

**NEAR EAST FOUNDATION AND SUBSIDIARIES**

**Consolidated Financial Statements and  
Supplementary Information as of  
June 30, 2019  
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

February 26, 2020

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, 2019, 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) and of the local operations in the 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. 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 \$2,094,093, as of June 30, 2018 and total revenue and other support of \$7,849,754 and net deficit of (\$8,259) 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 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.

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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, 2019, 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 Principle**

As described in Note 2 to the consolidated financial statements, the Foundation implemented Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and the effects have been included in these consolidated financial statements. Our opinion is not modified with respect to this matter.

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

We have previously audited the Foundation's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 2019 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 17-23 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The 2019 consolidating information on pages 17-20 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. In our opinion, the 2019 supplementary information, which insofar as it relates to the Foundation, is based on the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The 2018 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 2018 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. In our opinion, the 2018 supplementary information, which insofar as it relates to the Foundation, is based on the report of other auditors, 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 February 26, 2020 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, 2019

(With Comparative Totals for 2018)

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,488,147	\$ 2,328,470
Accounts receivable	147,724	163,626
Grants and contracts receivable	1,038,282	635,811
Prepaid expenses and other assets	122,416	79,121
Investments	6,129,791	5,658,476
Property and equipment, net	<u>332,716</u>	<u>270,573</u>
Total assets	<u>\$ 11,259,076</u>	<u>\$ 9,136,077</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,846,837	\$ 1,626,421
Deferred revenue	<u>2,657,888</u>	<u>1,340,730</u>
Total liabilities	<u>4,504,725</u>	<u>2,967,151</u>
NET ASSETS:		
Without donor restrictions	2,342,826	2,531,919
With donor restrictions	<u>4,411,525</u>	<u>3,637,007</u>
Total net assets	<u>6,754,351</u>	<u>6,168,926</u>
Total liabilities and net assets	<u>\$ 11,259,076</u>	<u>\$ 9,136,077</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, 2019

(With Comparative Totals for 2018)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2019 <u>Total</u>	2018 <u>Total</u>
<b>REVENUE AND OTHER SUPPORT:</b>				
Contributions	\$ 701,389	\$ 830,249	\$ 1,531,638	\$ 1,344,898
Government grants and contracts	15,058,400	-	15,058,400	14,430,702
Private grants	-	-	-	111,710
Investment income, net	277,877	-	277,877	322,128
Other income	35,565	-	35,565	119,513
Net assets released from restrictions	<u>55,731</u>	<u>(55,731)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>16,128,962</u>	<u>774,518</u>	<u>16,903,480</u>	<u>16,328,951</u>
<b>EXPENSES:</b>				
Direct program services	13,299,159	-	13,299,159	13,195,733
Program administration	<u>2,543,350</u>	<u>-</u>	<u>2,543,350</u>	<u>2,034,342</u>
Total program services	15,842,509	-	15,842,509	15,230,075
Management and general	629,586	-	629,586	817,958
Fund-raising	<u>9,816</u>	<u>-</u>	<u>9,816</u>	<u>84,506</u>
Total expenses	<u>16,481,911</u>	<u>-</u>	<u>16,481,911</u>	<u>16,132,539</u>
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT, AND NON-OPERATING INCOME	(352,949)	774,518	421,569	196,412
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	163,856	-	163,856	(340,705)
NON-OPERATING INCOME	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,505</u>
CHANGE IN NET ASSETS	(189,093)	774,518	585,425	64,212
NET ASSETS - beginning of year	<u>2,531,919</u>	<u>3,637,007</u>	<u>6,168,926</u>	<u>6,104,714</u>
NET ASSETS - end of year	<u>\$ 2,342,826</u>	<u>\$ 4,411,525</u>	<u>\$ 6,754,351</u>	<u>\$ 6,168,926</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, 2019**

(With Comparative Totals for 2018)

	Direct Program <u>Services</u>	Program <u>Administration</u>	Total Program <u>Services</u>	Management <u>and General</u>	<u>Fund-raising</u>	2019 <u>Total</u>	2018 <u>Total</u>
<b>SALARIES AND RELATED EXPENSES:</b>							
Salaries and wages	\$ 3,290,468	\$ 1,006,545	\$ 4,297,013	\$ 387,979	\$ 7,250	\$ 4,692,242	\$ 4,316,520
Fringe benefits	<u>693,899</u>	<u>517,446</u>	<u>1,211,345</u>	<u>110,387</u>	<u>2,176</u>	<u>1,323,908</u>	<u>1,063,361</u>
Total salaries and related expenses	3,984,367	1,523,991	5,508,358	498,366	9,426	6,016,150	5,379,881
<b>EXPENSES:</b>							
Occupancy and operating expenses	567,226	701,091	1,268,317	115,323	390	1,384,030	1,126,068
Travel	638,518	151,976	790,494	15,831	-	806,325	798,580
Equipment and furniture	136,060	26,139	162,199	66	-	162,265	133,327
Program activities	6,310,698	49,816	6,360,514	-	-	6,360,514	6,934,418
Sub-awards	1,645,503	-	1,645,503	-	-	1,645,503	1,686,247
Depreciation	14,485	90,337	104,822	-	-	104,822	74,018
Miscellaneous expenses	<u>2,302</u>	<u>-</u>	<u>2,302</u>	<u>-</u>	<u>-</u>	<u>2,302</u>	<u>-</u>
	<u>\$ 13,299,159</u>	<u>\$ 2,543,350</u>	<u>\$ 15,842,509</u>	<u>\$ 629,586</u>	<u>\$ 9,816</u>	<u>\$ 16,481,911</u>	<u>\$ 16,132,539</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, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment and excess liabilities over assets acquired on acquisition	\$ 421,569	\$ 404,917
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	104,650	74,018
Realized and unrealized gains on investments	(130,318)	(207,470)
Gain on disposal of property and equipment	(23,704)	-
Changes in:		
Accounts receivable	(421,338)	1,510,951
Grants and contracts receivable	(402,471)	(94,136)
Prepaid expenses and other assets	(43,295)	(26,325)
Accounts payable and accrued expenses	657,656	461,021
Deferred revenue	<u>1,317,158</u>	<u>(1,919,270)</u>
Net cash flow from operating activities	<u>1,479,907</u>	<u>203,706</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(178,325)	(205,094)
Proceeds on sales of property and equipment	35,236	-
Proceeds on sales of investments	1,347,631	845,895
Purchase of investments	<u>(1,688,628)</u>	<u>(816,590)</u>
Net cash flow from investing activities	<u>(484,086)</u>	<u>(175,789)</u>
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES	995,821	27,917
CASH AND CASH EQUIVALENTS - beginning of year	2,328,470	2,641,258
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>163,856</u>	<u>(340,705)</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 3,488,147</u>	<u>\$ 2,328,470</u>

The accompanying notes are an integral part of these statements.

# NEAR EAST FOUNDATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals for 2018)

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### 1. NATURE OF ORGANIZATION

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

To implement its projects, the organization maintains offices and staff in Armenia, Jordan, Jordan Regional, Lebanon, Mali, Morocco, Sudan, Syria, Palestine, London, as well as New York. The organization established an office in Iraq in September 2019. 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.

The 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.

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.

### 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 and NEFdev (collectively the "Foundation"). 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).

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

### **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.

### **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**

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

### **Interpretation of Relevant Law**

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

### **Foreign Exchanges Gain or Loss**

Monetary assets and liabilities denominated in foreign currencies are translated using rates prevailing at year-end. Revenues and expenses are translated at rates prevailing on the date of the respective transaction. Foreign exchange gain/(loss) amounted to \$163,856 and \$(340,705) for years ended June 30, 2019 and 2018, 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, excluding cash held for investment purposes. The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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

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

### **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**

Grants and contracts receivable represent revenue earned but not received from the grantors. The Foundation considers all grants and contracts receivable to be fully collectible based on management's review of 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.

### **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.

### **Deferred Revenue**

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

### **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.

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

### Income Taxes

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

### 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, 2018, from which the summarized information was derived.

### Reclassifications

Certain amounts have been reclassified from the 2018 financial statements to conform with the current year presentation.

### Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for non-for-profit organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restriction and net assets without donor restriction);
- Requiring the presentation of expenses in both natural and functional classifications;
- Requiring qualitative and quantitative disclosure regarding an entity's liquidity and availability of resources; and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Foundation's year ending June 30, 2019 and was applied retrospectively, except for liquidity and allocation of functional expense disclosure which are presented for the current year only. The effects of this ASU have been included in these consolidated financial statements. There was no effect on total net assets or changes in net assets.

## 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>2019</u>
Cash and cash equivalents	\$ 3,488,147
Accounts receivable	147,724
Grants and contracts receivable	1,038,282
Investments	<u>6,129,791</u>
Financial assets, at year end	10,803,944
Less those unavailable for general expenditures within one year, due to:	
Restricted by donors	<u>4,411,525</u>
Financial assets available to meet cash needs for general expenditures within one year	<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.

#### 4. 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. Cash and cash equivalents are stated at cost which approximates fair value.

##### 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.

There were no changes in valuation techniques used in 2019 or 2018.

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, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 45,555	\$ -	\$ -	\$ 45,555
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>\$ 5,172,668</u>	<u>\$ 957,123</u>	<u>\$ -</u>	<u>\$ 6,129,791</u>

  

	June 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 46,858	\$ -	\$ -	\$ 46,858
Exchange traded funds	3,131,996	-	-	3,131,996
Common stocks	312,338	-	-	312,338
Corporate bonds	-	888,255	-	888,255
Mutual funds	<u>1,279,029</u>	<u>-</u>	<u>-</u>	<u>1,279,029</u>
Total	<u>\$ 4,770,221</u>	<u>\$ 888,255</u>	<u>\$ -</u>	<u>\$ 5,658,476</u>

## 5. INVESTMENTS

Investment income consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 177,016	\$ 150,713
Realized gains on investments	23,401	103,742
Unrealized gains on investments	106,917	103,728
Investment fees	<u>(29,457)</u>	<u>(36,055)</u>
	<u>\$ 277,877</u>	<u>\$ 322,128</u>

## 6. PROPERTY AND EQUIPMENT, NET

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

	<u>2019</u>	<u>2018</u>
Vehicles	\$ 966,225	\$ 906,683
Office equipment	103,942	70,339
Leasehold improvements	41,317	41,317
Furniture and fixtures	<u>138,756</u>	<u>138,756</u>
	1,250,240	1,157,095
Less: Accumulated depreciation	<u>(917,524)</u>	<u>(886,522)</u>
	<u>\$ 332,716</u>	<u>\$ 270,573</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, 2019 are as follows:

2020	\$ 123,125
2021	<u>16,529</u>
	<u>\$ 139,654</u>

Rental expense under operating leases was \$284,927 and \$199,456 for the year ended June 30, 2019 and 2018, 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, 2019 or 2018. 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>2019</u>	<u>2018</u>
NEF - Jordan	\$ 174,118	\$ -
NEF - Lebanon	<u>124,941</u>	<u>25,218</u>
	<u>\$ 299,059</u>	<u>\$ 25,218</u>

The following represents assets released from restrictions:

	<u>2019</u>	<u>2018</u>
NEF - Jordan	\$ 25,882	\$ -
NEF - Lebanon	29,849	15,176
Near East Relief Historical Society	<u>-</u>	<u>1,436</u>
	<u>\$ 55,731</u>	<u>\$ 16,612</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>2019</u>	<u>2018</u>
Violet J. Jacobs Endowment Fund	\$ 4,000,677	\$ 3,500,000
Other	<u>111,789</u>	<u>111,789</u>
	<u>\$ 4,112,466</u>	<u>\$ 3,611,789</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.

**9. NET ASSETS WITH DONOR RESTRICTIONS (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. During 2016 and 2019, the Foundation received \$500,000 and \$500,677 towards the endowment, respectively.

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

	<u>With Donor Restrictions</u>
Balance, July 1, 2017	\$ 3,649,574
Contributions	4,045
Net assets released from restrictions	<u>(16,612)</u>
Balance, June 30, 2018	<u>3,637,007</u>
Contributions	500,677
Net assets released from restrictions	<u>(25,218)</u>
Balance, June 30, 2019	<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, 2019 and 2018.

**10. 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 \$129,021 and \$139,842 for the years ended June 30, 2019 and 2018, respectively.

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 26, 2020 the date the consolidated financial statements were available to be issued.

## NEAR EAST FOUNDATION AND SUBSIDIARIES

### CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

	Near East <u>Foundation</u>	Near East <u>Foundation - UK</u>	<u>Eliminations</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 982,292	\$ 2,505,855	\$ -	\$ 3,488,147	\$ 2,328,470
Accounts receivable	700,369	28,496	(581,141)	147,724	163,626
Grants and contracts receivable	799,523	238,759	-	1,038,282	635,811
Prepaid expenses and other assets	120,458	1,958	-	122,416	79,121
Investments	6,129,791	-	-	6,129,791	5,658,476
Property and equipment, net	<u>225,793</u>	<u>106,923</u>	<u>-</u>	<u>332,716</u>	<u>270,573</u>
Total assets	<u>\$ 8,958,226</u>	<u>\$ 2,881,991</u>	<u>\$ (581,141)</u>	<u>\$ 11,259,076</u>	<u>\$ 9,136,077</u>
<b>LIABILITIES AND NET ASSETS</b>					
LIABILITIES:					
Accounts payable and accrued expenses	\$ 1,730,969	\$ 697,009	\$ (581,141)	\$ 1,846,837	\$ 1,626,421
Deferred revenue	<u>568,044</u>	<u>2,089,844</u>	<u>-</u>	<u>2,657,888</u>	<u>1,340,730</u>
Total liabilities	<u>2,299,013</u>	<u>2,786,853</u>	<u>(581,141)</u>	<u>4,504,725</u>	<u>2,967,151</u>
NET ASSETS:					
Without donor restrictions	2,247,688	95,138	-	2,342,826	2,531,919
With donor restrictions	<u>4,411,525</u>	<u>-</u>	<u>-</u>	<u>4,411,525</u>	<u>3,637,007</u>
Total net assets	<u>6,659,213</u>	<u>95,138</u>	<u>-</u>	<u>6,754,351</u>	<u>6,168,926</u>
Total liabilities and net assets	<u>\$ 8,958,226</u>	<u>\$ 2,881,991</u>	<u>\$ (581,141)</u>	<u>\$ 11,259,076</u>	<u>\$ 9,136,077</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, 2019

(With Comparative Totals for 2018)

	Near East Foundation		Total	Near East Foundation - UK	Eliminations	2019	2018
	Without Donor Restrictions	With Donor Restrictions					
<b>REVENUE AND OTHER SUPPORT:</b>							
Contributions	\$ 403,154	\$ 830,249	\$ 1,233,403	\$ 298,235	\$ -	\$ 1,531,638	\$ 1,344,898
Government grants and contracts	13,623,649	-	13,623,649	1,434,751	-	15,058,400	14,430,702
Private grants	-	-	-	-	-	-	111,710
Investment income, net	277,877	-	277,877	-	-	277,877	322,128
Other income	96,836	-	96,836	68,432	(129,703)	35,565	119,513
Net assets released from restrictions	55,731	(55,731)	-	-	-	-	-
Total revenue and other support	14,457,247	774,518	15,231,765	1,801,418	(129,703)	16,903,480	16,328,951
<b>EXPENSES:</b>							
Direct program services	11,898,202	-	11,898,202	1,530,660	(129,703)	13,299,159	13,195,733
Program administration	2,396,468	-	2,396,468	146,882	-	2,543,350	2,034,342
Total program services	14,294,670	-	14,294,670	1,677,542	(129,703)	15,842,509	15,230,075
Management and general	560,073	-	560,073	69,513	-	629,586	817,958
Fund-raising	9,816	-	9,816	-	-	9,816	84,506
Total expenses	14,864,559	-	14,864,559	1,747,055	(129,703)	16,481,911	16,132,539
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT AND NON-OPERATING INCOME	(407,312)	774,518	367,206	54,363	-	421,569	196,412
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	165,663	-	165,663	(1,807)	-	163,856	(340,705)
NON-OPERATING INCOME	-	-	-	-	-	-	208,505
CHANGE IN NET ASSETS	(241,649)	774,518	532,869	52,556	-	585,425	64,212
NET ASSETS - beginning of year	2,489,337	3,637,007	6,126,344	42,582	-	6,168,926	6,104,714
NET ASSETS - end of year	\$ 2,247,688	\$ 4,411,525	\$ 6,659,213	\$ 95,138	\$ -	\$ 6,754,351	\$ 6,168,926

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, 2019**

(With Comparative Totals for 2018)

	Near East Foundation						Near East Foundation - UK						Eliminations	2019	2018
	Direct Program Services	Program Administration	Total Program Services	Management and General	Fund-raising	Total	Direct Program Services	Program Administration	Total Program Services	Management and General	Total				
<b>SALARIES AND RELATED EXPENSES:</b>															
Salaries and wages	\$ 2,735,423	\$ 932,093	\$ 3,667,516	\$ 387,979	\$ 7,250	\$ 4,062,745	\$ 555,045	\$ 74,452	\$ 629,497	\$ -	\$ 629,497	\$ -	\$ 4,692,242	\$ 4,316,520	
Fringe benefits	<u>571,933</u>	<u>489,133</u>	<u>1,061,066</u>	<u>110,387</u>	<u>2,176</u>	<u>1,173,629</u>	<u>121,966</u>	<u>28,313</u>	<u>150,279</u>	<u>-</u>	<u>150,279</u>	<u>-</u>	<u>1,323,908</u>	<u>1,063,361</u>	
Total salaries and related expenses	3,307,356	1,421,226	4,728,582	498,366	9,426	5,236,374	677,011	102,765	779,776	-	779,776	-	6,016,150	5,379,881	
<b>EXPENSES:</b>															
Occupancy and operating expenses	505,429	652,557	1,157,986	45,810	390	1,204,186	130,213	48,534	178,747	69,513	248,260	(68,416)	1,384,030	1,126,068	
Travel	525,400	144,224	669,624	15,831	-	685,455	113,118	7,752	120,870	-	120,870	-	806,325	798,580	
Equipment and furniture	115,725	39,924	155,649	66	-	155,715	20,335	(13,785)	6,550	-	6,550	-	162,265	133,327	
Program activities	5,936,594	49,108	5,985,702	-	-	5,985,702	435,391	708	436,099	-	436,099	(61,287)	6,360,514	6,934,418	
Sub-awards	1,501,193	-	1,501,193	-	-	1,501,193	144,310	-	144,310	-	144,310	-	1,645,503	1,686,247	
Depreciation	6,155	89,429	95,584	-	-	95,584	8,330	908	9,238	-	9,238	-	104,822	74,018	
Miscellaneous expenses	<u>350</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>350</u>	<u>1,952</u>	<u>-</u>	<u>1,952</u>	<u>-</u>	<u>1,952</u>	<u>-</u>	<u>2,302</u>	<u>-</u>	
	<u>\$ 11,898,202</u>	<u>\$ 2,396,468</u>	<u>\$ 14,294,670</u>	<u>\$ 560,073</u>	<u>\$ 9,816</u>	<u>\$ 14,864,559</u>	<u>\$ 1,530,660</u>	<u>\$ 146,882</u>	<u>\$ 1,677,542</u>	<u>\$ 69,513</u>	<u>\$ 1,747,055</u>	<u>\$ (129,703)</u>	<u>\$ 16,481,911</u>	<u>\$ 16,132,539</u>	

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, 2019

(With Comparative Totals for 2018)

	Near East <u>Foundation</u>	Near East <u>Foundation - UK</u>	<u>2019</u>	<u>2018</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Change in net assets before foreign currency translation adjustment and excess liabilities over assets acquired on acquisition	\$ 367,206	\$ 54,363	\$ 421,569	\$ 404,917
Adjustments to reconcile change in net assets to net cash flow from operating activities:				
Depreciation	95,584	9,066	104,650	74,018
Realized and unrealized gains on investments	(130,318)	-	(130,318)	(207,470)
Gain on disposal of property and equipment	(23,704)	-	(23,704)	-
Changes in:				
Accounts receivable	(392,842)	(28,496)	(421,338)	1,510,951
Grants and contracts receivable	(210,792)	(191,679)	(402,471)	(94,136)
Prepaid expenses and other assets	(42,749)	(546)	(43,295)	(26,325)
Accounts payable and accrued expenses	208,180	449,476	657,656	461,021
Deferred revenue	82,628	1,234,530	1,317,158	(1,919,270)
Net cash flow from operating activities	<u>(46,807)</u>	<u>1,526,714</u>	<u>1,479,907</u>	<u>203,706</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Purchases of property and equipment	(62,336)	(115,989)	(178,325)	(205,094)
Proceeds on sales of property and equipment	35,236	-	35,236	-
Proceeds on sales of investments	1,347,631	-	1,347,631	845,895
Purchase of investments	(1,688,628)	-	(1,688,628)	(816,590)
Net cash flow from investing activities	<u>(368,097)</u>	<u>(115,989)</u>	<u>(484,086)</u>	<u>(175,789)</u>
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES	(414,904)	1,410,725	995,821	27,917
CASH AND CASH EQUIVALENTS - beginning of year	1,231,533	1,096,937	2,328,470	2,641,258
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>165,663</u>	<u>(1,807)</u>	<u>163,856</u>	<u>(340,705)</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 982,292</u>	<u>\$ 2,505,855</u>	<u>\$ 3,488,147</u>	<u>\$ 2,328,470</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, 2019

(With Comparative Totals for 2018)

	<u>Near East Foundation</u>	<u>Near East Foundation - UK</u>	<u>2019</u>	<u>2018</u>
Armenia	\$ -	\$ 261,353	\$ 261,353	\$ 45,678
Jordan	1,525,253	123,171	1,648,424	1,597,372
Lebanon	2,358,558	149,085	2,507,643	2,807,629
Mali	1,178,378	377,792	1,556,170	4,376,865
Morocco	365,374	924	366,298	252,320
Sudan	2,101,868	218,254	2,320,122	2,574,206
Syria	2,720,116	2,636	2,722,752	628,752
New York	2,210,580	167,420	2,378,000	32,199
West Bank/Gaza	880,784	334,278	1,215,062	-
London	<u>723,364</u>	<u>35,999</u>	<u>759,363</u>	<u>989,448</u>
	<u>\$ 14,064,275</u>	<u>\$ 1,670,912</u>	<u>\$ 15,735,187</u>	<u>\$ 13,304,469</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, 2019**

<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	\$ <u>439,795</u>
TOTAL MIDDLE EAST PARTNERSHIP INITIATIVE			<u>439,795</u>
Reducing Economic and Social Vulnerability of Syrian Refugees and Lebanese in Lebanon	19.519	S-PRMCO-18-CA-0016	504,253
Reducing Risk of Abuse Among Vulnerable Syrian, Iraqi and Jordanian Children in Jordan	19.519	S-PRMCO-17-CA-2089	1,320,660
Reducing Vulnerability of Syrian Refugees and Lebanese in Lebanon III	19.519	S-PRMCO-18-CA-0169	<u>2,176,408</u>
TOTAL OVERSEAS REFUGEE ASSISTANCE PROGRAM FOR NEAR EAST			<u>4,001,321</u>
TOTAL DEPARTMENT OF STATE			<u>4,441,116</u>
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS:			
Olive Oil Without Borders II: Palestinian- Israeli Olive Oil Project	98.001	AID-294-A-16-00011	474,264
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in Jebel Marra and Um Dukhun in Central Dafur	98.001	AID-OFDA-G-16-00085	116,530
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in South Kordofan State II	98.001	720FDA18GR00226	696,620
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	989,443
Global Development Alliance (GDA) Cooperative Agreement	98.001	AID-294-A-17-00012	665,207
Exchange for Progress: Agronomists without Borders	98.001	AID-294-A-17-00008	327,950
Advancing Livelihoods Through Support to Youth Agricultural Markets in Dara's	98.001	AID-276-A-17-00002	<u>2,971,213</u>
TOTAL U.S. AID FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS			<u>6,241,227</u>
			<u>\$ 10,682,343</u>

See notes to Schedule of Expenditures of Federal Awards.



## **NEAR EAST FOUNDATION AND SUBSIDIARIES**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2019**

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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* 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, 2018 through June 30, 2019. The Foundation has not elected to use the 10 percent 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**

February 26, 2020

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, 2019, 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 February 26, 2020. The consolidated financial statements of Near East Foundation UK Limited was 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. Our report includes a reference to other auditors who audited the financial statements of Near East Foundation UK Limited and of the local operations in Jordan, Sudan and West Bank, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*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.

(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)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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**

February 26, 2020

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, 2019. 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 each of 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, 2019.

**Report on Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, 2019**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

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

**NEAR EAST FOUNDATION AND SUBSIDIARIES**

**SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS, AND  
RECOMMENDATIONS  
JUNE 30, 2019**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV - PRIOR YEAR FINDING AND QUESTIONED COSTS**

None noted.