLAN

The Foundation has a Defined Contribution Plan (the Plan) for Employees covering its eligible employees. The Plan allows employee elective contributions and employer contributions for eligible employees.

During 2015, the Foundation did not contribute to the Plan. The Foundation contributed 5% of eligible employee's compensation in 2014 which amounted to $35,561 at June 30, 2014.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2016 the date the consolidated financial statements were available to be issued.

NEAR EAST FOUNDATION AND SUBSIDIARY

SCHEDULE OF DIRECT PROGRAM SERVICES BY LOCATION
FOR THE YEARS ENDING JUNE 30, 2015 AND 2014

	2015	2014
Armenia	$ 39,358	$ 47,060
Egypt	-	32,245
Jordan	564,368	529,523
Mali	2,867,834	2,546,015
Morocco	382,466	329,334
Sudan	1,070,393	1,520,044
West Bank/Gaza	904,805	628,042
	$ 5,829,224	$ 5,632,263

The accompanying notes are an integral part of this schedule.

NEAR EAST FOUNDATION AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Program Title	Number	Award Number	Expenditures
DEPARTMENT OF STATE:			
Middle East Partnership Initiative	19.500	S-NEAPI-14-CA-1003	$ 275,072
Overseas Refugee Assistance Program for Near East and South Asia	19.519	S-PRMCO-13-CA-1077	595,850
TOTAL DEPARTMENT OF STATE			870,922
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS:			
Olive Oil Without Borders: Palestinian-Israeli Olive Oil Project	98.001	AID-294-A-11-00010	335,626
Olive Oil Without Borders II: Expanding Cross Border Collaboration in the Olive Sector	98.001	AID-294-A-14-00004	164,435
Youth Agribusiness Partnerships (YAP) under the Conflict Management and Mitigation (CMM) Program	98.001	AID-294-A-13-00015	291,853
Resources Livelihoods, and Security: Humanitarian Support and Peace Building for IDP's and Vulnerable Populations in West Darfur - Sudan	98.001	AID-OFDA-G-12-00205	1,132,493
Restoring Economic Capacity of Populations Affected by the Crisis in Northern Mali (RECAPE)	98.001	AID-OFDA-G-13-00053	21,918
Restoring Economic Capacity of Populations Affected by the Crisis in Northern Mali (RECAPE II)	98.001	AID-OFDA-G-14-00035	1,162,325
Emergency Food Security Program in Mali	98.001	AID-FFP-G-15-000141	8,964
TOTAL U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS			3,117,614
			$ 3,988,536

See note to Schedule of Expenditures of Federal Awards.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

March 28, 2016

To the Board of Directors of
Near East Foundation and Subsidiary:

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, the consolidated financial statements of Near East Foundation and Subsidiary (the Foundation) which comprise the consolidated statements of financial position as of June 30, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 28, 2016. Our report includes a reference to other auditors who audited the financial statements of local operations in Jordan, Sudan and West Bank, as described in our report on Near East Foundation and Subsidiary's consolidated financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S 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*
(Continued)

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 consolidated 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Foundation's consolidated 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 determination of financial statement amounts. 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*.

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 the entity'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

March 28, 2016

To the Board of Directors of
Near East Foundation and Subsidiary:

Report on Compliance for Each Major Federal Program
We have audited Near East Foundation and Subsidiary's (the Foundation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2015. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program
In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Continued)

Report on Internal Control Over Compliance
Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bonadio & Co., LLP

NEAR EAST FOUNDATION AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?		yes	√	no
Significant deficiencies identified that are not considered to be material weaknesses?		yes	√	none
Noncompliance material to financial statements noted?		yes	√	no

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified?		yes	√	no
Significant deficiencies identified that are not considered to be material weaknesses?		yes	√	none

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 Section 510(a) of Circular A-133?		yes	√	no

The programs tested as major programs include:

CFDA Numbers	Name of Federal Program or Cluster
	U.S. Agency for International Development:
98.001	Foreign Assistance for Programs Overseas
19.500	Middle East Partnership Initative

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee?	√	yes		no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported