

NEAR EAST FOUNDATION AND SUBSIDIARIES

**Consolidated Financial Statements and
Supplementary Information as of
June 30, 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

NEAR EAST FOUNDATION AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

March 24, 2021

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Near East Foundation and Subsidiaries (a non-profit organization, the "Foundation"), which comprise the consolidated statement of financial position of as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audit. We did not audit the financial statements of the Near East Foundation UK Limited (NEF UK), NEF Belgium (NEF BE), and of the local operations in the Jordan, Jordan Regional, Sudan, and Palestine, which statements reflect total assets of \$2,775,064 and total net assets of \$468,040, as of June 30, 2020 and total revenue and other support of \$8,539,543, for the year then ended. We did not audit the financial statements of NEF UK and local operations in Jordan, Jordan Regional, Sudan, and Palestine, which statements reflect total assets of \$4,592,173 and total net assets of \$44,296, as of June 30, 2019 and total revenue and other support of \$8,417,514 for the year then 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 NEF UK, NEF BE and of the local operations in Jordan, Jordan Regional, Sudan, and Palestine, is based solely on the reports of the other auditors. We conducted our audit 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The consolidated financial statements of Near East Foundation UK Limited and NEF Belgium were not audited in accordance with *Government Auditing Standards*.

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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 reports 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 2 to the consolidated financial statements, the Foundation implemented Accounting Standards Updates (ASU) ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, as of July 1, 2019 and the effects have been included in these consolidated financial statements. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Totals

We have previously audited the Foundation's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the 2020 consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* and the supplementary information included on pages 19-25 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The 2020 consolidating information on pages 19-23 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is 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, by us and other auditors. In our opinion, based on our audit, the procedures described above and the reports of other auditors, the 2020 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

The 2019 supplementary information is presented for purposes of additional analysis and is 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 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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, by us and other auditors. In our opinion, based on our audit, the procedures described above and the reports of other auditors, the 2019 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021 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 solely 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 the effectiveness of the Foundation's 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.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 3,463,475	\$ 3,533,702
Accounts receivable	89,353	147,724
Grants and contracts receivable	1,248,426	1,038,282
Prepaid expenses and other assets	170,437	122,416
Investments	4,325,129	6,084,236
Property and equipment, net	<u>245,351</u>	<u>332,716</u>
Total assets	<u>\$ 9,542,171</u>	<u>\$ 11,259,076</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,156,969	\$ 1,846,837
Refundable advances	1,985,944	2,657,888
Paycheck Protection Program refundable advance	<u>93,581</u>	<u>-</u>
Total liabilities	<u>3,236,494</u>	<u>4,504,725</u>
NET ASSETS:		
Without donor restrictions	1,845,404	2,342,826
With donor restrictions	<u>4,460,273</u>	<u>4,411,525</u>
Total net assets	<u>6,305,677</u>	<u>6,754,351</u>
Total liabilities and net assets	<u>\$ 9,542,171</u>	<u>\$ 11,259,076</u>

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Totals for 2019)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2020 <u>Total</u>	2019 <u>Total</u>
REVENUE AND OTHER SUPPORT:				
Contributions	\$ 925,305	\$ 419,991	\$ 1,345,296	\$ 1,531,638
Government grants and contracts	11,002,867	-	11,002,867	15,058,400
Paycheck Protection Program forgiveness	243,219	-	243,219	-
Private grants	365,244	-	365,244	-
Investment income, net	30,214	-	30,214	277,877
Other income	10,944	-	10,944	35,565
Net assets released from restrictions	<u>371,243</u>	<u>(371,243)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>12,949,036</u>	<u>48,748</u>	<u>12,997,784</u>	<u>16,903,480</u>
EXPENSES:				
Direct program services	9,808,862	-	9,808,862	13,299,159
Program administration	<u>2,360,317</u>	<u>-</u>	<u>2,360,317</u>	<u>2,217,005</u>
Total program services	12,169,179	-	12,169,179	15,516,164
Management and general	537,455	-	537,455	629,586
Fund-raising	<u>650,215</u>	<u>-</u>	<u>650,215</u>	<u>336,161</u>
Total expenses	<u>13,356,849</u>	<u>-</u>	<u>13,356,849</u>	<u>16,481,911</u>
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(407,813)	48,748	(359,065)	421,569
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	<u>(89,609)</u>	<u>-</u>	<u>(89,609)</u>	<u>163,856</u>
CHANGE IN NET ASSETS	(497,422)	48,748	(448,674)	585,425
NET ASSETS - beginning of year	<u>2,342,826</u>	<u>4,411,525</u>	<u>6,754,351</u>	<u>6,168,926</u>
NET ASSETS - end of year	<u>\$ 1,845,404</u>	<u>\$ 4,460,273</u>	<u>\$ 6,305,677</u>	<u>\$ 6,754,351</u>

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

(With Comparative Totals for 2019)

	Direct Program <u>Services</u>	Program <u>Administration</u>	Total Program <u>Services</u>	Management <u>and General</u>	<u>Fund-raising</u>	2020 <u>Total</u>	2019 <u>Total</u>
SALARIES AND RELATED EXPENSES:							
Salaries and wages	\$ 3,386,975	\$ 1,018,207	\$ 4,405,182	\$ 320,143	\$ 417,729	\$ 5,143,054	\$ 4,692,242
Fringe benefits	<u>698,348</u>	<u>441,467</u>	<u>1,139,815</u>	<u>101,616</u>	<u>124,118</u>	<u>1,365,549</u>	<u>1,323,908</u>
Total salaries and related expenses	4,085,323	1,459,674	5,544,997	421,759	541,847	6,508,603	6,016,150
EXPENSES:							
Occupancy and operating expenses	355,760	751,770	1,107,530	66,959	57,679	1,232,168	1,384,030
Travel	421,446	95,267	516,713	40,737	50,536	607,986	806,325
Equipment and furniture	101,179	20,227	121,406	877	-	122,283	162,265
Program activities	4,157,505	19,688	4,177,193	-	153	4,177,346	6,360,514
Sub-awards	613,749	-	613,749	-	-	613,749	1,645,503
Depreciation	73,900	13,691	87,591	7,123	-	94,714	104,822
Miscellaneous expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,302</u>
	<u>\$ 9,808,862</u>	<u>\$ 2,360,317</u>	<u>\$ 12,169,179</u>	<u>\$ 537,455</u>	<u>\$ 650,215</u>	<u>\$ 13,356,849</u>	<u>\$ 16,481,911</u>

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	\$ (359,065)	\$ 421,569
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	94,714	104,822
Realized and unrealized gain (loss) on investments	103,961	(130,318)
Gain on disposal of property and equipment	-	(23,876)
Changes in:		
Accounts receivable	58,371	(421,338)
Grants and contracts receivable	(210,144)	(402,471)
Prepaid expenses and other assets	(48,021)	(43,295)
Accounts payable and accrued expenses	(689,868)	657,656
Refundable advances	(671,944)	1,317,158
Paycheck Protection Program refundable advance	93,581	-
Net cash flow from operating activities	<u>(1,628,415)</u>	<u>1,479,907</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(9,600)	(178,325)
Proceeds on sales of property and equipment	2,251	35,236
Proceeds on sales of investments	2,332,587	1,393,186
Purchase of investments	(677,441)	(1,688,628)
Net cash flow from investing activities	<u>1,647,797</u>	<u>(438,531)</u>
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES	19,382	1,041,376
CASH AND CASH EQUIVALENTS - beginning of year	3,533,702	2,328,470
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(89,609)</u>	<u>163,856</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 3,463,475</u>	<u>\$ 3,533,702</u>

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

(With Comparative Totals for 2019)

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 Foundation maintains offices and staff in Armenia, Jordan, Jordan Regional, Lebanon, Mali, Morocco, Sudan, Palestine, Iraq, London, Belgium 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.

Near East Foundation UK Limited (NEF UK) is a registered charity, number 1150993 and is a limited liability company. NEF UK's purpose is to build more sustainable, prosperous, and inclusive communities in the Middle East and Africa through education, community organizing, and economic development.

NEF Belgium (NEF BE) is an international non-profit association incorporated by Royal Decree, number 0708928458, and registered with the Crossroads Bank for Enterprises as of October 11, 2018. NEF BE's purpose is to build more sustainable, prosperous, and inclusive communities in the Middle East and Africa through education, community organizing, and economic development.

NEFdev, a for-profit Subsidiary of NEF, was established to obtain 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.

NEF Global, LLC, a for-profit subsidiary of NEF, was established In January 2020 to obtain United States government small business grants that would not be available to the not-for-profit NEF organization. NEF Global LLC had no activity as of and for the year ended June 30, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Near East Foundation, Near East Foundation UK Limited, NEF Belgium, NEF Global, LLC and NEFdev (collectively the “Foundation”). In accordance with generally accepted accounting principles, all significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

Basis of Accounting

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

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, particularly given the economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be significant.

Financial Statement Presentation

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

Net Assets without Donor Restrictions

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

Net Assets with Donor Restrictions

Net assets with donor restrictions are those net assets that are restricted by the donor for time or specific purposes or net assets whose principal may not be expended. The donors may or may not restrict the use of investment income. As such restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Endowment Funds

Endowment funds represent funds that are not available for current use because they have been restricted by donors. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Exchanges Gain or Loss

Monetary assets and liabilities denominated in foreign currencies are translated using rates prevailing at year-end. Revenue and expenses are translated monthly using a weighted-average rate that is calculated as an average of the daily currency exchange rates that prevailed during the given month. Foreign exchange gain/(loss) amounted to (\$89,609) and \$163,856 for years ended June 30, 2020 and 2019, 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.

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. 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 regulatory 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 Receivable

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.

Grants and Contracts Receivable and Refundable Advances

The Foundation receive grants and contracts to assist carrying out its programs from federal, state, and local government agencies and other organizations. Unconditional grants and restricted grants are recognized as revenues in the period received or promised. Conditional grants are not recognized as revenues until the conditions on which they depend are substantially met. The Foundation has adopted a policy whereby all restricted grants be recorded as without donor restrictions if the restriction expires in the same reporting period as received.

Grants and contracts receivable represent amounts due under grants and contracts to the Foundation. Receivables are stated at the amount management expects to collect from outstanding balances. As of June 30, 2020 and 2019, management has determined based on review, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. If amounts become uncollectible, they will be charged against the related revenue when the determination is made. Unpaid balances remaining after the stated payment terms are considered past due. Refundable advances consist of grant revenue, which has been received but not yet earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conditional grants and contracts received that were not fully recognized before year-end have the following conditions as of June 30, 2020:

Iraq	\$	4,008,914
Lebanon		1,344,324
Mali		9,467,459
Morocco		661,103
Sudan		4,660,672
Jordan Regional		1,193,450
Paycheck Protection Program		<u>93,581</u>
	\$	<u>21,429,503</u>

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist principally of prepaid insurance and other contracted services paid in advance and are expensed over the term of the contract.

Investments

Investments are reported at fair value. Gains and losses on investments of net assets with donor restrictions 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 Consolidated Statement of Activities and Changes in Net Assets in investment income.

Property and Equipment

Property and equipment are recorded at fair market value at the date of donation or at cost if purchased. The Foundation capitalizes property and equipment 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.

Allocation of Certain Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or management and general or fund-raising functions. Those expenses include salaries and wages, fringe benefits, occupancy and operating expenses. Salaries and wages and fringe benefits are allocated based on time spent. Occupancy and operating expenses are allocated based on square footage.

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. NEF UK is a registered company in England and Wales and is a registered charity that is exempt from corporation tax on its charitable activities. NEF BE is a registered international non-profit association in Belgium that is exempt from corporate tax on its non-profit activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The consolidated financial statements included certain prior-year summarized comparative information. With respect to the Consolidated Statement of Activities and Changes in Net Assets, the prior-year information is presented in total, not by net asset class. With respect to the Consolidated Statement of Functional Expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Program Development

Program development costs are expensed as incurred and are classified as fund-raising in the accompanying Consolidated Statement of Functional Expenses. Total program development costs for the Foundation was \$586,720 and \$326,345 for the years ended June 30, 2020 and 2019, respectively.

Reclassifications

Certain amounts have been reclassified from the 2019 financial statements to conform with the current year presentation.

Changes in Accounting Principle

ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

Effective July 1, 2019, the Foundation adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. ASU 2018-08 clarifies the determination of whether a grant or contract is a contribution or an exchange transaction subject to other guidance. Changes resulting from the adoption of ASU 2018-08 were made on a modified prospective basis during the year of adoption and therefore, had no effect on the financial position or results of operations for the year ended June 30, 2019. There was no effect on total net assets or changes in net assets for the year ended June 30, 2020.

3. LIQUIDITY

The Foundation has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's ability to meet cash needs is dependent on timely collection of its receivables and continued grant opportunities from federal and foreign governments. In addition, the Foundation also has a committed line of credit in the amount of \$707,000 which it could draw upon in the event of an unanticipated liquidity need.

3. LIQUIDITY (Continued)

The Foundation's financial assets available within one year of the consolidated statements of Financial Position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,463,475	\$ 3,533,702
Accounts receivable	89,353	147,724
Grants and contracts receivable	1,248,426	1,038,282
Investments	<u>4,325,129</u>	<u>6,084,236</u>
Financial assets, at year end	9,126,383	10,803,944
Less those unavailable for general expenditures within one year, due to:		
Restricted by donors	<u>4,460,273</u>	<u>4,411,525</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,666,110</u>	<u>\$ 6,392,419</u>

4. FAIR VALUE MEASUREMENTS

GAAP provides a framework for measuring fair value and applies to all financial instruments that are being measured and reported on a fair value basis. GAAP establishes 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 exchange traded funds, common stocks, and mutual funds are based on quoted prices in an open market.

4. FAIR VALUE MEASUREMENTS (Continued)

Level 2 Fair Value Measurements

The fair value of corporate 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.

Investments Measured at NAV Practical Expedient

The Foundation has an investment in Jones Lang LaSalle Income Property Trust, Inc., which is an externally advised, daily valued perpetual-life real estate investment trust (REIT) that owns and manages a diversified portfolio of apartment, industrial, office, retail and other properties located in the United States. The fair value of the REIT is valued based on net asset value (NAV) per share. Further information concerning the REIT may be obtained from their separate audited financial statements. There are no unfunded commitments or withdrawal restrictions.

The Foundation has an investment in Starwood Real Estate Income Trust, Inc., a real estate investment trust (REIT) that organized to invest primarily in stabilized, income-oriented commercial real estate and debt secured by commercial real estate. The fair value of the REIT is valued based on NAV per share. Further information concerning the REIT may be obtained from their separate audited financial statements. There are no unfunded commitments or withdrawal restrictions.

There were no changes in valuation techniques used in 2020 or 2019.

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

	June 30, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 2,580,052	\$ -	\$ -	\$ 2,580,052
Common stocks	222,057	-	-	222,057
Corporate bonds	-	1,034,653	-	1,034,653
	<u>\$ 2,802,109</u>	<u>\$ 1,034,653</u>	<u>\$ -</u>	3,836,762
Investments measured at NAV (a)				<u>488,367</u>
Total				<u>\$ 4,325,129</u>

4. FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 2,320,102	\$ -	\$ -	\$ 2,320,102
Common stocks	240,422	-	-	240,422
Corporate bonds	-	957,123	-	957,123
Mutual funds	<u>2,566,589</u>	<u>-</u>	<u>-</u>	<u>2,566,589</u>
Total	<u>\$ 5,127,113</u>	<u>\$ 957,123</u>	<u>\$ -</u>	<u>\$ 6,084,236</u>

(a) Certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the Consolidated Statement of Financial Position.

5. INVESTMENTS

Investment income consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 162,446	\$ 177,016
Realized gain (loss) on investments	(104,027)	23,401
Unrealized gain on investments	66	106,917
Investment fees	<u>(28,271)</u>	<u>(29,457)</u>
	<u>\$ 30,214</u>	<u>\$ 277,877</u>

6. PROPERTY AND EQUIPMENT, NET

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

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 962,746	\$ 966,225
Office equipment	113,542	103,942
Leasehold improvements	41,317	41,317
Furniture and fixtures	<u>138,756</u>	<u>138,756</u>
	1,256,361	1,250,240
Less: Accumulated depreciation	<u>(1,011,010)</u>	<u>(917,524)</u>
	<u>\$ 245,351</u>	<u>\$ 332,716</u>

7. OPERATING LEASES

The Foundation has several operating leases that are either renewable on an annual basis or expire at various dates. Future minimum lease payments under the operating leases over one year as of June 30, 2020 are as follows:

2021	\$	320,805
2022		114,849
2023		82,879
2024		84,109
2025		<u>42,362</u>
	\$	<u>645,004</u>

Rental expense under operating leases was \$399,058 and \$284,927 for the year ended June 30, 2020 and 2019, respectively.

8. LINE OF CREDIT

The Foundation has a line of credit agreement with a bank with the ability to draw up to \$707,000. Amounts borrowed under this agreement bear interest at Libor plus 3.50%. There were no outstanding balances as of June 30, 2020 or 2019. The line of credit is secured by the Foundation's investment accounts.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Specific Purposes

At June 30, net assets identified by their specific purposes amounted to:

	<u>2020</u>	<u>2019</u>
NEF - Armenia	\$ 10,000	\$ -
NEF - Jordan	229,911	174,118
NEF - Lebanon	28,074	124,941
NEF - Sudan	<u>79,822</u>	<u>-</u>
	<u>\$ 347,807</u>	<u>\$ 299,059</u>

The following represents assets released from restrictions:

	<u>2020</u>	<u>2019</u>
NEF - Jordan	\$ 252,625	\$ 25,882
NEF - Lebanon	98,440	29,849
NEF - Sudan	<u>20,178</u>	<u>-</u>
	<u>\$ 371,243</u>	<u>\$ 55,731</u>

9. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Perpetual Net Assets

The following net assets with donor restrictions represent principal of endowment gifts, which are to be invested in perpetuity, the income and gains from which are for the general purpose of the Foundation.

	<u>2020</u>	<u>2019</u>
Violet J. Jacobs Endowment Fund	\$ <u>4,112,466</u>	\$ <u>4,112,466</u>

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 amounts are recorded as with donor restrictions 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:

	<u>With Donor Restrictions</u>
Balance, July 1, 2018	\$ 3,637,007
Contributions	500,677
Net assets released from restrictions	<u>(25,218)</u>
Balance, June 30, 2019	<u>4,112,466</u>
Contributions	-
Net assets released from restrictions	<u>-</u>
Balance, June 30, 2020	<u>\$ 4,112,466</u>

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. There were no such deficiencies at June 30, 2020 and 2019.

10. PAYCHECK PROTECTION PROGRAM ARRANGEMENT

The United States and various countries are presently in the midst of a health emergency related to a disease (COVID-19), caused by a virus, commonly known as Novel Coronavirus. The overall consequences of COVID-19 on a global, national, regional, and local level are unknown, but it has resulted in a significant economic impact. The impact of this situation on the Foundation and their future results and financial position is not presently determinable. Measures taken by the Foundation to address its short-term liquidity needs include the application for and receipt of a Paycheck Protection Program arrangement.

In April 2020, the Foundation entered into an arrangement with a bank under the Paycheck Protection Program (PPP) and received \$336,800. This arrangement is evidenced by a loan agreement that includes provisions whereby the loan balance can be fully or partially forgiven based on the Foundation's use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements in accordance with the requirements of the PPP.

The Foundation has elected to account for the PPP arrangement as a conditional contribution, and revenue is recorded as the conditions meeting the requirements for forgiveness are met. The final outcome of whether this arrangement will be forgiven has not been determined as of the date these financial statements were available to be issued. The Foundation expects this determination to be made during its year ending June 30, 2021.

Through June 30, 2020, the Foundation determined that it administered the proceeds of its PPP arrangement and managed its staff complement in a manner that met the conditions for forgiveness for \$243,219 of the balance received under the PPP arrangement. This amount is recorded as Paycheck Protection Program forgiveness on the accompanying Consolidated Statement of Activities and Changes in Net Assets. The remaining balance of \$93,581 is recorded as Paycheck Protection Program refundable advance in the accompanying Statement of Financial Position as of June 30, 2020. These estimates, while considered reasonable as of the date the financial statements were available to be issued, are subject to change based on the Foundation's administration of its PPP arrangement and future review.

Under the terms of the PPP loan agreement, any balance related to this arrangement that is not ultimately forgiven will be repayable in equal monthly installments through April 2022 including interest at 1%.

11. RETIREMENT PLAN

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

Contributions to the Plan totaled \$155,777 and \$129,021 for the years ended June 30, 2020 and 2019, respectively.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 24, 2021, the date the consolidated financial statements were available to be issued.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

	Near East <u>Foundation</u>	Near East <u>Foundation - UK</u>	<u>NEF- BE</u>	<u>Eliminations</u>	<u>2020</u>	<u>2019</u>
ASSETS						
Cash and cash equivalents	\$ 2,924,655	\$ 538,820	\$ -	\$ -	\$ 3,463,475	\$ 3,533,702
Accounts receivable	60,749	28,604	-	-	89,353	147,724
Accounts receivable - intercompany	55,540	1,071,155	399	(1,127,094)	-	-
Grants and contracts receivable	1,097,106	151,320	-	-	1,248,426	1,038,282
Prepaid expenses and other assets	166,996	3,441	-	-	170,437	122,416
Investments	4,325,129	-	-	-	4,325,129	6,084,236
Property and equipment, net	<u>164,137</u>	<u>81,214</u>	<u>-</u>	<u>-</u>	<u>245,351</u>	<u>332,716</u>
Total assets	<u>\$ 8,794,312</u>	<u>\$ 1,874,554</u>	<u>\$ 399</u>	<u>\$ (1,127,094)</u>	<u>\$ 9,542,171</u>	<u>\$ 11,259,076</u>
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Accounts payable and accrued expenses	\$ 846,122	\$ 310,847	\$ -	\$ -	\$ 1,156,969	\$ 1,846,837
Accounts payable - intercompany	1,076,780	50,314	-	(1,127,094)	-	-
Refundable advances	910,885	1,075,059	-	-	1,985,944	2,657,888
Paycheck Protection Program refundable advance	<u>93,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,581</u>	<u>-</u>
Total liabilities	<u>2,927,368</u>	<u>1,436,220</u>	<u>-</u>	<u>(1,127,094)</u>	<u>3,236,494</u>	<u>4,504,725</u>
NET ASSETS:						
Without donor restrictions	1,406,671	438,334	399	-	1,845,404	2,342,826
With donor restrictions	<u>4,460,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,460,273</u>	<u>4,411,525</u>
Total net assets	<u>5,866,944</u>	<u>438,334</u>	<u>399</u>	<u>-</u>	<u>6,305,677</u>	<u>6,754,351</u>
Total liabilities and net assets	<u>\$ 8,794,312</u>	<u>\$ 1,874,554</u>	<u>\$ 399</u>	<u>\$ (1,127,094)</u>	<u>\$ 9,542,171</u>	<u>\$ 11,259,076</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Totals for 2019)

	Near East Foundation		Total	Near East			Eliminations	2020	2019
	Without Donor Restrictions	With Donor Restrictions		Foundation - UK	NEF- BE				
REVENUE AND OTHER SUPPORT:									
Contributions	\$ 538,337	\$ 419,991	\$ 958,328	\$ 386,968	\$ -	\$ -	\$ 1,345,296	\$ 1,531,638	
Government grants and contracts	7,472,740	-	7,472,740	3,530,127	-	-	11,002,867	15,058,400	
Paycheck Protection Program revenue	243,219	-	243,219	-	-	-	243,219	-	
Private grants	-	-	-	365,244	-	-	365,244	-	
Investment income, net	30,214	-	30,214	-	-	-	30,214	277,877	
Other income	66,823	-	66,823	170,090	5,625	(231,594)	10,944	35,565	
Net assets released from restrictions	<u>371,243</u>	<u>(371,243)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total revenue and other support	<u>8,722,576</u>	<u>48,748</u>	<u>8,771,324</u>	<u>4,452,429</u>	<u>5,625</u>	<u>(231,594)</u>	<u>12,997,784</u>	<u>16,903,480</u>	
EXPENSES:									
Direct program services	6,185,606	-	6,185,606	3,854,850	-	(231,594)	9,808,862	13,299,159	
Program administration	<u>2,105,309</u>	<u>-</u>	<u>2,105,309</u>	<u>255,008</u>	<u>-</u>	<u>-</u>	<u>2,360,317</u>	<u>2,217,005</u>	
Total program services	<u>8,290,915</u>	<u>-</u>	<u>8,290,915</u>	<u>4,109,858</u>	<u>-</u>	<u>(231,594)</u>	<u>12,169,179</u>	<u>15,516,164</u>	
Management and general	528,332	-	528,332	3,993	5,130	-	537,455	629,586	
Fund-raising	<u>650,215</u>	<u>-</u>	<u>650,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,215</u>	<u>336,161</u>	
Total expenses	<u>9,469,462</u>	<u>-</u>	<u>9,469,462</u>	<u>4,113,851</u>	<u>5,130</u>	<u>(231,594)</u>	<u>13,356,849</u>	<u>16,481,911</u>	
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT									
CURRENCY TRANSLATION ADJUSTMENT	(746,886)	48,748	(698,138)	338,578	495	-	(359,065)	421,569	
FOREIGN CURRENCY TRANSLATION ADJUSTMENT									
ADJUSTMENT	<u>(94,131)</u>	<u>-</u>	<u>(94,131)</u>	<u>4,618</u>	<u>(96)</u>	<u>-</u>	<u>(89,609)</u>	<u>163,856</u>	
CHANGE IN NET ASSETS	(841,017)	48,748	(792,269)	343,196	399	-	(448,674)	585,425	
NET ASSETS - beginning of year	<u>2,247,688</u>	<u>4,411,525</u>	<u>6,659,213</u>	<u>95,138</u>	<u>-</u>	<u>-</u>	<u>6,754,351</u>	<u>6,168,926</u>	
NET ASSETS - end of year	<u>\$ 1,406,671</u>	<u>\$ 4,460,273</u>	<u>\$ 5,866,944</u>	<u>\$ 438,334</u>	<u>\$ 399</u>	<u>\$ -</u>	<u>\$ 6,305,677</u>	<u>\$ 6,754,351</u>	

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Totals for 2019)

	Near East Foundation						Near East Foundation - UK		
	Direct Program Services	Program Administration	Total Program Services	Management and General	Fund-raising	Total	Direct Program Services	Program Administration	Total Program Services
SALARIES AND RELATED EXPENSES:									
Salaries and wages	\$ 2,686,102	\$ 919,370	\$ 3,605,472	\$ 317,388	\$ 417,729	\$ 4,340,589	\$ 700,873	\$ 98,837	\$ 799,710
Fringe benefits	<u>507,783</u>	<u>421,959</u>	<u>929,742</u>	<u>101,013</u>	<u>124,118</u>	<u>1,154,873</u>	<u>190,565</u>	<u>19,508</u>	<u>210,073</u>
Total salaries and related expenses	3,193,885	1,341,329	4,535,214	418,401	541,847	5,495,462	891,438	118,345	1,009,783
EXPENSES:									
Occupancy and operating expenses	493,392	625,229	1,118,621	61,454	57,679	1,237,754	93,962	126,541	220,503
Travel	299,544	86,990	386,534	40,477	50,536	477,547	121,902	8,277	130,179
Equipment and furniture	70,093	19,382	89,475	877	-	90,352	31,086	845	31,931
Program activities	1,481,022	18,688	1,499,710	-	153	1,499,863	2,676,483	1,000	2,677,483
Sub-awards	597,228	-	597,228	-	-	597,228	16,521	-	16,521
Depreciation	50,442	13,691	64,133	7,123	-	71,256	23,458	-	23,458
Miscellaneous expenses	-	-	-	-	-	-	-	-	-
Total expenses	<u>\$ 6,185,606</u>	<u>\$ 2,105,309</u>	<u>\$ 8,290,915</u>	<u>\$ 528,332</u>	<u>\$ 650,215</u>	<u>\$ 9,469,462</u>	<u>\$ 3,854,850</u>	<u>\$ 255,008</u>	<u>\$ 4,109,858</u>

NEF - BE

Management and General	Fund-raising	Total	Direct Program Services	Program Administration	Total Program Services	Management and General	Fund-raising	Total	Eliminations	2020	2019
\$ 2,755	\$ -	\$ 802,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,143,054	\$ 4,692,242
603	-	210,676	-	-	-	-	-	-	-	1,365,549	1,323,908
3,358	-	1,013,141	-	-	-	-	-	-	-	6,508,603	6,016,150
375	-	220,878	-	-	-	5,130	-	5,130	(231,594)	1,232,168	1,384,030
260	-	130,439	-	-	-	-	-	-	-	607,986	806,325
-	-	31,931	-	-	-	-	-	-	-	122,283	162,265
-	-	2,677,483	-	-	-	-	-	-	-	4,177,346	6,360,514
-	-	16,521	-	-	-	-	-	-	-	613,749	1,645,503
-	-	23,458	-	-	-	-	-	-	-	94,714	104,822
-	-	-	-	-	-	-	-	-	-	-	2,302
\$ 3,993	\$ -	\$ 4,113,851	\$ -	\$ -	\$ -	\$ 5,130	\$ -	\$ 5,130	\$ (231,594)	\$ 13,356,849	\$ 16,481,911

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Totals for 2019)

	Near East <u>Foundation</u>	Near East <u>Foundation - UK</u>	<u>NEF - BE</u>	<u>Eliminations</u>	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:						
Change in net assets before foreign currency translation adjustment	\$ (698,138)	\$ 338,578	\$ 495	\$ -	\$ (359,065)	\$ 421,569
Adjustments to reconcile change in net assets to net cash flow from operating activities:						
Depreciation	71,256	23,458	-	-	94,714	104,822
Realized and unrealized (gain) loss on investments	103,961	-	-	-	103,961	(130,318)
Gain on disposal of property and equipment	-	-	-	-	-	(23,876)
Changes in:						
Accounts receivable	58,479	(108)	-	-	58,371	(421,338)
Accounts receivable - intercompany	525,601	(1,071,155)	(399)	545,953	-	-
Grants and contracts receivable	(297,583)	87,439	-	-	(210,144)	(402,471)
Prepaid expenses and other assets	(46,538)	(1,483)	-	-	(48,021)	(43,295)
Accounts payable and accrued expenses	(884,847)	194,979	-	-	(689,868)	657,656
Accounts payable - intercompany	1,076,780	(530,827)	-	(545,953)	-	-
Refundable advances	342,841	(1,014,785)	-	-	(671,944)	1,317,158
Paycheck Protection Program refundable advance	93,581	-	-	-	93,581	-
Net cash flow from operating activities	<u>345,393</u>	<u>(1,973,904)</u>	<u>96</u>	<u>-</u>	<u>(1,628,415)</u>	<u>1,479,907</u>
CASH FLOW FROM INVESTING ACTIVITIES:						
Purchases of property and equipment	(9,600)	-	-	-	(9,600)	(178,325)
Proceeds on sales of property and equipment	-	2,251	-	-	2,251	35,236
Proceeds on sales of investments	2,332,587	-	-	-	2,332,587	1,393,186
Purchase of investments	(677,441)	-	-	-	(677,441)	(1,688,628)
Net cash flow from investing activities	<u>1,645,546</u>	<u>2,251</u>	<u>-</u>	<u>-</u>	<u>1,647,797</u>	<u>(438,531)</u>
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES	1,990,939	(1,971,653)	96	-	19,382	1,041,376
CASH AND CASH EQUIVALENTS - beginning of year	1,027,847	2,505,855	-	-	3,533,702	2,328,470
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(94,131)</u>	<u>4,618</u>	<u>(96)</u>	<u>-</u>	<u>(89,609)</u>	<u>163,856</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,924,655</u>	<u>\$ 538,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,463,475</u>	<u>\$ 3,533,702</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

SCHEDULE OF DIRECT PROGRAM SERVICES BY LOCATION FOR THE YEAR ENDING JUNE 30, 2020

(With Comparative Totals for 2019)

	Near East Foundation	Near East Foundation - UK	<u>2020</u>	<u>2019</u>
Armenia	\$ -	\$ 175,887	\$ 175,887	\$ 247,835
Iraq	581,900	-	581,900	
Jordan	188,176	115,844	304,020	1,386,515
Jordan Regional	2,276,611	313	2,276,924	2,176,405
Lebanon	1,079,148	-	1,079,148	2,042,857
Mali	-	2,843,110	2,843,110	1,270,393
Morocco	253,979	110,859	364,838	283,229
Sudan	871,567	67,857	939,424	1,958,248
New York	868,706	206,018	1,074,724	2,390,558
West Bank/Gaza	-	259,356	259,356	915,413
London	65,519	75,606	141,125	757,409
	<u>\$ 6,185,606</u>	<u>\$ 3,854,850</u>	<u>\$ 10,040,456</u>	<u>\$ 13,428,862</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Number</u>	<u>Expenditures Expenditures</u>
DEPARTMENT OF STATE:			
Al-Rawabet Morocco: Connections for Youth Employment and Enterprise Growth	19.500	S-NEAAC-18-GR-0009	\$ 433,198
TOTAL MIDDLE EAST PARTNERSHIP INITIATIVE			<u>433,198</u>
Reducing Vulnerability of Syrian Refugees and Lebanese in Lebanon III	19.519	S-PRMCO-18-CA-0169	222,617
Reducing Vulnerability of Syrian Refugees and Lebanese in Lebanon III	19.519	S-PRMCO-19-CA-0248	1,055,676
Building Resilient Livelihoods among Vulnerable Iraqi IDPs, Returnees, and Host Communities in Salah Al-Din and Diyala	19.519	S-PRMCO-19-CA-0129	<u>1,093,811</u>
TOTAL OVERSEAS REFUGEE ASSISTANCE PROGRAM FOR NEAR EAST			<u>2,372,104</u>
TOTAL DEPARTMENT OF STATE			<u>2,805,302</u>
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS:			
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in South Kordofan State II	98.001	720FDA18GR00226	19,249
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in Jebel Marra and Um Dukhun in Central Dafur II	98.001	720FDA18GR00207	298,817
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in South Kordofan State III	98.001	720FDA19GR00160	451,620
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in Central Darfur State III	98.001	720FDA19GR00196	472,250
Advancing Livelihoods Through Support to Youth Agricultural Markets in Dara's	98.001	AID-276-A-17-00002	<u>3,176,379</u>
TOTAL U.S. AID FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS			<u>4,418,315</u>
			<u>\$ 7,223,617</u>

NEAR EAST FOUNDATION AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2020

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. EXPENDITURES OF FEDERAL REVENUE

The amounts reported as expenditures of federal awards were obtained from the accounting records utilized to record activity for the applicable program and periods. These accounting records are periodically reconciled to the appropriate federal financial reports for each program.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports for each program. The Foundation charges indirect costs to its contracts using the current provisional rate effective from July 1, 2019 through June 30, 2020. The Foundation has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. MATCHING COSTS

Matching costs, i.e., the Foundation's share of certain program costs, are not included in the reported expenditures.

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 24, 2021

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

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 Subsidiaries (the Foundation) which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 24, 2021. The consolidated financial statements of Near East Foundation UK Limited and NEF Belgium were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance with Near East Foundation UK Limited or NEF Belgium. Our report includes a reference to other auditors who audited the financial statements of Near East Foundation UK Limited, NEF Belgium and of the local operations in Jordan, Jordan Regional, Sudan, and Palestine, as described in our report on Near East Foundation and Subsidiaries'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) as a basis for designing 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.

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(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)

Internal Control Over Financial Reporting (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 Foundation'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 financial statements. 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 Foundation'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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 24, 2021

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

Report on Compliance for Each Major Federal Program

We have audited Near East Foundation and Subsidiaries's (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2020. The Foundation's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

Opinion on 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 its major federal program for the year ended June 30, 2020.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

NEAR EAST FOUNDATION AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's report issued on whether the consolidated financial statements are reported in accordance with GAAP:

Unmodified

Internal control over financial reporting:

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

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 the Uniform Guidance:

_____ yes _____ √ no

The programs tested as major programs include:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
98.001	U.S. Agency for International Development: Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ √ yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.