Near East Foundation

Financial Report and Supplementary Information

June 30, 2011

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Near East Foundation
New York, New York

We have audited the accompanying statements of financial position of the Near East Foundation (the "Foundation") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Near East Foundation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on page 14 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, based upon our audits and the reports of the other auditors, is fairly presented in all material respects in relation to the financial statements taken as a whole.

McGladrey & Pullen, LLP

New York, New York
March 30, 2012

Near East Foundation

Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 936,574	$ 732,168
Accounts and loans receivable	108,903	158,728
Grants and contracts receivable (Note 3)	650,074	293,638
Prepaid expenses	16,626	15,590
Investments, at fair value (Note 4)	2,941,246	3,231,577
Security deposits	8,000	8,302
Investment in trusts held by others	56,394	49,925
Property and equipment, net (Note 5)	51,094	59,592
Total assets	$ 4,768,911	$ 4,549,520
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 549,587	$ 380,492
Refundable advances	11,239	122,918
Total liabilities	560,826	503,410
Commitments		
Net Assets:		
Unrestricted	174,689	426,543
Temporarily restricted (Note 8)	859,193	395,214
Permanently restricted (Note 9)	3,174,203	3,224,353
Total net assets	4,208,085	4,046,110
Total liabilities and net assets	$ 4,768,911	$ 4,549,520

See Notes to Financial Statements.

Near East Foundation

Statements of Activities
Years Ended June 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support:								
Contributions	$ 231,860	$ 9,376	$ -	$ 241,236	$ 261,199	$ 17,061	$ 3,000,000	$ 3,278,260
Government grants and contracts	1,668,170	-	-	1,668,170	2,173,566	-	-	2,173,566
Private grants	58,000	1,441,628	-	1,499,628	-	1,500,937	-	1,500,937
In-kind contributions (Note 10)	115,653	-	-	115,653	346,130	-	-	346,130
Special events revenue, net	-	-	-	-	-	28,401	-	28,401
Investment income	5,770	11,281	-	17,051	10,640	6,739	-	17,379
Program-related income	228,898	-	-	228,898	290,127	-	-	290,127
Other	13,506	-	-	13,506	25,668	-	-	25,668
Net assets released from restrictions	1,048,456	(998,306)	(50,150)	-	1,990,154	(1,879,122)	(111,032)	-
Total revenue and other support	3,370,313	463,979	(50,150)	3,784,142	5,097,484	(325,984)	2,888,968	7,660,468
Expenses:								
Direct program services	2,610,562	-	-	2,610,562	4,139,010	-	-	4,139,010
Program administration	506,715	-	-	506,715	524,341	-	-	524,341
Total program services	3,117,277	-	-	3,117,277	4,663,351	-	-	4,663,351
Management and general	411,370	-	-	411,370	593,426	-	-	593,426
Fund-raising	93,520	-	-	93,520	100,817	-	-	100,817
Total expenses	3,622,167	-	-	3,622,167	5,357,594	-	-	5,357,594
Change in net assets	(251,854)	463,979	(50,150)	161,975	(260,110)	(325,984)	2,888,968	2,302,874
Net Assets:								
Beginning	426,543	395,214	3,224,353	4,046,110	686,653	721,198	335,385	1,743,236
Ending	$ 174,689	$ 859,193	$ 3,174,203	$ 4,208,085	$ 426,543	$ 395,214	$ 3,224,353	$ 4,046,110

See Notes to Financial Statements.

Near East Foundation

Statement of Functional Expenses
Year Ended June 30, 2011

	2011					
	Direct Program Services	Program Administration	Total Program Services	Management and General	Fund-Raising	Total
Salaries	$ 490,682	$ 248,544	$ 739,226	$ 127,583	$ 51,582	**$ 918,391**
Fringe benefits	93,487	64,320	157,807	57,703	12,504	**228,014**
Total salaries and related expenses	584,169	312,864	897,033	185,286	64,086	**1,146,405**
Professional fees	386,320	89,487	475,807	180,296	15,801	**671,904**
Training, supplies and technical assistance	216,681	394	217,075	-	-	**217,075**
Supplies	9,882	4,910	14,792	3,005	364	**18,161**
Agricultural expenses	18,642	-	18,642	-	-	**18,642**
Equipment	228,461	16,260	244,721	3,337	622	**248,680**
Grants	935,353	-	935,353	-	-	**935,353**
Program development and marketing	14,113	29	14,142	-		**14,142**
Occupancy	34,000	53,225	87,225	10,752	8,049	**106,026**
Telephone and Internet	21,054	11,876	32,930	2,269	1,263	**36,462**
Postage and shipping	426	1,103	1,529	193	985	**2,707**
Printing and publications	2,146	877	3,023	63	329	**3,415**
Travel	103,636	43,666	147,302	22,996	708	**171,006**
Meetings and conferences	4,771	1,174	5,945	227	1,159	**7,331**
Depreciation	3,657	24,153	27,810	-	-	**27,810**
Foreign exchange gain	(174)	(52,020)	(52,194)	-	-	**(52,194)**
Gain on disposal of fixed assets	(1,485)	-	(1,485)	-	-	**(1,485)**
Bad debt expense	2,053	2,658	4,711	-	-	**4,711**
Miscellaneous expenses	46,857	(3,941)	42,916	2,946	154	**46,016**
Total expenses	$ 2,610,562	$ 506,715	$ 3,117,277	$ 411,370	$ 93,520	**$ 3,622,167**

See Notes to Financial Statements.

Near East Foundation

Statement of Functional Expenses
Year Ended June 30, 2010

	2010					
	Direct Program Services	**Program Administration**	**Total Program Services**	**Management and General**	**Fund-Raising**	**Total**
Salaries	$ 701,271	$ 194,190	$ 895,461	$ 235,753	$ 64,491	$ 1,195,705
Fringe benefits	143,554	29,500	173,054	59,497	13,342	245,893
Total salaries and related expenses	844,825	223,690	1,068,515	295,250	77,833	1,441,598
Professional fees	473,173	71,528	544,701	234,912	4,043	783,656
Training, supplies and technical assistance	392,098	777	392,875	-	-	392,875
Supplies	36,234	6,373	42,607	1,076	2,502	46,185
Agricultural expenses	12,294	-	12,294	-	-	12,294
Construction	1,815	-	1,815	-	-	1,815
Equipment	140,568	18,844	159,412	2,048	479	161,939
Grants	1,716,792	-	1,716,792	-	-	1,716,792
Program development and marketing	43,826	20	43,846	-	1,908	45,754
Occupancy	58,408	38,243	96,651	26,854	8,865	132,370
Telephone and Internet	35,564	10,784	46,348	3,898	1,521	51,767
Postage and shipping	56,715	446	57,161	488	355	58,004
Printing and publications	5,016	830	5,846	1,036	279	7,161
Travel	83,158	21,091	104,249	23,235	3,032	130,516
Meetings and conferences	320	-	320	1,203	-	1,523
Depreciation	4,389	30,591	34,980	-	-	34,980
Foreign exchange loss	2,656	102,193	104,849	-	-	104,849
Bad debt expense	-	3,590	3,590	-	-	3,590
Miscellaneous expenses	231,159	(4,659)	226,500	3,426	-	229,926
Total expenses	$ 4,139,010	$ 524,341	$ 4,663,351	$ 593,426	$ 100,817	$ 5,357,594

See Notes to Financial Statements.

Near East Foundation

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	**$ 161,975**	$ 2,302,874
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**27,810**	34,980
Gain on disposal of fixed assets	**(1,485)**	-
Net change in fair value of investments	**(11,281)**	(6,739)
Change in value of investments in trusts held by others	**(6,469)**	(433)
Changes in value of assets and liabilities:		
Decrease in accounts and loans receivable	**49,825**	10,663
(Increase) decrease in grants and contracts receivable	**(356,436)**	312,464
(Increase) decrease in prepaid expenses	**(1,036)**	300
Decrease in security deposits	**302**	20,128
Increase (decrease) in accounts payable and accrued expenses	**169,095**	(151,175)
Decrease in refundable advances	**(111,679)**	(16,415)
Net cash (used in) provided by operating activities	**(79,379)**	2,506,647
Cash Flows From Investing Activities:		
Proceeds from sales of investments	**301,631**	256,098
Purchases of investments	**(19)**	(3,000,000)
Proceeds from sales of fixed assets	**8,800**	-
Purchases of fixed assets	**(26,627)**	-
Net cash provided by (used in) investing activities	**283,785**	(2,743,902)
Net increase (decrease) in cash and cash equivalents	**204,406**	(237,255)
Cash and Cash Equivalents:		
Beginning	**732,168**	969,423
Ending	**$ 936,574**	$ 732,168

See Notes to Financial Statements.

Note 1. Nature of Organization

The 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 Egypt, Jordan, Mali, Morocco, Palestine and Sudan, as well as New York City. 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. With respect to Egypt, NEF has a memorandum of understanding with the Center for Development Services ("CDS") to provide NEF with staff for representation purposes, as well as other memoranda of understanding to provide staff and services for specific NEF projects in Egypt. CDS is an Egyptian company that belongs to former NEF employees who set up CDS with support from NEF. 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 financial statements.

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

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statements: The accompanying financial statements have been prepared on an accrual basis of accounting and are presented in accordance with accounting requirements for not-for-profit organizations. These requirements provide that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows and that net assets are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor stipulations regarding the use of such assets.

The net assets of the Foundation and changes therein are classified and reported as follows:

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition: The Foundation records contributions and private grants of cash and other assets when an unconditional promise to give is received from a donor. Contributions and private grants are recorded at the fair value of the assets received at the date of gift and are classified as either restricted or unrestricted support, depending upon donor-imposed stipulations, if any.

Government grants and other contracts designated for use in specific activities are recognized as revenue in unrestricted net assets when expenditures have been incurred in compliance with the grantor's provisions and as requisitions for reimbursements are submitted. Cash received in excess of revenue recognized is recorded as refundable advances.

Investments: Investments in equity with readily determinable fair value and all investments in debt securities are recorded at fair value, which is determined based upon quoted market prices. The statements of activities present investment income, consisting of interest and dividend income. Interest income is recorded on the accrual basis. Purchases and sales of securities are recorded on a trade-date basis.

Property and Equipment: Fixed assets are stated at cost, less accumulated depreciation and amortization or at the fair market value of the donated assets at the date of receipt, if donated. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Vehicles	5 years
Furniture and equipment	5 to 10 years

Costs incurred for repairs and maintenance are charged to expense as incurred.

Split-Interest Agreements: Donors have established and funded certain trusts, which are administered and controlled by organizations other than the Foundation. Under the terms of these trusts, the Foundation has the irrevocable right to receive the income earned on the trust assets in perpetuity and, as such, has recorded its interest as permanently restricted contributions.

In addition, a donor established a funded trust under which specified distributions are to be made to a designated beneficiary over the trust's term. Upon the death of the beneficiary, the Foundation will receive a portion of the assets remaining in trust. Charitable remainder trusts are recorded as increases in temporarily restricted net assets at the fair value of the trust assets, less the present value of the estimated future payments to be made to the beneficiary.

Foreign Exchanges Gain or Loss: Monetary assets and liabilities denominated in foreign currencies are translated using rates prevailing at year-end. Revenues and expenses are translated at rates prevailing on the date of the respective transaction. Foreign exchange gains or losses are included in the accompanying statement of activities as components of program and/or management and general expenses, as appropriate.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Endowment Funds: Endowment funds represent funds that are not available for current use because they have been so restricted by donors, or designated by the Foundation's board of directors.

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes: The Foundation is tax-exempt under Internal Revenue Code Section 501(c)(3). The Foundation recognizes the effect of income tax positions only if those positions are probable of being sustained. Income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under Internal Revenue Code Section 501. The Foundation did not have any material unrelated business income tax liability for the years ended June 30, 2011 and 2010.

Management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2008, which is the standard statute of limitations look-back period.

Note 3. Grants and Contracts Receivable

Grants and contracts receivable represent revenue earned but not received from the grantors. Grants receivable due within one year at June 30, 2011 and 2010 were $405,074 and $293,638, respectively. Grants receivable due in one to five years at June 30, 2011 and 2010 were $245,000 and $0, respectively.

In addition to the grants and contracts receivable noted above, the Foundation has received a conditional grant from an organization for projects in Sudan. Conditions for approximately $330,000 of this grant had not been met and have not been recognized in the accompanying consolidated financial statements as of June 30, 2011 as they do not meet the criteria for recognition of revenue under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605. The remaining conditions for this grant are expected to be met within one year.

Note 4. Investments, at Fair Value

The Foundation follows ASC 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis. ASC 820 sets out a fair value hierarchy and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is defined as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. The types of investments in Level 1 generally include listed equities.

Level 2: Inputs other than quoted prices within Level 1 are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Investments in this category generally include corporate debt, U.S. government debt, and less liquid securities such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates. Investments in this category generally include equity and debt positions in private companies.

Note 4. Investments, at Fair Value (Continued)

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no significant transfers among Levels 1, 2 and 3 during the year.

Investments measured at fair value on a recurring basis, all of which are classified as Level 1, consist of the following at June 30, 2011 and 2010:

	2011	2010
Bank savings account	**$ 2,807,549**	$ 3,006,739
Money market funds	**133,697**	224,838
	$ 2,941,246	$ 3,231,577

For the years ended June 30, 2011 and 2010, investment income is presented totaling $5,770 and $10,640, respectively.

Note 5. Property and Equipment, Net

At June 30, 2011 and 2010, property and equipment, net, consists of the following:

	2011	2010
Vehicles	**$ 463,297**	$ 503,559
Office equipment	**120,399**	125,611
Furniture and fixtures	**7,705**	12,560
	591,401	641,730
Less accumulated depreciation	**(540,307)**	(582,138)
	$ 51,094	$ 59,592

Note 6. Retirement Plan

The Foundation had a defined contribution retirement plan (the "Plan") administered by Teachers Insurance and Annuity Foundation - College Retirement Equities Fund that covered substantially all U.S. employees until February 2010. The Foundation contributed between 10% and 15% of each participant's salary depending on the participant's years of service. The Foundation's contribution to the Plan for the year ended June 30, 2010 totaled $9,576. All New York City-based staff, except the vice president of finance, separated from the Foundation in January and February 2010 and contributions to the Plan were terminated in February 2010.

Note 7. Occupancy Costs

On February 23, 2010, the Foundation signed a lease termination agreement in New York City with its landlord whereby the Foundation agreed to pay the landlord a termination fee of $10,686 and vacated the premises by March 5, 2010. In accordance with the terms of the agreement, the Foundation also waived its right, title and interest in and to the security deposit of $28,430. In March 2010, the president and vice president moved into an office at another location, which is being provided to the Foundation at no cost.

Note 8. Temporarily Restricted Net Assets

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

	2011	2010
NEF - Mali	**$ 97,345**	$ 90,355
NEF - NY and Morocco	**105,283**	73,179
NEF - Egypt	**490,002**	198,213
NEF - West Bank	**-**	6,456
NEF - Sudan	**166,563**	27,011
	$ 859,193	$ 395,214

Net assets released from restrictions due to satisfaction of time and purpose restriction during the years ended June 30, 2011 and 2010 for the following locations:

	2011	2010
NEF - Mali	**$ 424,301**	$ 344,623
NEF - NY and Morocco	**28,549**	55,208
NEF - Egypt	**290,331**	530,137
NEF - Jordan	**-**	79,833
NEF - West Bank	**80,926**	869,321
NEF - Sudan	**174,199**	-
	$ 998,306	$ 1,879,122

Note 9. Permanently Restricted Net Assets

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

	2011	2010
Africa Fund	**$ -**	$ 50,150
Francis K. Ross Charitable Trust	**62,414**	62,414
Violet J. Jacobs Endowment Fund	**3,000,000**	3,000,000
Other	**111,789**	111,789
	$ 3,174,203	$ 3,224,353

Note 9. Permanently Restricted Net Assets (Continued)

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 of the contribution received as an endowment. Such amount is recorded as permanently restricted and investment return is recorded as temporarily restricted until appropriated for spending.

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

The State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") effective September 17, 2010. Enactment of NYPMIFA did not have a significant impact on the Foundation's classification of net assets.

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 two years ended June 30, 2011:

	2011				2010			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, July 1,	**$ -**	**$ 6,739**	**$ 3,161,939**	**$ 3,168,678**	$ -	$ -	$ 272,971	$ 272,971
Investment returns:								
Interest and dividends	**-**	**11,281**	**-**	**11,281**	-	6,739	-	6,739
	-	**11,281**	**-**	**11,281**		6,739	-	6,739
Contributions	**-**	**-**	**-**	**-**	-	-	3,000,000	3,000,000
Appropriated for expenditures	**(192,451)**	**(18,020)**	**-**	**(210,471)**	-	-	-	-
Approved transfer*	**-**	**-**	**(50,150)**	**(50,150)**	-	-	(111,032)	(111,032)
Change in endowment net assets	**(192,451)**	**(6,739)**	**(50,150)**	**(249,340)**	-	6,739	2,888,968	2,895,707
Balance, June 30,	**$ (192,451)**	**$ -**	**$ 3,111,789**	**$ 2,919,338**	$ -	$ 6,739	$ 3,161,939	$ 3,168,678

* During 2010, two donors authorized in writing to transfer $111,032 from permanently restricted net assets to unrestricted net assets. During 2011, the Foundation obtained approval from the State of New York Office of the Attorney General to transfer approximately $50,150 from permanently restricted net assets to temporarily restricted net assets.

Note 9. Permanently Restricted Net Assets (Continued)

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or relevant law requires the Foundation to retain as a fund of perpetual donation. Deficiencies of this nature would be reported in temporarily restricted net assets to the extent accumulated gains are available to absorb such loss. Otherwise, such deficiencies are reported in unrestricted net assets. Deficiencies of this nature that are reported in unrestricted net assets were $192,451 at June 30, 2011. This deficiency resulted from unfavorable market fluctuations that occurred after the investment of new contributions and continued appropriation for purposes specified by the donor or activities that were deemed prudent by the Foundation. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as increases in unrestricted net assets.

Note 10. In-Kind Contributions

In-kind contributions received for the years ended June 30, 2011 and 2010 approximated $115,000 and $346,000, respectively, of which the New York office received donated professional services totaling approximately $88,000 and $153,000, respectively. In 2011 and 2010, the remaining balance consisted of donated supplies in Morocco of $27,000 and $193,000, respectively.

Note 11. Subsequent Events

The Foundation evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through March 30, 2012, the date the financial statements were available to be issued.

A military coup took place in Mali on March 22, 2012. U.S. Secretary of State Hillary Clinton has announced a suspension of US non humanitarian aid. At present it is not clear what the outcome will be and what effect, if any, it may have on NEF's operations in Mali. As of March 30, 2012, the Foundation's staff in Mali and their families are safe and the office is operating normally.

New East Foundation

Supplementary Information

Schedules of Direct Program Services by Location
Years Ended June 30, 2011 and 2010

	2011	2010
Egypt	**$ 227,622**	$ 475,166
Jordan	**960,024**	1,177,476
Mali	**532,635**	548,236
Morocco	**605,592**	917,109
Sudan	**166,484**	48,383
Armenia	**4,591**	14,560
West Bank/Gaza	**113,614**	958,080
	$ 2,610,562	$ 4,139,010

See Notes to Financial Statements.