NEAR EAST FOUNDATION AND SUBSIDIARY

Consolidated Financial Statements and
Supplementary Information as of
June 30, 2016 and 2015
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

NEAR EAST FOUNDATION AND SUBSIDIARY

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 19, 2016

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Near East Foundation and Subsidiary (a non-profit organization, the "Foundation"), which comprise the consolidated statements of financial position of as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of local operations in Jordan, Sudan or West Bank, which statements reflect total assets of $678,702, as of June 30, 2016 and total revenue and other support of $3,261,650, for the year ended. We did not audit the financial statements of local operations in Jordan, Sudan or West Bank, which statements reflect total assets of $453,017, as of June 30, 2015 and total revenue and other support of $3,061,891, for the year ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the local operations in Jordan, Sudan and West Bank, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibility (Continued)
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 1,994,151	$ 1,587,036
Accounts and loans receivable	1,001,644	412,906
Grants and contracts receivable	891,068	80,934
Prepaid expenses and other assets	42,785	74,029
Investments	4,254,688	3,706,220
Property and equipment, net	120,221	172,169
Total assets	$ 8,304,557	$ 6,033,294
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 767,232	$ 571,041
Deferred revenue	1,613,715	573,935
Total liabilities	2,380,947	1,144,976
NET ASSETS:		
Unrestricted	2,137,783	1,590,451
Temporarily restricted	174,038	186,078
Permanently restricted	3,611,789	3,111,789
Total net assets	5,923,610	4,888,318
Total liabilities and net assets	$ 8,304,557	$ 6,033,294

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Contributions	$ 1,653,643	$ 163,408	$ 500,000	$ 2,317,051
Government grants and contracts	7,750,043	-	-	7,750,043
Private grants	711,080	-	-	711,080
In-kind contributions	385,409	-	-	385,409
Investment income, net	31,544	-	-	31,544
Other income	3,878	-	-	3,878
Net assets released from restrictions	175,448	(175,448)	-	-
Total revenue and other support	10,711,045	(12,040)	500,000	11,199,005
EXPENSES:				
Direct program services	7,797,676	-	-	7,797,676
Program administration	1,324,182	-	-	1,324,182
Total program services	9,121,858	-	-	9,121,858
Management and general	512,425	-	-	512,425
Fund-raising	505,092	-	-	505,092
Total expenses	10,139,375	-	-	10,139,375
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	571,670	(12,040)	500,000	1,059,630
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(24,338)	-	-	(24,338)
CHANGE IN NET ASSETS	547,332	(12,040)	500,000	1,035,292
NET ASSETS - beginning of year	1,590,451	186,078	3,111,789	4,888,318
NET ASSETS - end of year	$ 2,137,783	$ 174,038	$ 3,611,789	$ 5,923,610

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

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

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

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Direct Program Services	Program Administration	Total Program Services	Management and General	Fundraising	Total
SALARIES AND RELATED EXPENSES:						
Salaries and wages	$ 1,517,362	$ 658,683	$ 2,176,045	$ 170,630	$ 104,957	$ 2,451,632
Fringe benefits	344,722	146,994	491,716	35,908	22,087	549,711
Total salaries and related expenses	1,862,084	805,677	2,667,761	206,538	127,044	3,001,343
EXPENSES:						
Professional fees/consultants	84,296	152,730	237,026	124,770	311,804	673,600
Occupancy and operating expenses	149,103	119,524	268,627	84,983	34,565	388,175
Travel	450,466	121,880	572,346	73,495	18,851	664,692
Equipment and furniture	34,656	10,348	45,004	9,685	123	54,812
Program activities	5,139,474	66,207	5,205,681	-	-	5,205,681
Miscellaneous expenses	77,597	47,816	125,413	12,954	12,705	151,072
	$ 7,797,676	$ 1,324,182	$ 9,121,858	$ 512,425	$ 505,092	$ 10,139,375

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

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

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

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	$ 1,059,630	$ 316,649
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	68,064	63,388
Net contributions restricted for endowment	(500,000)	-
Realized and unrealized losses on investments	73,416	39,917
Changes in:		
Accounts and loans receivable	(588,738)	(126,374)
Grants and contracts receivable	(810,134)	506,034
Prepaid expenses	31,244	(51,839)
Accounts payable and accrued expenses	196,191	93,987
Deferred revenue	1,039,780	24,996
Net cash flow from operating activities	569,453	866,758
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(16,116)	(86,377)
Proceeds on sales of investments	3,497,984	3,216,769
Purchase of investments	(4,119,868)	(3,041,481)
Net cash flow from investing activities	(638,000)	88,911
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for investment in endowment	500,000	-
Net cash flow from financing activities	500,000	-
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE EFECT OF EXCHANGE RATE CHANGES	431,453	955,669
CASH AND CASH EQUIVALENTS - beginning of year	1,587,036	721,754
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(24,338)	(90,387)
CASH AND CASH EQUIVALENTS - end of year	$ 1,994,151	$ 1,587,036

The accompanying notes are an integral part of these statements.

1. NATURE OF ORGANIZATION

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

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

On October 11, 2016 the Foundation’s Board of Director’s passed a resolution whereby the Foundation became the sole corporate member of the Near East Foundation UK Limited.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Principles of Consolidation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Financial Statement Presentation

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

Unrestricted

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

Temporarily Restricted

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

Permanently Restricted

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

Cash and Cash Equivalents

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

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

Accounts and Loans Receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on past collection experience and an analysis of outstanding amounts. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged to the provision for loan losses. Management did not consider an allowance for loan losses necessary as of June 30, 2016 and 2015, and no loans were considered impaired.

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

Grants and Contracts Receivable

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

Investments

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

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

Property and Equipment

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

Deferred Revenue

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

Endowment Funds

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Donated Services, Supplies and Facilities
Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation received donated services valued at $339,369 and $141,809 for the years ended June 30, 2016 and 2015, respectively. The value of the donated services was included as in-kind contributions in the consolidated financial statements and the corresponding program expenses for the years ended June 30, 2016 and 2015, respectively.

The Foundation received donated facilities that are reflected as contributions at their respective estimated fair rental values with a commensurate charge to expense. For the years ended June 30, 2016 and 2015, donated space amounted to $46,040.

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

Foreign Exchanges Gain or Loss
Monetary assets and liabilities denominated in foreign currencies are translated using rates prevailing at year-end. Revenues and expenses are translated at rates prevailing on the date of the respective transaction. Foreign exchange losses amounted to $(24,338) and $(90,387) for years ended June 30, 2016 and 2015, 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.

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

3. FAIR VALUE MEASUREMENTS

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

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

Level 2 Fair Value Measurements
The fair value of corporate and treasury bonds are determined by entering standard inputs into a pricing model. These inputs, listed in order of priority, include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data and industry and economic events. The custodian of the bonds relies on an independent pricing service to perform the pricing calculation. The fair value of investment in trusts held by others are based on quoted market prices of the underlying investments.

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

There were no changes in valuation techniques used in 2016.

3. FAIR VALUE MEASUREMENTS (Continued)

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

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 131,394	$ -	$ -	$ 131,394
Exchange traded funds	2,852,447	-	-	2,852,447
Common stocks:				
Financial	168,736	-	-	168,736
Corporate bonds:				
A1 Rated	-	87,635	-	87,635
A2 Rated	-	97,759	-	97,759
A3 Rated	-	134,932	-	134,932
AA1 Rated	-	16,466	-	16,466
AA2 Rated	-	17,825	-	17,825
AA3 Rated	-	32,251	-	32,251
BAA1 Rated	-	225,519	-	225,519
BAA2 Rated	-	212,440	-	212,440
BAA3 Rated	-	100,587	-	100,587
Total corporate bonds	-	925,414	-	925,414
Mutual funds - fixed income	83,176	-	-	83,176
Mutual funds - equity	93,421	-	-	93,421
Total mutual funds	176,697	-	-	176,697
Total	$ 3,329,274	$ 925,414	$ -	$ 4,254,688

3. FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 129,230	$ -	$ -	$ 129,230
Exchange traded funds	1,362,162	-	-	1,362,162
Common stocks:				
Consumer goods	171,457	-	-	171,457
Financial	393,271	-	-	393,271
Healthcare	139,891	-	-	139,891
Industrial goods	102,895	-	-	102,895
Materials	149,939	-	-	149,939
Other	28,505	-	-	28,505
Services	159,507	-	-	159,507
Technology	156,363	-	-	156,363
Total common stocks	1,301,828	-	-	1,301,828
Mutual funds - fixed income	46,890	-	-	46,890
Mutual funds - equity	53,164	-	-	53,164
Total mutual funds	100,054	-	-	100,054
Corporate bonds:				
A1 Rated	-	51,807	-	51,807
A2 Rated	-	43,975	-	43,975
A3 Rated	-	57,748	-	57,748
AA1 Rated	-	27,672	-	27,672
B1 Rated	-	25,531	-	25,531
B2 Rated	-	31,013	-	31,013
B3 Rated	-	10,539	-	10,539
BA1 Rated	-	50,460	-	50,460
BA2 Rated	-	126,391	-	126,391
BA3 Rated	-	66,580	-	66,580
BAA1 Rated	-	260,907	-	260,907
BAA2 Rated	-	32,519	-	32,519
CAA1 Rated	-	23,888	-	23,888
Total corporate bonds	-	809,030	-	809,030
Treasury bonds	-	3,916	-	3,916
Total	$ 2,893,274	$ 812,946	$ -	$ 3,706,220

4. INVESTMENTS

Investment income consists of the following at June 30:

	2016	2015
Interest and dividend income	$ 128,748	$ 142,631
Realized gains on investments	11,174	139,436
Unrealized losses on investments	(84,590)	(179,353)
	$ 55,322	$ 102,714

Investment income above is shown on the consolidated statements of activities and changes in net assets at June 30, 2016 and 2015, net of investment fees of $23,778 and $28,498, respectively.

5. LOANS RECEIVABLE

Loans receivable consist of amounts loaned to businesses of $178,313 at June 30, 2016 and 2015. All loans are considered current at June 30, 2016 and 2015. There are no loans on nonaccrual status as of June 30, 2016 and 2015.

6. PROPERTY AND EQUIPMENT, NET

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

	2016	2015
Vehicles	$ 736,579	$ 736,579
Office equipment	106,431	105,643
Furniture and fixtures	67,075	53,000
	910,085	895,222
Less: Accumulated depreciation	(789,864)	(723,053)
	$ 120,221	$ 172,169

7. OPERATING LEASES

The Foundation has several operating leases that are renewable on an annual basis or office space which expire at various dates through December 2017. Future minimum lease payments under the operating leases over one year as of June 30, 2016 are as follows:

2017	$ 51,355
2018	23,905
	$ 75,260

Rental expense under operating leases was $91,275 and $83,861 for the year ended June 30, 2016 and 2015, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
NEF - West Bank	$ 20,961	$ 20,961
NEF - Mali	20,854	-
NEF - Jordan	13,949	-
NEF - Armenia	10,314	15,185
NEF - Lebanon	107,960	149,932
	$ 174,038	$ 186,078

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

	2016	2015
NEF- Lebanon	$ 114,526	$ 67
NEF - West Bank	-	44,454
NEF - Armenia	4,871	19,621
NEF - Jordan	56,051	-
	$ 175,448	$ 64,142

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2016 and 2015 consist of investments to be held in perpetuity in funds as noted below for the purpose of generating income for the general purpose of the Foundation:

	2016	2015
Violet J. Jacobs Endowment Fund	$ 3,500,000	$ 3,000,000
Other	111,789	111,789
	$ 3,611,789	$ 3,111,789

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

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

9. PERMANENTLY RESTRICTED NET ASSETS (Continued)

On March 5, 2010, a donor signed an agreement with the Foundation to provide cash totaling $3,000,000 to establish an endowment in perpetuity, the income from which will be used to support the operations of the Foundation. The terms of the agreement require the Foundation to actively pursue building its board, and to establish a spending rate of 7% measured on June 30 of each year if the value of the endowment is greater than its corpus and 5% if it falls below the corpus. During 2016, the Foundation received $500,000 towards the endowment.

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

	Temporarily Restricted	Permanently Restricted	Total
Balance, July 1, 2014	$ 50,617	$ 3,111,789	$ 3,162,406
Contributions	199,603	-	199,603
Net assets released from restrictions	(64,142)	-	(64,142)
Change in endowment net assets	135,461	-	135,461
Balance, June 30, 2015	186,078	3,111,789	3,297,867
Contributions	163,408	500,000	663,408
Net assets released from restrictions	(175,448)	-	(175,448)
Change in endowment net assets	(12,040)	-	(12,040)
Balance, June 30, 2016	$ 174,038	$ 3,611,789	$ 3,785,827

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or relevant law requires the Foundation to retain as a fund of perpetual donation. Deficiencies of this nature would be reported in temporarily restricted net assets to the extent accumulated gains are available to absorb such loss. Otherwise, such deficiencies are reported in unrestricted net assets. There were no such deficiencies at June 30, 2016 or June 30, 2015.

10. RETIREMENT PLAN

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

During 2016, the Foundation contributed $89,136 to the Plan. During 2015, the Foundation did not contribute.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 19, 2016 the date the consolidated financial statements were available to be issued.

NEAR EAST FOUNDATION AND SUBSIDIARY

SCHEDULE OF DIRECT PROGRAM SERVICES BY LOCATION
FOR THE YEARS ENDING JUNE 30, 2016 AND 2015

	2016	2015
Armenia	$ 3,462	$ 39,358
Jordan	1,461,947	564,368
Lebanon	69,566	-
Mali	3,702,479	2,867,834
Morocco	1,237,062	382,466
Sudan	427,278	1,070,393
West Bank/Gaza	895,882	904,805
	$ 7,797,676	$ 5,829,224

The accompanying notes are an integral part of this schedule.

NEAR EAST FOUNDATION AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Program Title	CFDA	Award Number	Federal
DEPARTMENT OF STATE:			
Middle East Partnership Initiative	19.500	S-NEAPI-14-CA-1003	$ 1,099,855
Overseas Refugee Assistance Program for Near East and South Asia	19.519	S-PRMCO-13-CA-1077	1,365,538
TOTAL DEPARTMENT OF STATE			2,465,393
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS:			
Olive Oil Without Borders II: Expanding Cross Border Collaboration in the Olive Sector	98.001	AID-294-A-14-00004	309,728
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygene in Jebel Marra and Um Dukhun in Central Dafur	98.001	AID-OFDA-G-16-00085	8,975
Youth Agribusiness Partnerships (YAP) under the Conflict Management and Mitigation (CMM) Program	98.001	AID-294-A-13-00015	490,862
Emergency Food Security Program in Mali	98.001	AID-FFP-G-15-000055	1,605,610
TOTAL U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS			2,415,175
			$ 4,880,568

See notes to Schedule of Expenditures of Federal Awards.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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, 2015 through June 30, 2016.

4. MATCHING COSTS

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

5. MAJOR PROGRAM DETERMINATION

Near East Foundation, Inc. has determined that all federal programs with expenditures of $750,000 or more are Type A programs. Type B programs considered high risk are also considered major programs for the purpose of the schedule of expenditures of federal awards.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 19, 2016

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Near East Foundation and Subsidiary (the Foundation) which comprise the consolidated statements of financial position as of June 30, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 2016. Our report includes a reference to other auditors who audited the financial statements of local operations in Jordan, Sudan and West Bank, as described in our report on Near East Foundation and Subsidiary's consolidated financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

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

December 19, 2016

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

Report on Compliance for Each Major Federal Program
We have audited Near East Foundation and Subsidiary's (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2016. 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 statues, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Opinion on Each Major Federal Program
In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of its major federal program for the year ended June 30, 2016.

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.

Bonadio & Co., LLP

NEAR EAST FOUNDATION AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

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

FEDERAL AWARDS

Internal control over major programs:

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

Type of Auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	_______	yes	√	no

The programs tested as major programs include:

CFDA Numbers	Name of Federal Program or Cluster
19.519	Overseas Refugee Assistance Program for Near East and South Asia

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.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV - PRIOR YEAR FINDING AND QUESTIONED COSTS

None noted.