

**NEAR EAST FOUNDATION AND SUBSIDIARIES**

**Consolidated Financial Statements and  
Supplementary Information as of  
June 30, 2022  
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**

December 1, 2022

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

**Report on the Consolidated Financial Statements**

***Opinion***

We have audited the accompanying consolidated financial statements of the Near East Foundation and Subsidiaries (a non-profit organization, the Foundation), which comprise the consolidated statement of financial position as of June 30, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, 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.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, and Sudan, which statements reflect total assets of \$10,086,123 and total net assets of \$960,626, as of June 30, 2022 and total revenue and other support of \$10,723,672, 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, and Sudan is based solely on the reports of the other auditors. The consolidated financial statements of Near East Foundation UK Limited and NEF Belgium were not audited in accordance with *Government Auditing Standards*.

### ***Report on Summarized Comparative Totals***

We have previously audited the Foundation's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***Supplementary 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), along with 2022 supplementary information included in Schedules I through V, 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 2022 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 December 1, 2022 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, 2022

(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,641,873	\$ 3,714,607
Escrows and reserves	328,138	-
Accounts receivable	169,393	68,839
Loans receivable, net of allowance for loan loss	367,472	168,757
Grants and contracts receivable	1,145,877	152,474
Prepaid expenses and other assets	195,196	150,907
Investments	5,853,093	6,458,329
Currency exchange rate options	326,832	-
Property and equipment, net	<u>190,800</u>	<u>222,589</u>
Total assets	<u>\$ 16,218,674</u>	<u>\$ 10,936,502</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 877,128	\$ 895,577
Line of credit	250,223	-
Refundable advances	2,003,152	2,052,382
Debt	<u>5,993,250</u>	<u>-</u>
Total liabilities	<u>9,123,753</u>	<u>2,947,959</u>
NET ASSETS:		
Without donor restrictions	1,603,423	2,854,088
With donor restrictions	<u>5,491,498</u>	<u>5,134,455</u>
Total net assets	<u>7,094,921</u>	<u>7,988,543</u>
Total liabilities and net assets	<u>\$ 16,218,674</u>	<u>\$ 10,936,502</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, 2022

(With Comparative Totals for 2021)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2022 <u>Total</u>	2021 <u>Total</u>
<b>REVENUE AND OTHER SUPPORT:</b>				
Contributions	\$ 496,330	\$ 1,093,213	\$ 1,589,543	\$ 1,553,069
Government grants and contracts	13,037,106	322,887	13,359,993	14,118,435
Paycheck Protection Program revenue	-	-	-	93,581
Private grants	143,442	-	143,442	1,126,617
Investment income, net	(600,565)	-	(600,565)	1,453,706
Other income	5,428	-	5,428	12,949
Net assets released from restrictions	<u>1,059,057</u>	<u>(1,059,057)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>14,140,798</u>	<u>357,043</u>	<u>14,497,841</u>	<u>18,358,357</u>
<b>EXPENSES:</b>				
Direct program services	11,965,899	-	11,965,899	13,283,993
Program administration	<u>2,354,736</u>	<u>-</u>	<u>2,354,736</u>	<u>2,243,867</u>
Total program services	14,320,635	-	14,320,635	15,527,860
Management and general	622,977	-	622,977	661,701
Fundraising	<u>540,854</u>	<u>-</u>	<u>540,854</u>	<u>459,314</u>
Total expenses	<u>15,484,466</u>	<u>-</u>	<u>15,484,466</u>	<u>16,648,875</u>
CHANGE IN NET ASSETS BEFORE GAIN ON CURRENCY EXCHANGE RATE OPTIONS AND FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(1,343,668)	357,043	(986,625)	1,709,482
GAIN ON CURRENCY EXCHANGE RATE OPTIONS	138,519	-	138,519	-
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	<u>(45,516)</u>	<u>-</u>	<u>(45,516)</u>	<u>(26,616)</u>
CHANGE IN NET ASSETS	(1,250,665)	357,043	(893,622)	1,682,866
NET ASSETS - beginning of year	<u>2,854,088</u>	<u>5,134,455</u>	<u>7,988,543</u>	<u>6,305,677</u>
NET ASSETS - end of year	<u>\$ 1,603,423</u>	<u>\$ 5,491,498</u>	<u>\$ 7,094,921</u>	<u>\$ 7,988,543</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, 2022 (With Comparative Totals for 2021)

	Direct Program <u>Services</u>	Program <u>Administration</u>	Total Program <u>Services</u>	Management <u>and General</u>	<u>Fundraising</u>	2022 <u>Total</u>	2021 <u>Total</u>
SALARIES AND RELATED EXPENSES:							
Salaries and wages	\$ 3,248,616	\$ 1,141,959	\$ 4,390,575	\$ 345,737	\$ 295,333	\$ 5,031,645	\$ 5,010,750
Fringe benefits	<u>786,737</u>	<u>424,071</u>	<u>1,210,808</u>	<u>151,878</u>	<u>87,751</u>	<u>1,450,437</u>	<u>1,504,758</u>
Total salaries and related expenses	4,035,353	1,566,030	5,601,383	497,615	383,084	6,482,082	6,515,508
Occupancy and operating expenses	466,126	651,114	1,117,240	80,034	147,926	1,345,200	1,457,162
Travel	447,075	63,133	510,208	42,486	4,519	557,213	402,023
Equipment and furniture	152,730	(38,588)	114,142	2,842	2,071	119,055	90,624
Program activities	6,003,692	41,496	6,045,188	-	3,254	6,048,442	7,437,190
Sub-awards	836,599	-	836,599	-	-	836,599	663,481
Depreciation	<u>24,324</u>	<u>71,551</u>	<u>95,875</u>	<u>-</u>	<u>-</u>	<u>95,875</u>	<u>82,887</u>
	<u>\$ 11,965,899</u>	<u>\$ 2,354,736</u>	<u>\$ 14,320,635</u>	<u>\$ 622,977</u>	<u>\$ 540,854</u>	<u>\$ 15,484,466</u>	<u>\$ 16,648,875</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, 2022

(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	\$ (848,106)	\$ 1,709,482
Adjustments to reconcile change in net assets before foreign currency translation adjustment to net cash flow from operating activities:		
Depreciation	95,875	82,887
Bad debt expense	14,498	-
Realized and unrealized (gain) loss on investments	732,471	(1,353,770)
(Gain) loss on currency exchange rate options	(130,664)	-
Changes in:		
Accounts receivable	(100,554)	20,514
Grants and contracts receivable	(993,403)	1,095,952
Prepaid expenses and other assets	(44,289)	19,530
Accounts payable and accrued expenses	(18,449)	(261,392)
Refundable advances	(49,230)	66,438
Paycheck Protection Program refundable advance	-	(93,581)
Net cash flow from operating activities	<u>(1,341,851)</u>	<u>1,286,060</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(64,086)	(60,125)
Issuance of loans	(507,369)	(168,757)
Repayment of loans	294,156	-
Purchase of currency exchange rate options	(196,168)	-
Proceeds from sales of investments	1,207,770	1,710,968
Purchase of investments	<u>(1,335,005)</u>	<u>(2,490,398)</u>
Net cash flow from investing activities	<u>(600,702)</u>	<u>(1,008,312)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings on line of credit	650,223	-
Repayment of line of credit	(400,000)	-
Borrowings on debt	<u>5,993,250</u>	<u>-</u>
Net cash flow from financing activities	<u>6,243,473</u>	<u>-</u>
CHANGE IN CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES BEFORE EFFECT OF EXCHANGE RATE CHANGES	4,300,920	277,748
CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES - beginning of year	3,714,607	3,463,475
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES	<u>(45,516)</u>	<u>(26,616)</u>
CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES - end of year	<u>\$ 7,970,011</u>	<u>\$ 3,714,607</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 1,824</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

## **NEAR EAST FOUNDATION AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**(With Comparative Totals for 2021)**

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#### **1. NATURE OF ORGANIZATION**

Near East Foundation (NEF) 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, offices and staff are maintained in Armenia, Jordan, Jordan Regional, Lebanon, Mali, Morocco, Sudan, South Sudan, Syria, Palestine, Iraq, London, and Belgium, as well as New York. The presence in these countries is registered with each of the respective national authorities. 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. 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. 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 contracts 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 contracts that would not be available to the not-for-profit NEF organization. NEF Global, LLC had no activity for the years ended June 30, 2021 and 2022.

## 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 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.

### 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.

### Escrows and Reserves

Escrows and reserves represent cash deposited in demand deposit accounts at a financial institution, whose use is limited under the terms of the NEF UK's finance agreements with the United States International Development Finance Corporation and a Norwegian for-profit investment company.

### Reconciliation to Statement of Cash Flows

The following represents the balance of cash, cash equivalents, escrows and reserves – end of year, which includes cash and cash equivalents, and escrows and reserves on the statement of cash flows at June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,641,873	\$ 3,714,607	\$ 3,463,475
Escrows and reserves	<u>328,138</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,970,011</u>	<u>\$ 3,714,607</u>	<u>\$ 3,463,475</u>

### 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Loans Receivable

The Foundation administers development and microloans through a Revolving Credit Fund (RCF) in Syria. Microloans are provided to borrowers to establish or expand a micro or small enterprise with growth potential. Development loans are provided to borrowers to further the development of an existing business. Micro and development loans typically hold a term of 12-18 months. Details of loans, by class, are included in Note 4. The entire loan portfolio is provided in the North East Region of Syria. The ability of borrowers to honor their contracts is dependent upon the general economic conditions and peacetime stability of the market area.

Loans are reported at their outstanding unpaid principal balances, net of an allowance for loan losses. The allowance for loan loss as of June 30, 2022 was \$12,591. As of June 30, 2021, there was no allowance for loan loss. Interest is not charged on unpaid principal balances. All repaid principal balances are used to refund the RCF to make additional loans to new borrowers. The loans are unsecured.

Delinquent loans over 270 days past due are recommended to be charged off. Bad debt expenses for the year ended June 30, 2022 was \$14,498 and is included in occupancy and operating expenses in the consolidated statement of functional expenses. There was no bad debt expense for the year ended June 30, 2021.

### Grants and Contracts Receivable and Refundable Advances

The Foundation receives grants and contracts to assist carrying out its programs from federal, state, and local government agencies and other organizations. Unconditional 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, 2022 and 2021, 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.

Conditional grants and contracts have the following conditions as of June 30, 2022:

Lebanon	\$	556,116
Mali		1,618,269
Sudan		2,591,580
Syria		3,467,635
Armenia		2,298,255
Jordan		<u>9,541,629</u>
Total	\$	<u>20,073,484</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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **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.

### **Currency Exchange Rate Options**

Currency exchange rate options are reported at fair value. Currency exchange rate options are exposed to various risks, such as geographic, political, and credit risk. Due to the level of risk associated with certain currency exchange rate options, it is at least reasonably possible that changes in the values of currency exchange rate options will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated financial statements.

### **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 three to five 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 fundraising 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. NEF Global, LLC and NEFdev are limited liability companies and disregarded entities.

## 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 as of and for the year ended June 30, 2021, from which the summarized information was derived.

### Program Development

Program development costs are expensed as incurred and are classified as fundraising in the accompanying consolidated statement of functional expenses. Total program development costs for the Foundation were \$419,354 and \$355,694 for the years ended June 30, 2022 and 2021, respectively.

### Reclassifications

Certain amounts have been reclassified from the 2021 financial statements to conform with the current year presentation.

## 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.

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,641,873	\$ 3,714,607
Accounts receivable	169,393	68,839
Loans receivable, net	367,472	168,757
Grants and contracts receivable	1,145,877	152,474
Investments	<u>5,853,093</u>	<u>6,458,329</u>
	15,177,708	10,563,006
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	<u>5,491,498</u>	<u>5,134,455</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,686,210</u>	<u>\$ 5,428,551</u>

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.

#### 4. LOANS RECEIVABLE

Loans receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Development loans	\$ 114,379	\$ 104,649
Microloans	<u>265,684</u>	<u>64,108</u>
Total loans receivable	380,063	168,757
Allowance for loan losses	<u>(12,591)</u>	<u>-</u>
Total, net of allowance	<u>\$ 367,472</u>	<u>\$ 168,757</u>
Current, net of allowance	<u>\$ 229,077</u>	<u>\$ 124,793</u>
Long-term	<u>\$ 138,395</u>	<u>\$ 43,964</u>

	<u>2022</u>					<u>Total Loans Receivable</u>
	<u>Current</u>	<u>1-29 Days Past Due</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater than 90 Days Past Due</u>	
Development loans	\$ 108,416	\$ 1,680	\$ 1,015	\$ 1,768	\$ 1,500	\$ 114,379
Microloans	<u>249,378</u>	<u>6,036</u>	<u>5,221</u>	<u>1,741</u>	<u>3,308</u>	<u>265,684</u>
Total	<u>\$ 357,794</u>	<u>\$ 7,716</u>	<u>\$ 6,236</u>	<u>\$ 3,509</u>	<u>\$ 4,808</u>	<u>\$ 380,063</u>
	<u>2021</u>					<u>Total Loans Receivable</u>
	<u>Current</u>	<u>1-29 Days Past Due</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater than 90 Days Past Due</u>	
Development loans	\$ 104,649	\$ -	\$ -	\$ -	\$ -	\$ 104,649
Microloans	<u>64,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,108</u>
Total	<u>\$ 168,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,757</u>

Loans individually and collectively evaluated for impairment are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Amount of allowance for loan losses on loans collectively evaluated for impairment	<u>\$ 12,591</u>	<u>\$ -</u>
Total allowance for loan losses	<u>\$ 12,591</u>	<u>\$ -</u>
Loans individually evaluated for impairment	\$ -	\$ -
Loans collectively evaluated for impairment	<u>380,063</u>	<u>168,757</u>
Total loans	<u>\$ 380,063</u>	<u>\$ 168,757</u>



#### 4. LOANS RECEIVABLE (Continued)

There are no loans on nonaccrual status as of June 30, 2022 and 2021.

Activity in the allowance for loan losses is summarized as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ -	\$ -
Additions to provisions for loan loss reserve	14,500	-
Write-offs of loans deemed impaired or uncollectible	<u>(1,909)</u>	<u>-</u>
Balance at end of year	<u>\$ 12,591</u>	<u>\$ -</u>

#### 5. 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.

## 5. FAIR VALUE MEASUREMENTS (Continued)

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.

### **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.

Fair value of the Foundation's currency exchange rate options was derived using the implied volatility and forward rates computed at the caplet/floorlet level, discounted to the present time as calculated by the custodian and the fixed currency exchange rate at the stated rate in the vanilla option contracts.

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.

### **Level 3 Fair Value Measurements**

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

### **Investments Measured at NAV Practical Expedient**

In 2021, the Foundation had 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.

## 5. FAIR VALUE MEASUREMENTS (Continued)

### Investments Measured at NAV Practical Expedient (Continued)

There were no changes in valuation techniques used in 2022 or 2021.

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, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 3,683,646	\$ -	\$ -	\$ 3,683,646
Common stocks	335,020	-	-	335,020
Mutual funds	635,535	-	-	635,535
Corporate bonds	-	941,069	-	941,069
Currency exchange rate options	-	<u>326,832</u>	-	<u>326,832</u>
	<u>\$ 4,654,201</u>	<u>\$ 1,267,901</u>	<u>\$ -</u>	5,922,102
Investments measured at NAV (a)				<u>257,823</u>
Total				<u>\$ 6,179,925</u>

  

	June 30, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 3,807,815	\$ -	\$ -	\$ 3,807,815
Common stocks	406,415	-	-	406,415
Mutual funds	669,788	-	-	669,788
Corporate bonds	-	<u>1,064,506</u>	-	<u>1,064,506</u>
	<u>\$ 4,884,018</u>	<u>\$ 1,064,506</u>	<u>\$ -</u>	5,948,524
Investments measured at NAV (a)				<u>509,805</u>
Total				<u>\$ 6,458,329</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.

## 6. INVESTMENTS

Investment income (loss) consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 174,897	\$ 136,663
Realized gain on investments	159,976	49,147
Unrealized gain (loss) on investments	(892,447)	1,304,623
Investment fees	<u>(42,991)</u>	<u>(36,727)</u>
	<u>\$ (600,565)</u>	<u>\$ 1,453,706</u>

## 7. PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 1,023,616	\$ 1,006,144
Office equipment	158,042	122,042
Leasehold improvements	41,317	41,317
Furniture and fixtures	<u>138,756</u>	<u>138,756</u>
	1,361,731	1,308,259
Less: Accumulated depreciation	<u>(1,170,931)</u>	<u>(1,085,670)</u>
	<u>\$ 190,800</u>	<u>\$ 222,589</u>

## 8. OPERATING LEASES

The Foundation has several operating leases that expire at various dates. Future minimum lease payments under the operating leases over one year as of June 30, 2022 are as follows:

2023	\$ 283,305
2024	125,109
2025	85,340
2026	86,571
2027	87,802
Thereafter	<u>224,735</u>
	<u>\$ 892,862</u>

Rental expense under operating leases was \$289,401 and \$344,174 for the year ended June 30, 2022 and 2021, respectively and is included in occupancy and operating expenses on the consolidated statement of functional expenses.

## 9. DEBT

Obligations under debt obligations consist of the following at June 30:

2022

Multiple disbursement finance agreement up to \$2,000,000 from a for-profit investment company. Financing is tied to a four-year results-based grant project to fund a vocational, entrepreneurship and resilience-building program in Jordan. Upon full distribution of funds, the finance agreement converts to a note payable with a lump-sum payment in full in December 2025. Principal repayment and the interest paid varies depending on outcomes obtained. At the lowest outcome, 20% of principal is waived and the note bears interest at 0%. At the highest outcome, full principal amount is due and the note bears interest at 22.009%. The repayment terms are linked with three outcome funders and the outcomes are rigorously assessed by an independent evaluator.

\$ 1,220,000

Multiple disbursement finance agreement up to \$10,000,000 from the United States International Development Finance Corporation. The financing is segregated in two tranches, the first beginning in 2022 for a project in Jordan totalling \$7,825,000. The second tranche has not been initiated as of June 30, 2022, and totals \$2,175,000 for a project in Lebanon. Financing is tied to a four-year results-based grant project to fund a vocational, entrepreneurship and resilience-building program in Jordan. Upon full distribution of funds, the finance agreement converts to a note payable with a lump-sum payment in full in December 2025. Principal repayment and the interest paid varies depending on outcomes obtained. At the lowest outcome, 20% of principal is waived and the note bears interest at 0%. At the highest outcome, full principal amount is due and the note bears interest at 22.009%. The repayment terms are linked with three outcome funders and the outcomes are rigorously assessed by an independent evaluator.

4,773,250

\$ 5,993,250

### Future Maturities

The future scheduled maturities of debt are as follows for the years ended June 30:

2023	\$	-
2024		-
2025		-
2026		<u>5,993,250</u>
	\$	<u>5,993,250</u>

## 9. DEBT (Continued)

### Currency Exchange Rate Options

During 2022, the Foundation entered into currency exchange rate option positions to reduce its risk of exposure to changes in currency exchange rates. Under the financing agreements, financing is provided and repaid in United States Dollar (USD), however, certain outcome funders are scheduled to make outcome payments in currencies other than USD. The currency exchange rate options effectively converts the variable exchange rates to a fixed rate at set intervals based on the committed scheduled payments of these outcome funders.

The options have been designated as cash flow hedges and are recorded at fair value as currency exchange rate options in the accompanying statement of financial position. Changes in value of the options determined to arise from ineffectiveness of the instrument, as determined through the hypothetical derivative method, are recorded as a component of interest expense in the consolidated statement of activities and changes in net assets. For 2022, there was no significant ineffectiveness.

The fair values of the Foundation's currency exchange rate options are as follows:

<u>Derivatives designated as hedging instruments</u>	<u>Statement of financial position location</u>	<u>Fair Value June 30, 2022</u>
Currency exchange rate options	Assets	<u>\$ 326,832</u>

The effect of the derivative instruments on the statement of activities and change in net assets are as follows for the year ended June 30:

<u>Derivatives in fair value hedging relationships</u>	<u>Statement of activities and changes in net assets location</u>	<u>Amount recognized in 2022</u>
Currency exchange rate options	Gain on exchange rate options	<u>\$ 138,519</u>

### Covenant Compliance

Under the terms of its financing arrangements with the for-profit investor and the United States International Development Finance Corporation, the Foundation is required to comply with certain restrictive financial covenants. The Foundation management has determined that it was not in compliance with a covenants at June 30, 2022. The Foundation has obtained a waiver from the for-profit investor and United States Development Finance Corporation for the violation.

### 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%. The outstanding balance was \$250,223 as of June 30, 2022. There was no outstanding balance as of June 30, 2021. The line of credit is secured by the Foundation's investment accounts.

## 10. NET ASSETS WITH DONOR RESTRICTIONS

### Net Assets with Donor Restrictions for Specific Purposes

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

	<u>2022</u>	<u>2021</u>
NEF – Armenia	\$ 47,545	\$ 34,851
NEF – Jordan	245,420	92,440
NEF – Lebanon	103,449	181,016
NEF – US	-	6,698
NEF – Sudan	106,822	59,986
NEF – South Sudan	-	264,981
NEF – Syria	790,374	382,017
NEF – Morocco	85,422	-
	<u>\$ 1,379,032</u>	<u>\$ 1,021,989</u>

The following represents assets released from restrictions:

	<u>2022</u>	<u>2021</u>
NEF – Armenia	\$ 2,406	\$ 87,992
NEF – Jordan	219,143	609,944
NEF – Lebanon	80,848	241,668
NEF – US	11,816	7,527
NEF – Sudan	253,024	23,114
NEF – South Sudan	249,665	2,345
NEF – Syria	209,577	7,087
NEF – Morocco	32,578	-
	<u>\$ 1,059,057</u>	<u>\$ 979,677</u>

### 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>2022</u>	<u>2021</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.

## 10. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

### Perpetual Net Assets (Continued)

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, 2020	\$ 4,112,466
Contributions	<u>-</u>
Balance, June 30, 2021	4,112,466
Contributions	<u>-</u>
Balance, June 30, 2022	<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, 2022 and 2021.

## 11. 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. On August 17, 2021, the Foundation received forgiveness of the loan by the Small Business Administration (SBA).

## 12. 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 \$153,337 and \$139,671 for the years ended June 30, 2022 and 2021, respectively.

## 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 1, 2022, the date the consolidated financial statements were available to be issued.



**NEAR EAST FOUNDATION AND SUBSIDIARIES**

Schedule I

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**JUNE 30, 2022**

(With Comparative Totals for 2021)

	Near East <u>Foundation</u>	Near East <u>Foundation - UK</u>	<u>NEF- BE</u>	<u>Eliminations</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,261,763	\$ 5,050,414	\$ 329,696	\$ -	\$ 7,641,873	\$ 3,714,607
Escrows and reserves	-	328,138	-	-	328,138	-
Accounts receivable	154,920	1,504	12,969	-	169,393	68,839
Accounts receivable - intercompany	276,215	1,291,108	506,959	(2,074,282)	-	-
Loans receivable, net of allowance for loan loss	-	38,765	328,707	-	367,472	168,757
Grants and contracts receivable	38,198	965,906	141,773	-	1,145,877	152,474
Prepaid expenses and other assets	177,506	6,550	11,140	-	195,196	150,907
Investments	5,853,093	-	-	-	5,853,093	6,458,329
Currency exchange rate options	326,832	-	-	-	326,832	-
Property and equipment, net	<u>94,273</u>	<u>96,527</u>	<u>-</u>	<u>-</u>	<u>190,800</u>	<u>222,589</u>
Total assets	<u>\$ 9,182,800</u>	<u>\$ 7,778,912</u>	<u>\$ 1,331,244</u>	<u>\$ (2,074,282)</u>	<u>\$ 16,218,674</u>	<u>\$ 10,936,502</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 765,630	\$ 72,958	\$ 38,540	\$ -	\$ 877,128	\$ 895,577
Accounts payable - intercompany	1,798,067	103,699	172,516	(2,074,282)	-	-
Line of credit	250,223	-	-	-	250,223	-
Refundable advances	241,096	1,150,229	611,827	-	2,003,152	2,052,382
Debt	<u>-</u>	<u>5,993,250</u>	<u>-</u>	<u>-</u>	<u>5,993,250</u>	<u>-</u>
Total liabilities	<u>3,055,016</u>	<u>7,320,136</u>	<u>822,883</u>	<u>(2,074,282)</u>	<u>9,123,753</u>	<u>2,947,959</u>
<b>NET ASSETS:</b>						
Without donor restrictions	1,494,002	72,216	37,205	-	1,603,423	2,854,088
With donor restrictions	<u>4,633,782</u>	<u>386,560</u>	<u>471,156</u>	<u>-</u>	<u>5,491,498</u>	<u>5,134,455</u>
Total net assets	<u>6,127,784</u>	<u>458,776</u>	<u>508,361</u>	<u>-</u>	<u>7,094,921</u>	<u>7,988,543</u>
Total liabilities and net assets	<u>\$ 9,182,800</u>	<u>\$ 7,778,912</u>	<u>\$ 1,331,244</u>	<u>\$ (2,074,282)</u>	<u>\$ 16,218,674</u>	<u>\$ 10,936,502</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

Schedule II

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for 2021)

	Near East Foundation			Near East Foundation - UK			Near East Foundation - BE			Eliminations	2022	2021
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE AND OTHER SUPPORT:												
Contributions	\$ 455,621	\$ 697,578	\$ 1,153,199	\$ 40,709	\$ 395,635	\$ 436,344	\$ -	\$ -	\$ -	\$ -	\$ 1,589,543	\$ 1,553,069
Government grants and contracts	7,143,176	-	7,143,176	4,773,422	-	4,773,422	1,120,508	322,887	1,443,395	-	13,359,993	14,118,435
Paycheck Protection Program revenue	-	-	-	-	-	-	-	-	-	-	-	93,581
Private grants	43,156	-	43,156	-	-	-	100,286	-	100,286	-	143,442	1,126,617
Investment income, net	(600,565)	-	(600,565)	-	-	-	-	-	-	-	(600,565)	1,453,706
Other income (expenses)	5,667	-	5,667	248,982	-	248,982	(13)	-	(13)	(249,208)	5,428	12,949
Net assets released from restrictions	551,234	(551,234)	-	489,345	(489,345)	-	18,478	(18,478)	-	-	-	-
Total revenue and other support	7,598,289	146,344	7,744,633	5,552,458	(93,710)	5,458,748	1,239,259	304,409	1,543,668	(249,208)	14,497,841	18,358,357
EXPENSES:												
Direct program services	5,934,622	-	5,934,622	5,030,733	-	5,030,733	1,000,544	-	1,000,544	-	11,965,899	13,283,993
Program administration	2,178,409	-	2,178,409	353,746	-	353,746	71,789	-	71,789	(249,208)	2,354,736	2,243,867
Total program services	8,113,031	-	8,113,031	5,384,479	-	5,384,479	1,072,333	-	1,072,333	(249,208)	14,320,635	15,527,860
Management and general	389,226	-	389,226	201,379	-	201,379	32,372	-	32,372	-	622,977	661,701
Fundraising	454,562	-	454,562	40	-	40	86,252	-	86,252	-	540,854	459,314
Total expenses	8,956,819	-	8,956,819	5,585,898	-	5,585,898	1,190,957	-	1,190,957	(249,208)	15,484,466	16,648,875
CHANGE IN NET ASSETS BEFORE GAIN ON CURRENCY EXCHANGE RATE OPTIONS AND FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(1,358,530)	146,344	(1,212,186)	(33,440)	(93,710)	(127,150)	48,302	304,409	352,711	-	(986,625)	1,709,482
GAIN ON CURRENCY EXCHANGE RATE OPTIONS	130,664	-	130,664	7,855	-	7,855	-	-	-	-	138,519	-
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	49,282	-	49,282	(85,173)	-	(85,173)	(9,625)	-	(9,625)	-	(45,516)	(26,616)
CHANGE IN NET ASSETS	(1,178,584)	146,344	(1,032,240)	(110,758)	(93,710)	(204,468)	38,677	304,409	343,086	-	(893,622)	1,682,866
NET ASSETS - beginning of year	2,672,586	4,487,438	7,160,024	182,974	480,270	663,244	(1,472)	166,747	165,275	-	7,988,543	6,305,677
NET ASSETS - end of year	\$ 1,494,002	\$ 4,633,782	\$ 6,127,784	\$ 72,216	\$ 386,560	\$ 458,776	\$ 37,205	\$ 471,156	\$ 508,361	\$ -	\$ 7,094,921	\$ 7,988,543

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, 2022

(With Comparative Totals for 2021)

	Near East Foundation						Near East Foundation - UK		
	Direct Program Services	Program Administration	Total Program Services	Management and General	Fundraising	Total	Direct Program Services	Program Administration	Total Program Services
SALARIES AND RELATED EXPENSES:									
Salaries and wages	\$ 1,739,032	\$ 874,502	\$ 2,613,534	\$ 170,993	\$ 259,697	\$ 3,044,224	\$ 943,404	\$ 230,483	\$ 1,173,887
Fringe benefits	<u>459,022</u>	<u>336,613</u>	<u>795,635</u>	<u>110,427</u>	<u>76,355</u>	<u>982,417</u>	<u>237,959</u>	<u>75,443</u>	<u>313,402</u>
Total salaries and related expenses	2,198,054	1,211,115	3,409,169	281,420	336,052	4,026,641	1,181,363	305,926	1,487,289
Occupancy and operating expenses	263,102	560,662	823,764	62,633	108,666	995,063	128,599	68,506	197,105
Travel	213,646	61,743	275,389	42,331	4,519	322,239	195,360	1,390	196,750
Equipment and furniture	50,345	(3,031)	47,314	2,842	2,071	52,227	84,218	(35,557)	48,661
Program activities	2,590,022	39,788	2,629,810	-	3,254	2,633,064	3,199,723	854	3,200,577
Sub-awards	619,453	-	619,453	-	-	619,453	217,146	-	217,146
Management fee	-	249,208	249,208	-	-	249,208	-	-	-
Depreciation	-	<u>58,924</u>	<u>58,924</u>	-	-	<u>58,924</u>	<u>24,324</u>	<u>12,627</u>	<u>36,951</u>
Total expenses	<u>\$ 5,934,622</u>	<u>\$ 2,178,409</u>	<u>\$ 8,113,031</u>	<u>\$ 389,226</u>	<u>\$ 454,562</u>	<u>\$ 8,956,819</u>	<u>\$ 5,030,733</u>	<u>\$ 353,746</u>	<u>\$ 5,384,479</u>

## NEF - BE

Management and General	Fundraising	Total	Direct Program Services	Program Administration	Total Program Services	Management and General	Fundraising	Total	Eliminations	2022	2021
\$ 150,311	\$ -	\$ 1,324,198	\$ 566,180	\$ 36,974	\$ 603,154	\$ 24,433	\$ 35,636	\$ 663,223	\$ -	\$ 5,031,645	\$ 5,010,750
33,512	-	346,914	89,756	12,015	101,771	7,939	11,396	121,106	-	1,450,437	1,504,758
183,823	-	1,671,112	655,936	48,989	704,925	32,372	47,032	784,329	-	6,482,082	6,515,508
17,401	40	214,546	74,425	21,946	96,371	-	39,220	135,591	-	1,345,200	1,457,162
155	-	196,905	38,069	-	38,069	-	-	38,069	-	557,213	402,023
-	-	48,661	18,167	-	18,167	-	-	18,167	-	119,055	90,624
-	-	3,200,577	213,947	854	214,801	-	-	214,801	-	6,048,442	7,437,190
-	-	217,146	-	-	-	-	-	-	-	836,599	663,481
-	-	-	-	-	-	-	-	-	(249,208)	-	-
-	-	36,951	-	-	-	-	-	-	-	95,875	82,887
<u>\$ 201,379</u>	<u>\$ 40</u>	<u>\$ 5,585,898</u>	<u>\$ 1,000,544</u>	<u>\$ 71,789</u>	<u>\$ 1,072,333</u>	<u>\$ 32,372</u>	<u>\$ 86,252</u>	<u>\$ 1,190,957</u>	<u>\$ (249,208)</u>	<u>\$ 15,484,466</u>	<u>\$ 16,648,875</u>

The accompanying notes are an integral part of these schedules.

**NEAR EAST FOUNDATION AND SUBSIDIARIES**

Schedule IV

**CONSOLIDATING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022**  
(With Comparative Totals for 2021)

	Near East Foundation	Near East Foundation - UK	NEF - BE	Eliminations	2022	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>						
Change in net assets before foreign currency translation adjustment	\$ (1,081,522)	\$ (119,295)	\$ 352,711	\$ -	\$ (848,106)	\$ 1,709,482
Adjustments to reconcile change in net assets before foreign currency translation adjustment to net cash flow from operating activities:						
Depreciation	58,924	36,951	-	-	95,875	82,887
Bad debt expense	-	-	14,498	-	14,498	-
Realized and unrealized (gain) loss on investments	732,471	-	-	-	732,471	(1,353,770)
(Gain) loss on currency exchange rate options	(130,664)	-	-	-	(130,664)	-
Changes in:						
Accounts receivable	(89,001)	1,416	(12,969)	-	(100,554)	20,514
Accounts receivable - intercompany	(111,457)	352,514	(506,959)	265,902	-	-
Grants and contracts receivable	75,628	(927,258)	(141,773)	-	(993,403)	1,095,952
Prepaid expenses and other assets	(34,044)	(1,455)	(8,790)	-	(44,289)	19,530
Accounts payable and accrued expenses	97,313	(139,099)	23,337	-	(18,449)	(261,392)
Accounts payable - intercompany	183,101	69,785	13,016	(265,902)	-	-
Refundable advances	(516,814)	(25,246)	492,830	-	(49,230)	66,438
Paycheck Protection Program refundable advance	-	-	-	-	-	(93,581)
Net cash flow from operating activities	<u>(816,065)</u>	<u>(751,687)</u>	<u>225,901</u>	<u>-</u>	<u>(1,341,851)</u>	<u>1,286,060</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>						
Purchases of property and equipment	(36,000)	(28,086)	-	-	(64,086)	(60,125)
Issuance of loans	-	(38,765)	(468,604)	-	(507,369)	(168,757)
Repayment of loans	-	-	294,156	-	294,156	-
Purchase of currency exchange rate options	(196,168)	-	-	-	(196,168)	-
Proceeds from sales of investments	1,207,770	-	-	-	1,207,770	1,710,968
Purchase of investments	(1,335,005)	-	-	-	(1,335,005)	(2,490,398)
Net cash flow from investing activities	<u>(359,403)</u>	<u>(66,851)</u>	<u>(174,448)</u>	<u>-</u>	<u>(600,702)</u>	<u>(1,008,312)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>						
Borrowings on line of credit	650,223	-	-	-	650,223	-
Repayment of line of credit	(400,000)	-	-	-	(400,000)	-
Borrowings on debt	-	5,993,250	-	-	5,993,250	-
Net cash flow from financing activities	<u>250,223</u>	<u>5,993,250</u>	<u>-</u>	<u>-</u>	<u>6,243,473</u>	<u>-</u>
CHANGE IN CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES BEFORE EFFECT OF EXCHANGE RATE CHANGES	(925,245)	5,174,712	51,453	-	4,300,920	277,748
CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES - beginning of year	3,137,726	289,013	287,868	-	3,714,607	3,463,475
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES	<u>49,282</u>	<u>(85,173)</u>	<u>(9,625)</u>	<u>-</u>	<u>(45,516)</u>	<u>(26,616)</u>
CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES - end of year	<u>\$ 2,261,763</u>	<u>\$ 5,378,552</u>	<u>\$ 329,696</u>	<u>\$ -</u>	<u>\$ 7,970,011</u>	<u>\$ 3,714,607</u>

The accompanying notes are an integral part of these schedules.

**NEAR EAST FOUNDATION AND SUBSIDIARIES**

Schedule V

**SCHEDULE OF DIRECT PROGRAM SERVICES BY LOCATION  
FOR THE YEAR ENDING JUNE 30, 2022**  
(With Comparative Totals for 2021)

	<u>Near East Foundation</u>	<u>Near East Foundation - UK</u>	<u>NEF - BE</u>	<u>2022</u>	<u>2021</u>
Armenia	\$ 9,538	\$ -	\$ 84,205	\$ 93,743	\$ 77,906
Belgium	-	-	59,152	59,152	20,827
Iraq	723,301	-	-	723,301	2,013,033
Jordan	153,815	551,101	-	704,916	648,982
Jordan Regional	-	133,310	600,679	733,989	800,858
Lebanon	2,792,203	-	-	2,792,203	2,676,496
Mali	18,418	3,220,722	93,293	3,332,433	3,361,758
Morocco	28,562	99,620	-	128,182	538,589
Sudan	1,596,238	94,079	-	1,690,317	2,348,925
New York	594,781	726,807	121,141	1,442,729	959,174
West Bank/Gaza	-	-	-	-	-
London	17,766	205,094	42,074	264,934	91,955
	<u>\$ 5,934,622</u>	<u>\$ 5,030,733</u>	<u>\$ 1,000,544</u>	<u>\$ 11,965,899</u>	<u>\$ 13,538,503</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, 2022**

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing</u>	<u>Award Number</u>	<u>Expenditures Expenditures</u>
DEPARTMENT OF STATE:			
Reducing Vulnerability of Syrian Refugees and Lebanese in Lebanon V	19.519	S-PRMCO-21-CA-3193	\$ 2,743,884
Reducing the Vulnerability of Syrian Refugees and Lebanese in Lebanon IV	19.519	S-PRMCO-20-CA-0116	910,564
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>114,087</u>
TOTAL OVERSEAS REFUGEE ASSISTANCE PROGRAM FOR NEAR EAST			<u>3,768,535</u>
TOTAL DEPARTMENT OF STATE			<u>3,768,535</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 Central Darfur State III	98.001	720FDA19GR00196	48,480
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, Hygiene and Agriculture in Sudan (HSS III)	98.001	720BHA21GR00081	2,099,295
TOTAL U.S. AID FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS			<u>2,147,775</u>
TOTAL			<u>\$ 5,916,310</u>

## **NEAR EAST FOUNDATION AND SUBSIDIARIES**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022**

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#### **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* (CFR) 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, 2021 through June 30, 2022. 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**

December 1, 2022

To the Board of Directors of the  
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 the Near East Foundation and Subsidiaries (the Foundation) (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2022, 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 December 1, 2022. 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 compliance and other matters associated with Near East Foundation UK Limited or NEF Belgium. Our report includes a reference to other auditors who audited the consolidated financial statements of Near East Foundation UK Limited, NEF Belgium and of the local operations in Jordan, Jordan Regional, and Sudan, as described in our report on the Foundation'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.

**Report on 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)

**Report on 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 or significant deficiencies may exist that have not been identified.

**Report on 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 THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

December 1, 2022

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Near East Foundation and Subsidiaries' (the Foundation) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

***Basis for Opinion on the Major Federal Program***

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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal program.

(Continued)

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

(Continued)

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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.

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

(Continued)

**Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022

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### 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>AL Number</u>	<u>Name of Federal Program or Cluster</u>
98.001	U.S. AID 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.