

NEAR EAST FOUNDATION AND SUBSIDIARIES

**Consolidated Financial Statements and
Supplementary Information as of
June 30, 2023
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

NEAR EAST FOUNDATION AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

March 14, 2024

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

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Near East Foundation and Subsidiaries (a non-profit organization, the Foundation), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our report and the reports of the 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, 2023, 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.

We did not audit the financial statements of the Near East Foundation Belgium (NEF BE), and of the local operations in the Jordan and Jordan Regional, which statements reflect total assets of \$9,930,152 and total net assets of \$2,107,518, as of June 30, 2023 and total revenue and other support of \$6,476,934, 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 BE and of the local operations in Jordan and Jordan Regional is based solely on the reports of the other auditors. The financial statements of NEF BE were not audited in accordance with *Government Auditing Standards*.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Foundation adopted Accounting Standards Codification 842, Leases, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Summarized Comparative Totals

We have previously audited the Foundation's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), along with 2023 supplementary information included in Schedules I through V, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2023 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 March 14, 2024 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, 2023

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 13,343,300	\$ 7,641,873
Escrows and reserves	2,584,995	328,138
Accounts receivable	206,722	169,393
Loans receivable, net of allowance for loan loss	2,113,591	367,472
Grants and contracts receivable	2,800,554	1,145,877
Prepaid expenses and other assets	241,368	195,196
Investments	6,258,530	5,853,093
Currency exchange rate options	292,179	326,832
Right-of-use asset - operating leases	551,783	-
Property and equipment, net	<u>122,047</u>	<u>190,800</u>
Total assets	<u>\$ 28,515,069</u>	<u>\$ 16,218,674</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 2,080,494	\$ 877,128
Line of credit	-	250,223
Refundable advances	7,614,373	2,003,152
Operating lease liability	539,653	-
Debt	<u>9,824,991</u>	<u>5,993,250</u>
Total liabilities	<u>20,059,511</u>	<u>9,123,753</u>
NET ASSETS:		
Without donor restrictions	1,160,702	1,603,423
With donor restrictions	<u>7,294,856</u>	<u>5,491,498</u>
Total net assets	<u>8,455,558</u>	<u>7,094,921</u>
Total liabilities and net assets	<u>\$ 28,515,069</u>	<u>\$ 16,218,674</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, 2023

(With Comparative Totals for 2022)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2023 <u>Total</u>	2022 <u>Total</u>
REVENUE AND OTHER SUPPORT:				
Contributions	\$ 611,743	\$ 1,266,653	\$ 1,878,396	\$ 1,589,543
Government grants and contracts	15,633,818	1,993,376	17,627,194	13,359,993
Private grants	184,156	-	184,156	143,442
Investment income, net	836,872	-	836,872	(600,565)
Other income	4,806	-	4,806	5,428
Net assets released from restrictions	<u>1,456,671</u>	<u>(1,456,671)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>18,728,066</u>	<u>1,803,358</u>	<u>20,531,424</u>	<u>14,497,841</u>
EXPENSES:				
Direct program services	14,931,008	-	14,931,008	11,965,899
Program administration	<u>2,481,783</u>	<u>-</u>	<u>2,481,783</u>	<u>2,354,736</u>
Total program services	17,412,791	-	17,412,791	14,320,635
Management and general	925,094	-	925,094	622,977
Fundraising	<u>758,470</u>	<u>-</u>	<u>758,470</u>	<u>540,854</u>
Total expenses	<u>19,096,355</u>	<u>-</u>	<u>19,096,355</u>	<u>15,484,466</u>
CHANGE IN NET ASSETS BEFORE GAIN ON CURRENCY EXCHANGE RATE OPTIONS AND FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(368,289)	1,803,358	1,435,069	(986,625)
GAIN ON CURRENCY EXCHANGE RATE OPTIONS	26,565	-	26,565	138,519
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	<u>(100,997)</u>	<u>-</u>	<u>(100,997)</u>	<u>(45,516)</u>
CHANGE IN NET ASSETS	(442,721)	1,803,358	1,360,637	(893,622)
NET ASSETS - beginning of year	<u>1,603,423</u>	<u>5,491,498</u>	<u>7,094,921</u>	<u>7,988,543</u>
NET ASSETS - end of year	<u>\$ 1,160,702</u>	<u>\$ 7,294,856</u>	<u>\$ 8,455,558</u>	<u>\$ 7,094,921</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, 2023

(With Comparative Totals for 2022)

	Direct Program <u>Services</u>	Program <u>Administration</u>	Total Program <u>Services</u>	Management <u>and General</u>	<u>Fundraising</u>	2023 <u>Total</u>	2022 <u>Total</u>
SALARIES AND RELATED EXPENSES:							
Salaries and wages	\$ 4,337,173	\$ 798,487	\$ 5,135,660	\$ 537,775	\$ 409,385	\$ 6,082,820	\$ 5,031,645
Fringe benefits	<u>1,291,962</u>	<u>554,823</u>	<u>1,846,785</u>	<u>176,996</u>	<u>120,592</u>	<u>2,144,373</u>	<u>1,450,437</u>
Total salaries and related expenses	5,629,135	1,353,310	6,982,445	714,771	529,977	8,227,193	6,482,082
Occupancy and operating expenses	450,774	955,336	1,406,110	66,961	188,246	1,661,317	1,345,200
Travel	635,162	55,622	690,784	138,168	12,350	841,302	557,213
Equipment and furniture	144,730	39,023	183,753	5,194	4,676	193,623	119,055
Program activities	7,542,373	12,857	7,555,230	-	23,221	7,578,451	6,048,442
Sub-awards	492,800	-	492,800	-	-	492,800	836,599
Depreciation	<u>36,034</u>	<u>65,635</u>	<u>101,669</u>	<u>-</u>	<u>-</u>	<u>101,669</u>	<u>95,875</u>
	<u>\$ 14,931,008</u>	<u>\$ 2,481,783</u>	<u>\$ 17,412,791</u>	<u>\$ 925,094</u>	<u>\$ 758,470</u>	<u>\$ 19,096,355</u>	<u>\$ 15,484,466</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, 2023

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	\$ 1,461,634	\$ (848,106)
Adjustments to reconcile change in net assets before foreign currency translation adjustment to net cash flow from operating activities:		
Depreciation	101,669	95,875
Bad debt expense	13,495	14,498
Realized and unrealized (gains) losses on investments	(429,146)	732,471
Realized gain on currency exchange rate options	(37,228)	-
Unrealized (gains) losses on currency exchange rate options	10,679	(130,664)
Operating leases	(12,130)	-
Changes in:		
Accounts receivable	(37,329)	(100,554)
Grants and contracts receivable	(1,654,677)	(993,403)
Prepaid expenses and other assets	(46,172)	(44,289)
Accounts payable and accrued expenses	1,203,366	(18,449)
Refundable advances	<u>5,611,221</u>	<u>(49,230)</u>
Net cash flow from operating activities	<u>6,185,382</u>	<u>(1,341,851)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(32,916)	(64,086)
Issuance of loans	(2,511,324)	(507,369)
Repayment of loans	751,710	294,156
Proceeds from currency exchange rate options	61,202	-
Purchase of currency exchange rate options	-	(196,168)
Proceeds from sales of investments	954,762	1,207,770
Purchase of investments	<u>(931,053)</u>	<u>(1,335,005)</u>
Net cash flow from investing activities	<u>(1,707,619)</u>	<u>(600,702)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings on line of credit	251,875	650,223
Repayment of line of credit	(502,098)	(400,000)
Borrowings on debt	<u>3,831,741</u>	<u>5,993,250</u>
Net cash flow from financing activities	<u>3,581,518</u>	<u>6,243,473</u>
CHANGE IN CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES BEFORE EFFECT OF EXCHANGE RATE CHANGES	8,059,281	4,300,920
CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES - beginning of year	7,970,011	3,714,607
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES	<u>(100,997)</u>	<u>(45,516)</u>
CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES - end of year	<u>\$ 15,928,295</u>	<u>\$ 7,970,011</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 2,412</u>	<u>\$ 1,824</u>

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

1. NATURE OF ORGANIZATION

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

To implement its projects, offices and staff are maintained in Armenia, Jordan, Jordan Regional, Lebanon, Mali, Morocco, Sudan, South Sudan, Syria, Palestine, Iraq, London, UK, and Brussels, Belgium, as well as Syracuse, New York, United States. The presence in these countries is registered with each of the respective national authorities. NEF has supported other former and current employees to set up similar entities in other countries, but has not used these entities.

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

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

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

NEFdev, a for-profit subsidiary of NEF, was established to obtain United States government contracts that would not be available to the not-for-profit NEF organization. NEFdev has been inactive as of June 30, 2008.

NEF Global, LLC, a for-profit subsidiary of NEF, was established in January 2020 to obtain United States government contracts that would not be available to the not-for-profit NEF organization. NEF Global, LLC had no activity for the years ended June 30, 2023 and 2022.

Subsequent to year end, on December 29, 2023, NEF incorporated, as a cooperative company, Siraj Financial Services (SFS), a microfinance institution to provide sustainable financing to micro, small and medium-sized enterprises in Belgium and abroad, particularly in northern Syria. SFS aims to achieve this purpose by providing loans, financing and guarantees to micro, small and medium-sized enterprises that contribute to a sustainable and social economy and Additionally, SFS will provide financial, technical, commercial, administrative, operational and staff advice to micro, small and medium-sized enterprises.

1. NATURE OF ORGANIZATION (Continued)

1,002 fully subscribed registered shares were issued to establish SFS. 1,000 Class A shares were granted to NEF Belgium in exchange for an in-kind contribution of 1,966,090.25 EUR Revolving Credit Fund Loan Portfolio. 1 class B share was granted to Near East Foundation in exchange of a cash contribution in the amount of 1,966.09 EUR and 1 class C share was granted to Near East Foundation UK in exchange of a cash contribution in the amount of EUR 1.966,09 EUR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Basis of Accounting

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

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and such differences may be significant.

Financial Statement Presentation

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

Net Assets without Donor Restrictions

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

Net Assets with Donor Restrictions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Guidance – Leases

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the standard effective July 1, 2022, using the modified retrospective approach and comparative financial information has not been restated. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Foundation elected the available practical expedients to account for the existing leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standards, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on July 1, 2022 an operating lease liability of \$623,810 and an operating right-of-use asset of \$642,398. The standard did not have a material impact on the consolidated statement of activities and change in net assets or cash flows.

Leases Policy - Lessee

The Foundation determines if an arrangement is a lease at inception. Right-of-use (ROU) assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the Foundation is reasonably certain to exercise these options.

For all underlying classes of assets, the Foundation has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less at lease commencement and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. The Foundation recognize fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Foundation elected for all classes of underlying assets, to use the risk-free rate as the discount rate if the implicit rate in the lease contract is not readily determinable. The Foundation elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component.

Endowment Funds

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

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.

Foreign Exchanges Gain or Loss

Monetary assets and liabilities denominated in foreign currencies are translated using rates prevailing at year-end. Revenue and expenses are translated monthly using a weighted-average rate that is calculated as an average of the daily currency exchange rates that prevailed during the given month.

Cash and Cash Equivalents

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

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

Escrows and Reserves

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

Reconciliation to Statement of Cash Flows

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 13,343,300	\$ 7,641,873	\$ 3,714,607
Escrows and reserves	<u>2,584,995</u>	<u>328,138</u>	<u>-</u>
Total	<u>\$ 15,928,295</u>	<u>\$ 7,970,011</u>	<u>\$ 3,714,607</u>

Accounts Receivable

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable

The Foundation administers development and microloans through Revolving Credit Funds (RCF) in Syria. Microloans are provided to borrowers to establish or expand a micro or small enterprise with growth potential. Development loans are provided to borrowers to further the development of an existing business. Agricultural loans are provided to borrowers to address seasonal cash flow needs to enable producers to access high-quality inputs, e.g., seeds, agrichemicals, fodder/feed, tools, and improved storage equipment. Growth loans are provided to borrowers to grow their businesses after successfully repaying an initial RCF loan. Emergency loans are provided to borrowers to secure investment support for their adoption of innovative technologies that fill gaps in the agricultural ecosystem. All loans typically hold a term of 12-18 months. Details of loans, by class, are included in Note 4. The entire loan portfolio is provided in the northeast and northwest regions of Syria. The ability of borrowers to honor their contracts is dependent upon the general economic conditions and peacetime stability of the market area.

Loans are reported at their outstanding unpaid principal balances, net of an allowance for loan losses. The allowance for loan loss as of June 30, 2023 and 2022 was \$14,734 and \$12,591, respectively. Interest is not charged on unpaid principal balances. All repaid principal balances are used to refund the RCF to make additional loans to new borrowers. The loans are unsecured.

Delinquent loans over 270 days past due are recommended to be charged off. Bad debt expense for the years ended June 30, 2023 and 2022 was \$13,495 and \$14,498, respectively, and is included in occupancy and operating expenses in the consolidated statement of functional expenses.

Grants and Contracts Receivable and Refundable Advances

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

Grants and contracts receivable represent amounts due under grants and contracts to the Foundation. Receivables are stated at the amount management expects to collect from outstanding balances. As of June 30, 2023 and 2022, management has determined based on review, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. If amounts become uncollectible, they will be charged against the related revenue when the determination is made. Unpaid balances remaining after the stated payment terms are considered past due. Refundable advances consist of grant revenue, which has been received but not yet earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts Receivable and Refundable Advances (Continued)

Conditional grants and contracts have the following conditions as of June 30, 2023:

Lebanon	\$	438,614
Mali		4,009,024
South Sudan		970,639
Sudan		1,809,296
Syria		4,848,080
Armenia		1,745,034
Jordan		6,071,600
Iraq		<u>4,923,992</u>
Total	\$	<u>24,816,279</u>

Prepaid Expenses and Other Assets

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

Investments

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

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

Currency Exchange Rate Options

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

Property and Equipment, Net

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

Allocation of Certain Expenses

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

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. NEF BE is a registered international non-profit association in Belgium that is exempt from corporate tax on its non-profit activities. NEF Global, LLC and NEFdev are limited liability companies and disregarded entities.

Comparative Financial Information

The consolidated financial statements included certain prior-year summarized comparative information. With respect to the consolidated statement of activities and changes in net assets, the prior-year information is presented in total, not by net asset class. With respect to the consolidated statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived.

Program Development

Program development costs are expensed as incurred and are classified as fundraising in the accompanying consolidated statement of functional expenses. Total program development costs for the Foundation were \$465,050 and \$419,354 for the years ended June 30, 2023 and 2022, respectively.

Reclassifications

Certain amounts have been reclassified from the 2022 financial statements to conform with the current year presentation.

3. LIQUIDITY

The Foundation has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's ability to meet cash needs is dependent on timely collection of its receivables and continued grant opportunities from federal and foreign governments.

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 13,343,300	\$ 7,641,873
Accounts receivable	206,722	169,393
Current portion of loans receivable, net	1,440,499	229,077
Grants and contracts receivable	2,800,554	1,145,877
Investments	<u>6,258,530</u>	<u>5,853,093</u>
	24,049,605	15,039,313
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	<u>7,294,856</u>	<u>5,491,498</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,754,749</u>	<u>\$ 9,547,815</u>

In addition, the Foundation also has a committed line of credit in the amount of \$707,000 which it could draw upon in the event of an unanticipated liquidity need.

4. LOANS RECEIVABLE

Loans receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Development	\$ 951,678	\$ 114,379
Micro	948,687	265,684
Agricultural	125,559	-
Growth	65,555	-
Emergency	<u>36,846</u>	<u>-</u>
Total loans receivable	2,128,325	380,063
Allowance for loan losses	<u>(14,734)</u>	<u>(12,591)</u>
Total, net of allowance	<u>\$ 2,113,591</u>	<u>\$ 367,472</u>
Current, net of allowance	<u>\$ 1,440,499</u>	<u>\$ 229,077</u>
Long-term	<u>\$ 673,092</u>	<u>\$ 138,395</u>

4. LOANS RECEIVABLE (Continued)

2023						
	<u>Current</u>	<u>1-29 Days Past Due</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater than 90 Days Past Due</u>	<u>Total Loans Receivable</u>
Development loans	\$ 946,814	\$ -	\$ 251	\$ -	\$ 4,613	\$ 951,678
Microloans	933,178	-	4,818	-	10,691	948,687
Agricultural loans	125,559	-	-	-	-	125,559
Growth loans	65,555	-	-	-	-	65,555
Emergency loans	<u>36,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,846</u>
Total	<u>\$ 2,107,952</u>	<u>\$ -</u>	<u>\$ 5,069</u>	<u>\$ -</u>	<u>\$ 15,304</u>	<u>\$ 2,128,325</u>
2022						
	<u>Current</u>	<u>1-29 Days Past Due</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater than 90 Days Past Due</u>	<u>Total Loans Receivable</u>
Development loans	\$ 108,416	\$ 1,680	\$ 1,015	\$ 1,768	\$ 1,500	\$ 114,379
Microloans	<u>249,378</u>	<u>6,036</u>	<u>5,221</u>	<u>1,741</u>	<u>3,308</u>	<u>265,684</u>
Total	<u>\$ 357,794</u>	<u>\$ 7,716</u>	<u>\$ 6,236</u>	<u>\$ 3,509</u>	<u>\$ 4,808</u>	<u>\$ 380,063</u>

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

	<u>2023</u>	<u>2022</u>
Amount of allowance for loan losses on loans collectively evaluated for impairment	<u>\$ 14,734</u>	<u>\$ 12,591</u>
Total allowance for loan losses	<u>\$ 14,734</u>	<u>\$ 12,951</u>
Loans individually evaluated for impairment	\$ -	\$ -
Loans collectively evaluated for impairment	<u>2,128,325</u>	<u>380,063</u>
Total loans	<u>\$ 2,128,325</u>	<u>\$ 380,063</u>

There are no loans on nonaccrual status as of June 30, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 12,591	\$ -
Additions to provisions for loan loss reserve	15,638	14,500
Write-offs of loans deemed impaired or uncollectible	<u>(13,495)</u>	<u>(1,909)</u>
Balance at end of year	<u>\$ 14,734</u>	<u>\$ 12,591</u>

5. FAIR VALUE MEASUREMENTS

GAAP provides a framework for measuring fair value and applies to all financial instruments that are being measured and reported on a fair value basis. GAAP establishes a fair value hierarchy and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is defined as follows:

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

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

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

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

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

Level 1 Fair Value Measurements

The fair value of exchange traded funds, common stocks, and mutual funds are based on quoted prices in an open market.

Level 2 Fair Value Measurements

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

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

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

5. FAIR VALUE MEASUREMENTS (Continued)

Level 3 Fair Value Measurements

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

Investments Measured at NAV Practical Expedient

In 2022, The Foundation had an investment in Starwood Real Estate Income Trust, Inc., a real estate investment trust (REIT) that organized to invest primarily in stabilized, income-oriented commercial real estate and debt secured by commercial real estate. The fair value of the REIT is valued based on NAV per share. Further information concerning the REIT may be obtained from their separate audited financial statements. There are no unfunded commitments or withdrawal restrictions. This investment was sold during the current fiscal year.

There were no changes in valuation techniques used in 2023 or 2022.

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, 2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 3,897,295	\$ -	\$ -	\$ 3,897,295
Common stocks	322,891	-	-	322,891
Mutual funds	1,082,717	-	-	1,082,717
Corporate bonds	-	955,627	-	955,627
Currency exchange rate options	-	292,179	-	292,179
	<u>\$ 5,302,903</u>	<u>\$ 1,247,806</u>	<u>\$ -</u>	<u>\$ 6,550,709</u>
	June 30, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 3,683,646	\$ -	\$ -	\$ 3,683,646
Common stocks	335,020	-	-	335,020
Mutual funds	635,535	-	-	635,535
Corporate bonds	-	941,069	-	941,069
Currency exchange rate options	-	326,832	-	326,832
	<u>\$ 4,654,201</u>	<u>\$ 1,267,901</u>	<u>\$ -</u>	5,922,102
Investments measured at NAV (a)				<u>257,823</u>
Total				<u>\$ 6,179,925</u>

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

6. INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 447,157	\$ 174,897
Realized gains on investments	67,945	159,976
Unrealized gains (losses) on investments	361,201	(892,447)
Investment fees	<u>(39,431)</u>	<u>(42,991)</u>
	<u>\$ 836,872</u>	<u>\$ (600,565)</u>

7. PROPERTY AND EQUIPMENT, NET

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

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 1,030,749	\$ 1,023,616
Office equipment	139,442	158,042
Leasehold improvements	41,317	41,317
Furniture and fixtures	<u>138,756</u>	<u>138,756</u>
	1,350,264	1,361,731
Less: Accumulated depreciation	<u>(1,228,217)</u>	<u>(1,170,931)</u>
	<u>\$ 122,047</u>	<u>\$ 190,800</u>

8. LEASES

The Foundation leases office space and related equipment. The leases are operating leases and expire between February 2024 and December 2029; however, there are various extensions of the terms. None of the options are considered reasonably certain of exercise and are therefore, not recognized as part of the right-of-use asset and lease liability.

The components of total lease cost for the year ended June 30, 2023 are as follows:

Operating lease cost	\$ 114,673
Short-term lease cost	<u>541,056</u>
Total lease cost	<u>\$ 655,729</u>

Supplemental cash flow information related to leases for the year ended June 30, 2023 are as follows:

8. LEASES

Cash paid for amounts included in the measurement of
of lease liabilities:

Operating cash flows from operating leases	\$ <u>107,974</u>
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Right-of-use assets obtained in exchange for lease
obligations:

Operating leases	\$ <u>630,549</u>
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Other information related to leases as of June 30 is as follows:

2023

Weighted-average remaining lease term:

Operating leases	6.28 years
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Weighted-average discount rate:

Operating leases	2.93%
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Maturities of operating lease liabilities as of June 30, 2023 were as follows:

2024	\$ 103,001
2025	87,682
2026	87,357
2027	87,801
2028	89,032
Thereafter	<u>135,704</u>
Total lease payments	590,577
Less: interest	<u>(50,924)</u>
Total present value of lease liabilities	\$ <u>539,653</u>

Future minimum lease payments required under the terms of these leases for the year ended
June 30, 2022 were as follows:

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

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

9. DEBT

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

	<u>2023</u>	<u>2022</u>
Multiple disbursement finance agreement up to \$2,000,000 from a for-profit investment company. Financing is tied to a four-year results-based grant project to fund a vocational, entrepreneurship and resilience-building program in Jordan. Upon full distribution of funds, the finance agreement converts to a note payable with a lump-sum payment in full in December 2025. Principal repayment and the interest paid varies depending on outcomes obtained. At the lowest outcome, 20% of principal is waived and the note bears interest at 0%. At the highest outcome, full principal amount is due and the note bears interest at 22.009%. The repayment terms are linked with three outcome funders and the outcomes are rigorously assessed by an independent evaluator.	\$ 1,999,991	\$ 1,220,000
Multiple disbursement finance agreement up to \$10,000,000 from the United States International Development Finance Corporation. The financing is segregated in two tranches, the first beginning in 2022 for a project in Jordan totaling \$7,825,000. The second tranche has not been initiated as of June 30, 2023, and totals \$2,175,000 for a project in Lebanon. Financing is tied to a four-year results-based grant project to fund a vocational, entrepreneurship and resilience-building program in Jordan. Upon full distribution of funds, the finance agreement converts to a note payable with a lump-sum payment in full in December 2025. Principal repayment and the interest paid varies depending on outcomes obtained. At the lowest outcome, 20% of principal is waived and the note bears interest at 0%. At the highest outcome, full principal amount is due, and the note bears interest at 22.009%. The repayment terms are linked with three outcome funders and the outcomes are rigorously assessed by an independent evaluator.	<u>7,825,000</u>	<u>4,773,250</u>
	<u>\$ 9,824,991</u>	<u>5,993,250</u>

Future Maturities

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

2024	\$ -
2025	-
2026	<u>9,824,991</u>
	<u>\$ 9,824,991</u>

9. DEBT (Continued)

Currency Exchange Rate Options

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

The options have been designated as cash flow hedges and are recorded at fair value as currency exchange rate options in the accompanying consolidated statement of financial position. Changes in value of the options determined to arise from ineffectiveness of the instrument, as determined through the hypothetical derivative method, are recorded as a component of interest expense in the consolidated statement of activities and changes in net assets. For 2023, there was no significant ineffectiveness.

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

<u>Derivatives designated as hedging instruments</u>	<u>Statement of financial position location</u>	<u>Fair Value June 30, 2023</u>	<u>Fair Value June 30, 2022</u>
Currency exchange rate options	Assets	<u>\$ 292,179</u>	<u>\$ 326,832</u>

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

<u>Derivatives in fair value hedging relationships</u>	<u>Statement of activities and changes in net assets location</u>	<u>Amount recognized in 2023</u>	<u>Amount recognized in 2022</u>
Currency exchange rate options	Gain on exchange rate options	<u>\$ 26,565</u>	<u>\$ 138,519</u>

Covenant Compliance

Under the terms of its financing arrangements with the for-profit investor and the United States International Development Finance Corporation, the Foundation is required to comply with certain restrictive financial covenants. The Foundation management has determined that it was not in compliance with the covenants at June 30, 2023 and 2022. The Foundation has obtained waivers from the for-profit investor and United States Development Finance Corporation for the violations.

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 the 20-day SOFR average plus 2.00%. The outstanding balance was \$250,223 as of June 30, 2022. There was no outstanding balance as of June 30, 2023. The line of credit is secured by the Foundation's investment accounts.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions for Specific Purposes

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

	<u>2023</u>	<u>2022</u>
NEF – Armenia	\$ 97,013	\$ 47,545
NEF – Jordan	277,694	245,420
NEF – Lebanon	103,869	103,449
NEF – Sudan	-	106,822
NEF – South Sudan	125,000	-
NEF – Syria	2,578,814	790,374
NEF – Morocco	-	85,422
	<u>\$ 3,182,390</u>	<u>\$ 1,379,032</u>

The following represents assets released from restrictions:

	<u>2023</u>	<u>2022</u>
NEF – Armenia	\$ 980	\$ 2,406
NEF – Jordan	243,395	219,143
NEF – Lebanon	100,330	80,848
NEF – US	10,000	11,816
NEF – Sudan	193,057	253,024
NEF – South Sudan	-	249,665
NEF – Syria	672,787	209,577
NEF – Morocco	236,122	32,578
	<u>\$ 1,456,671</u>	<u>\$ 1,059,057</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>2023</u>	<u>2022</u>
Violet J. Jacobs Endowment Fund	<u>\$ 4,112,466</u>	<u>\$ 4,112,466</u>

The Foundation is subject to the New York Not-for-Profit Corporation Law. The Foundation has determined that when a contribution is received and the donor restricts the Foundation from spending the principal, New York Law requires the Foundation to treat the contribution received as an endowment. Such amounts are recorded as with donor restrictions until appropriated for spending.

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

10. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Perpetual Net Assets (Continued)

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

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

	<u>With Donor Restrictions</u>
Balance, July 1, 2021	\$ 4,112,466
Contributions	<u>-</u>
Balance, June 30, 2022	4,112,466
Contributions	<u>-</u>
Balance, June 30, 2023	<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, 2023 and 2022.

11. EMPLOYEE RETENTION CREDITS

The Employee Retention Credit (ERC) is a refundable tax credit against certain employment taxes on a portion of qualified wages an eligible employer pays to employees after March 12, 2020, and before September 30, 2021. The ERC was established by the federal government in response to the COVID-19 pandemic to help businesses with the cost of keeping staff employed. The Foundation claimed ERC in 2023 for eligible wages expended in 2021 and believes the wages used in the calculation of its ERC are in accordance with the terms of the related legislation. Total ERC claimed in 2023 amounted to \$241,574 and is recorded in government grants and contracts in the accompanying consolidated statement of activities for the year ended June 30, 2023.

12. RETIREMENT PLAN

The Foundation has a defined contribution plan (the Plan) covering its eligible employees. The Plan allows employee elective contributions and employer contributions for eligible employees. Contributions to the Plan totaled \$160,661 and \$153,337 for the years ended June 30, 2023 and 2022, respectively.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 14, 2024, the date the consolidated financial statements were available to be issued.

NEAR EAST FOUNDATION AND SUBSIDIARIES

Schedule I

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

	Near East Foundation	Near East Foundation - UK	NEF- BE	Eliminations	<u>2023</u>	<u>2022</u>
ASSETS						
Cash and cash equivalents	\$ 4,667,297	\$ 5,492,819	\$ 3,183,184	\$ -	\$ 13,343,300	\$ 7,641,873
Escrows and reserves	-	2,584,995	-	-	2,584,995	328,138
Accounts receivable	107,669	63,046	36,007	-	206,722	169,393
Accounts receivable - intercompany	-	2,295,871	1,512,203	(3,808,074)	-	-
Loans receivable, net of allowance for loan loss	-	99,235	2,014,356	-	2,113,591	367,472
Grants and contracts receivable	9,781	2,200,231	590,542	-	2,800,554	1,145,877
Prepaid expenses and other assets	211,860	16,776	12,732	-	241,368	195,196
Investments	6,258,530	-	-	-	6,258,530	5,853,093
Currency exchange rate options	292,179	-	-	-	292,179	326,832
Right-of-use asset - operating leases	551,783	-	-	-	551,783	-
Property and equipment, net	60,476	61,571	-	-	122,047	190,800
	<u>\$ 12,159,575</u>	<u>\$ 12,814,544</u>	<u>\$ 7,349,024</u>	<u>\$ (3,808,074)</u>	<u>\$ 28,515,069</u>	<u>\$ 16,218,674</u>
Total assets						
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Accounts payable and accrued expenses	\$ 1,759,222	\$ 259,338	\$ 61,934	\$ -	\$ 2,080,494	\$ 877,128
Accounts payable - intercompany	3,808,074	-	-	(3,808,074)	-	-
Line of credit	-	-	-	-	-	250,223
Refundable advances	589,148	1,866,233	5,158,992	-	7,614,373	2,003,152
Operating lease liability	539,653	-	-	-	539,653	-
Debt	-	9,824,991	-	-	9,824,991	5,993,250
	<u>6,696,097</u>	<u>11,950,562</u>	<u>5,220,926</u>	<u>(3,808,074)</u>	<u>20,059,511</u>	<u>9,123,753</u>
Total liabilities						
NET ASSETS:						
Without donor restrictions	867,786	272,336	20,580	-	1,160,702	1,603,423
With donor restrictions	4,595,692	591,646	2,107,518	-	7,294,856	5,491,498
	<u>5,463,478</u>	<u>863,982</u>	<u>2,128,098</u>	<u>-</u>	<u>8,455,558</u>	<u>7,094,921</u>
Total net assets						
Total liabilities and net assets	<u>\$ 12,159,575</u>	<u>\$ 12,814,544</u>	<u>\$ 7,349,024</u>	<u>\$ (3,808,074)</u>	<u>\$ 28,515,069</u>	<u>\$ 16,218,674</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

Schedule II

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Near East Foundation			Near East Foundation - UK			Near East Foundation - BE			Eliminations	2023	2022
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
REVENUE AND OTHER SUPPORT:												
Contributions	\$ 557,072	\$ 556,965	\$ 1,114,037	\$ 43,028	\$ 709,688	\$ 752,716	\$ 11,643	\$ -	\$ 11,643	\$ -	\$ 1,878,396	\$ 1,589,543
Government grants and contracts	5,863,542	-	5,863,542	6,620,510	127,022	6,747,532	3,149,766	1,866,354	5,016,120	-	17,627,194	13,359,993
Private grants	-	-	-	23,421	-	23,421	160,735	-	160,735	-	184,156	143,442
Investment income, net	589,562	-	589,562	247,310	-	247,310	-	-	-	-	836,872	(600,565)
Other income (expenses)	3,757	-	3,757	1,224	-	1,224	108,247	-	108,247	(108,422)	4,806	5,428
Net assets released from restrictions	595,055	(595,055)	-	631,624	(631,624)	-	229,992	(229,992)	-	-	-	-
Total revenue and other support	7,608,988	(38,090)	7,570,898	7,567,117	205,086	7,772,203	3,660,383	1,636,362	5,296,745	(108,422)	20,531,424	14,497,841
EXPENSES:												
Direct program services	5,046,004	-	5,046,004	6,586,616	-	6,586,616	3,298,388	-	3,298,388	-	14,931,008	11,965,899
Program administration	2,090,690	-	2,090,690	324,540	-	324,540	174,976	-	174,976	(108,422)	2,481,784	2,354,736
Total program services	7,136,694	-	7,136,694	6,911,156	-	6,911,156	3,473,364	-	3,473,364	(108,422)	17,412,792	14,320,635
Management and general	415,695	-	415,695	291,371	-	291,371	218,027	-	218,027	-	925,093	622,977
Fundraising	596,987	-	596,987	103,154	-	103,154	58,329	-	58,329	-	758,470	540,854
Total expenses	8,149,376	-	8,149,376	7,305,681	-	7,305,681	3,749,720	-	3,749,720	(108,422)	19,096,355	15,484,466
CHANGE IN NET ASSETS BEFORE GAIN ON CURRENCY EXCHANGE RATE OPTIONS AND FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(540,388)	(38,090)	(578,478)	261,436	205,086	466,522	(89,337)	1,636,362	1,547,025	-	1,435,069	(986,625)
GAIN/(LOSS) ON CURRENCY EXCHANGE RATE OPTIONS	(10,679)	-	(10,679)	37,244	-	37,244	-	-	-	-	26,565	138,519
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(75,149)	-	(75,149)	(98,560)	-	(98,560)	72,712	-	72,712	-	(100,997)	(45,516)
CHANGE IN NET ASSETS	(626,216)	(38,090)	(664,306)	200,120	205,086	405,206	(16,625)	1,636,362	1,619,737	-	1,360,637	(893,622)
NET ASSETS - beginning of year	1,494,002	4,633,782	6,127,784	72,216	386,560	458,776	37,205	471,156	508,361	-	7,094,921	7,988,543
NET ASSETS - end of year	\$ 867,786	\$ 4,595,692	\$ 5,463,478	\$ 272,336	\$ 591,646	\$ 863,982	\$ 20,580	\$ 2,107,518	\$ 2,128,098	\$ -	\$ 8,455,558	\$ 7,094,921

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, 2023

(With Comparative Totals for 2022)

	Near East Foundation						Near East Foundation - UK		
	Direct Program Services	Program Administration	Total Program Services	Management and General	Fundraising	Total	Direct Program Services	Program Administration	Total Program Services
SALARIES AND RELATED EXPENSES:									
Salaries and wages	\$ 1,482,285	\$ 781,886	\$ 2,264,171	\$ 533,305	\$ 305,199	\$ 3,102,675	\$ 1,290,474	\$ 12,897	\$ 1,303,371
Fringe benefits	510,308	539,611	1,049,919	175,990	91,484	1,317,393	445,720	13,989	459,709
Total salaries and related expenses	1,992,593	1,321,497	3,314,090	709,295	396,683	4,420,068	1,736,194	26,886	1,763,080
Occupancy and operating expenses	127,029	792,865	919,894	44,688	161,086	1,125,668	242,310	119,151	361,461
Travel	149,058	47,000	196,058	122,754	11,321	330,133	294,082	8,091	302,173
Equipment and furniture	93,168	27,294	120,462	3,110	4,676	128,248	15,269	11,729	26,998
Program activities	2,269,633	11,115	2,280,748	-	23,221	2,303,969	4,252,562	871	4,253,433
Sub-awards	414,523	-	414,523	-	-	414,523	10,165	-	10,165
Management fee	-	(173,878)	(173,878)	(464,152)	-	(638,030)	-	156,974	156,974
Depreciation	-	64,797	64,797	-	-	64,797	36,034	838	36,872
Total expenses	\$ 5,046,004	\$ 2,090,690	\$ 7,136,694	\$ 415,695	\$ 596,987	\$ 8,149,376	\$ 6,586,616	\$ 324,540	\$ 6,911,156

NEF - BE

Management and General	Fundraising	Total	Direct Program Services	Program Administration	Total Program Services	Management and General	Fundraising	Total	Eliminations	2023	2022
\$ 4,470	\$ 64,050	\$ 1,371,891	\$ 1,564,414	\$ 3,704	\$ 1,568,118	\$ -	\$ 40,136	\$ 1,608,254	\$ -	\$ 6,082,820	\$ 5,031,645
1,006	15,863	476,578	335,934	1,223	337,157	-	13,245	350,402	-	2,144,373	1,450,437
5,476	79,913	1,848,469	1,900,348	4,927	1,905,275	-	53,381	1,958,656	-	8,227,193	6,482,082
15,088	22,890	399,439	81,435	43,320	124,755	7,185	4,270	136,210	-	1,661,317	1,345,200
7,332	351	309,856	192,022	531	192,553	8,082	678	201,313	-	841,302	557,213
2,084	-	29,082	36,293	-	36,293	-	-	36,293	-	193,623	119,055
-	-	4,253,433	1,020,178	871	1,021,049	-	-	1,021,049	-	7,578,451	6,048,442
-	-	10,165	68,112	-	68,112	-	-	68,112	-	492,800	836,599
261,391	-	418,365	-	125,327	125,327	202,760	-	328,087	(108,422)	-	-
-	-	36,872	-	-	-	-	-	-	-	101,669	95,875
<u>\$ 291,371</u>	<u>\$ 103,154</u>	<u>\$ 7,305,681</u>	<u>\$ 3,298,388</u>	<u>\$ 174,976</u>	<u>\$ 3,473,364</u>	<u>\$ 218,027</u>	<u>\$ 58,329</u>	<u>\$ 3,749,720</u>	<u>\$ (108,422)</u>	<u>\$ 19,096,355</u>	<u>\$ 15,484,466</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

Schedule IV

**CONSOLIDATING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**
(With Comparative Totals for 2022)

	Near East <u>Foundation</u>	Near East <u>Foundation - UK</u>	<u>NEF - BE</u>	<u>Eliminations</u>	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:						
Change in net assets before foreign currency translation adjustment	\$ (589,157)	\$ 503,766	\$ 1,547,025	\$ -	\$ 1,461,634	\$ (848,106)
Adjustments to reconcile change in net assets before foreign currency translation adjustment to net cash flow from operating activities:						
Depreciation	64,797	36,872	-	-	101,669	95,875
Bad debt expense	-	-	13,495	-	13,495	14,498
Realized and unrealized (gains) losses on investments	(429,146)	-	-	-	(429,146)	732,471
Realized gains on currency exchange rate options	(37,228)	-	-	-	(37,228)	-
Unrealized (gains) losses on currency exchange rate options	10,679	-	-	-	10,679	(130,664)
Operating leases	(12,130)	-	-	-	(12,130)	-
Changes in:						
Accounts receivable	47,251	(61,542)	(23,038)	-	(37,329)	(100,554)
Accounts receivable - intercompany	276,215	(1,004,763)	(1,005,244)	1,733,792	-	-
Grants and contracts receivable	28,417	(1,234,325)	(448,769)	-	(1,654,677)	(993,403)
Prepaid expenses and other assets	(34,354)	(10,226)	(1,592)	-	(46,172)	(44,289)
Accounts payable and accrued expenses	993,592	186,380	23,394	-	1,203,366	(18,449)
Accounts payable - intercompany	2,010,007	(103,699)	(172,516)	(1,733,792)	-	-
Refundable advances	348,052	716,004	4,547,165	-	5,611,221	(49,230)
Net cash flow from operating activities	<u>2,676,995</u>	<u>(971,533)</u>	<u>4,479,920</u>	<u>-</u>	<u>6,185,382</u>	<u>(1,341,851)</u>
CASH FLOW FROM INVESTING ACTIVITIES:						
Purchases of property and equipment	(31,000)	(1,916)	-	-	(32,916)	(64,086)
Issuance of loans	-	(99,400)	(2,411,924)	-	(2,511,324)	(507,369)
Repayment of loans	-	38,930	712,780	-	751,710	294,156
Proceeds from currency exchange rate options	61,202	-	-	-	61,202	-
Purchase of currency exchange rate options	-	-	-	-	-	(196,168)
Proceeds from sales of investments	954,762	-	-	-	954,762	1,207,770
Purchase of investments	(931,053)	-	-	-	(931,053)	(1,335,005)
Net cash flow from investing activities	<u>53,911</u>	<u>(62,386)</u>	<u>(1,699,144)</u>	<u>-</u>	<u>(1,707,619)</u>	<u>(600,702)</u>
CASH FLOW FROM FINANCING ACTIVITIES:						
Borrowings on line of credit	251,875	-	-	-	251,875	650,223
Repayment of line of credit	(502,098)	-	-	-	(502,098)	(400,000)
Borrowings on debt	-	3,831,741	-	-	3,831,741	5,993,250
Net cash flow from financing activities	<u>(250,223)</u>	<u>3,831,741</u>	<u>-</u>	<u>-</u>	<u>3,581,518</u>	<u>6,243,473</u>
CHANGE IN CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES BEFORE EFFECT OF EXCHANGE RATE CHANGES	2,480,683	2,797,822	2,780,776	-	8,059,281	4,300,920
CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES - beginning of year	2,261,763	5,378,552	329,696	-	7,970,011	3,714,607
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES	<u>(75,149)</u>	<u>(98,560)</u>	<u>72,712</u>	<u>-</u>	<u>(100,997)</u>	<u>(45,516)</u>
CASH, CASH EQUIVALENTS, ESCROWS AND RESERVES - end of year	<u>\$ 4,667,297</u>	<u>\$ 8,077,814</u>	<u>\$ 3,183,184</u>	<u>\$ -</u>	<u>\$ 15,928,295</u>	<u>\$ 7,970,011</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

Schedule V

**SCHEDULE OF DIRECT PROGRAM SERVICES BY LOCATION
FOR THE YEAR ENDING JUNE 30, 2023**
(With Comparative Totals for 2022)

	<u>Near East Foundation</u>	<u>Near East Foundation - UK</u>	<u>NEF - BE</u>	<u>2023</u>	<u>2022</u>
Armenia	\$ -	\$ 852	\$ 591,398	\$ 592,250	\$ 93,743
Belgium	-	24,541	64,932	89,473	59,152
Iraq	-	-	691,433	691,433	723,301
Jordan	188,310	2,940,268	-	3,128,578	704,916
Jordan Regional	-	291,838	1,399,591	1,691,429	733,989
Lebanon	2,508,956	-	-	2,508,956	2,792,203
Mali	-	2,178,571	148,504	2,327,075	3,332,433
Morocco	248,934	-	-	248,934	128,182
Sudan	1,646,231	301,178	-	1,947,409	1,690,317
South Sudan	506	247,115	-	247,621	-
New York	401,574	324,030	255,978	981,582	1,442,729
London	51,493	278,223	146,552	476,268	264,934
	<u>\$ 5,046,004</u>	<u>\$ 6,586,616</u>	<u>\$ 3,298,388</u>	<u>\$ 14,931,008</u>	<u>\$ 11,965,899</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, 2023**

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF STATE:			
Reducing Vulnerability of Syrian Refugees and Lebanese in Lebanon V	19.519	S-PRMCO-21-CA-3193	\$ 556,116
Integrated Economic and Psychosocial Support for Vulnerable Refugees and Lebanese (IEPS)	19.519	S-PRMCO-20-CA-0180	<u>2,560,918</u>
TOTAL OVERSEAS REFUGEE ASSISTANCE PROGRAM FOR NEAR EAST			<u>3,117,034</u>
TOTAL DEPARTMENT OF STATE			<u>3,117,034</u>
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS:			
Olive Oil Without Borders III: Palestinian-Israeli Olive Oil Project	98.001	AID-294-A-16-00011	13,588
Exchange for Progress: Agronomists Without Border	98.001	AID-294-A-17-00008	3,313
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, Hygiene and Agriculture in Sudan (HSS III)	98.001	720BHA21GR00081	<u>2,208,208</u>
TOTAL U.S. AID FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS			<u>2,225,109</u>
TOTAL			<u>\$ 5,342,143</u>

NEAR EAST FOUNDATION AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2023

1. BASIS OF PRESENTATION

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

2. EXPENDITURES OF FEDERAL REVENUE

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

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports for each program. The Foundation charges indirect costs to its contracts using the current provisional rate effective from July 1, 2022 through June 30, 2023. The Foundation has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. MATCHING COSTS

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

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

March 14, 2024

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Near East Foundation and Subsidiaries (the Foundation) (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 14, 2024. The financial statements of NEF Belgium were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with NEF Belgium. Our report includes a reference to other auditors who audited the financial statements of NEF Belgium and of the local operations in Jordan and Jordan Regional, as described in our report on the Foundation's consolidated financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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(Continued)

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

(Continued)

Report on Internal Control Over Financial Reporting (Continued)

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 14, 2024

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

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Near East Foundation and Subsidiaries' (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2023. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

(Continued)

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

(Continued)

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

(Continued)

Report on Internal Control over Compliance (Continued)

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

NEAR EAST FOUNDATION AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____	yes	_____ <input checked="" type="checkbox"/>	no
Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes	_____ <input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	_____	yes	_____ <input checked="" type="checkbox"/>	no

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified?	_____	yes	_____ <input checked="" type="checkbox"/>	no
Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes	_____ <input checked="" type="checkbox"/>	none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance:

_____ yes _____ no

The programs tested as major programs include:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
98.001	U.S. AID Foreign Assistance for Programs Overseas

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

\$750,000

Auditee qualified as low-risk auditee?

_____ yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.