

NEAR EAST FOUNDATION AND SUBSIDIARIES

**Consolidated Financial Statements and
Supplementary Information as of
June 30, 2021
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

November 10, 2021

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

Report on the Consolidated Financial Statements

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, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

We did not audit the financial statements of NEF Belgium (NEF BE), and of the local operations in the Jordan, Jordan Regional, and Sudan, which statements reflect total assets of \$1,052,202 and total net assets of \$334,397, as of June 30, 2021 and total revenue and other support of \$4,807,336, 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, Jordan Regional, and Sudan is based solely on the reports of the other auditors. The consolidated financial statements of NEF Belgium were not audited in accordance with *Government Auditing Standards*.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibility (Continued)

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, 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.

Correction of An Error

As discussed in Note 3 to the consolidated financial statements, an error resulting in understatement of amounts reported for net assets with donor restrictions as of June 30, 2020, was discovered by management of the Foundation during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2020, to correct the error. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Totals

We have previously audited the Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the 2021 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, Costs Principles, and Audit Requirements for Federal Awards* and the supplementary information included on pages 26-27 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The 2021 consolidating information on pages 21-25 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, by us and other auditors. In our opinion, based on our audit, the procedures described above and the reports of other auditors, the 2021 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

The 2020 supplementary information is presented for purposes of additional analysis and is not a required part of the 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 2020 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 supplementary information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 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, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	(Restated) <u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 3,714,607	\$ 3,463,475
Accounts receivable	68,839	89,353
Loans receivable	168,757	-
Grants and contracts receivable	152,474	1,248,426
Prepaid expenses and other assets	150,907	170,437
Investments	6,458,329	4,325,129
Property and equipment, net	<u>222,589</u>	<u>245,351</u>
Total assets	<u>\$ 10,936,502</u>	<u>\$ 9,542,171</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 895,577	\$ 1,156,969
Refundable advances	2,052,382	1,985,944
Paycheck Protection Program refundable advance	<u>-</u>	<u>93,581</u>
Total liabilities	<u>2,947,959</u>	<u>3,236,494</u>
NET ASSETS:		
Without donor restrictions	2,854,088	1,522,853
With donor restrictions	<u>5,134,455</u>	<u>4,782,824</u>
Total net assets	<u>7,988,543</u>	<u>6,305,677</u>
Total liabilities and net assets	<u>\$ 10,936,502</u>	<u>\$ 9,542,171</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, 2021

(With Comparative Totals for 2020)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2021 <u>Total</u>	2020 <u>Total</u>
REVENUE AND OTHER SUPPORT:				
Contributions	\$ 388,508	\$ 1,164,561	\$ 1,553,069	\$ 1,345,296
Government grants and contracts	14,118,435	-	14,118,435	11,002,867
Paycheck Protection Program forgiveness	93,581	-	93,581	243,219
Private grants	959,870	166,747	1,126,617	365,244
Investment income, net	1,453,706	-	1,453,706	30,214
Other income	12,949	-	12,949	10,944
Net assets released from restrictions	<u>979,677</u>	<u>(979,677)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>18,006,726</u>	<u>351,631</u>	<u>18,358,357</u>	<u>12,997,784</u>
EXPENSES:				
Direct program services	13,283,993	-	13,283,993	9,808,862
Program administration	<u>2,243,867</u>	<u>-</u>	<u>2,243,867</u>	<u>2,360,317</u>
Total program services	15,527,860	-	15,527,860	12,169,179
Management and general	661,701	-	661,701	537,455
Fundraising	<u>459,314</u>	<u>-</u>	<u>459,314</u>	<u>650,215</u>
Total expenses	<u>16,648,875</u>	<u>-</u>	<u>16,648,875</u>	<u>13,356,849</u>
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	1,357,851	351,631	1,709,482	(359,065)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	<u>(26,616)</u>	<u>-</u>	<u>(26,616)</u>	<u>(89,609)</u>
CHANGE IN NET ASSETS	1,331,235	351,631	1,682,866	(448,674)
NET ASSETS - beginning of year	<u>1,522,853</u>	<u>4,782,824</u>	<u>6,305,677</u>	<u>6,754,351</u>
NET ASSETS - end of year	<u>\$ 2,854,088</u>	<u>\$ 5,134,455</u>	<u>\$ 7,988,543</u>	<u>\$ 6,305,677</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, 2021

(With Comparative Totals for 2020)

	Direct Program <u>Services</u>	Program <u>Administration</u>	Total Program <u>Services</u>	Management <u>and General</u>	<u>Fundraising</u>	2021 <u>Total</u>	2020 <u>Total</u>
SALARIES AND RELATED EXPENSES:							
Salaries and wages	\$ 3,500,486	\$ 968,549	\$ 4,469,035	\$ 350,485	\$ 191,230	\$ 5,010,750	\$ 5,143,054
Fringe benefits	920,466	417,870	1,338,336	103,923	62,499	1,504,758	1,365,549
Total salaries and related expenses	4,420,952	1,386,419	5,807,371	454,408	253,729	6,515,508	6,508,603
Occupancy and operating expenses	228,500	818,737	1,047,237	204,859	205,066	1,457,162	1,232,168
Travel	392,567	8,937	401,504	-	519	402,023	607,986
Equipment and furniture	130,617	(42,427)	88,190	2,434	-	90,624	122,283
Program activities	7,412,827	24,363	7,437,190	-	-	7,437,190	4,177,346
Sub-awards	663,481	-	663,481	-	-	663,481	613,749
Depreciation	35,049	47,838	82,887	-	-	82,887	94,714
	<u>\$ 13,283,993</u>	<u>\$ 2,243,867</u>	<u>\$ 15,527,860</u>	<u>\$ 661,701</u>	<u>\$ 459,314</u>	<u>\$ 16,648,875</u>	<u>\$ 13,356,849</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, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets before foreign currency translation adjustment	\$ 1,709,482	\$ (359,065)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	82,887	94,714
Realized and unrealized gain (loss) on investments	(1,353,770)	103,961
Gain on disposal of property and equipment	-	-
Changes in:		
Accounts receivable	20,514	58,371
Loans receivable	(168,757)	-
Grants and contracts receivable	1,095,952	(210,144)
Prepaid expenses and other assets	19,530	(48,021)
Accounts payable and accrued expenses	(261,392)	(689,868)
Refundable advances	66,438	(671,944)
Paycheck Protection Program refundable advance	<u>(93,581)</u>	<u>93,581</u>
Net cash flow from operating activities	<u>1,117,303</u>	<u>(1,628,415)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(60,125)	(9,600)
Proceeds on sales of property and equipment	-	2,251
Proceeds on sales of investments	1,710,968	2,332,587
Purchase of investments	<u>(2,490,398)</u>	<u>(677,441)</u>
Net cash flow from investing activities	<u>(839,555)</u>	<u>1,647,797</u>
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		
	277,748	19,382
CASH AND CASH EQUIVALENTS - beginning of year	3,463,475	3,533,702
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(26,616)</u>	<u>(89,609)</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 3,714,607</u>	<u>\$ 3,463,475</u>

The accompanying notes are an integral part of these statements.

NEAR EAST FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

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 Foundation maintains offices and staff in Armenia, Jordan, Jordan Regional, Lebanon, Mali, Morocco, Sudan, South Sudan, Palestine, Iraq, London, and Belgium, as well as New York. Its 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 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.

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 as of October 11, 2018. 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, 2020 and 2021.

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, particularly given the economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be significant.

Financial Statement Presentation

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

Net Assets without Donor Restrictions

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

Net Assets with Donor Restrictions

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

Endowment Funds

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

Interpretation of Relevant Law

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Exchanges Gain or Loss

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

Cash and Cash Equivalents

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

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

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.

Loans Receivable

The Foundation administers development and micro loans through a Revolving Credit Fund (RCF) in Syria. Micro loans are provided to borrowers to establish or expand a micro or small enterprise with growth potential. Development loans are provided to borrowers to further the development of an existing business. Micro and development loans typically hold a term of 12-18 months. Details of loans, by class, are included in Note 5. The entire loan portfolio is provided in the North East Region of Syria. The ability of borrowers to honor their contracts is dependent upon the general economic conditions and peacetime stability of the market area.

Loans are reported at their outstanding unpaid principal balances. 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. There was no bad debt expense for the year ended June 30, 2021. Management has not recorded an allowance for loan losses and will recognize losses as they occur.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts Receivable and Refundable Advances (Continued)

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, 2021 and 2020, management has determined based on review, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. If amounts become uncollectible, they will be charged against the related revenue when the determination is made. Unpaid balances remaining after the stated payment terms are considered past due. Refundable advances consist of grant revenue, which has been received but not yet earned.

Conditional grants and contracts received that were not fully recognized before year-end have the following conditions as of June 30, 2021:

Iraq	\$	1,114,087
Lebanon		910,574
Mali		5,109,426
Sudan		2,326,049
Jordan Regional		<u>767,329</u>
	\$	<u>10,227,465</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.

Property and Equipment

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

Allocation of Certain Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or management and general or fund raising 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.

Comparative Financial Information

The consolidated financial statements included certain prior-year summarized comparative information. With respect to the consolidated statement of activities and changes in net assets, the prior-year information is presented in total, not by net asset class. With respect to the consolidated statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020, 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 was \$355,694 and \$586,720 for the years ended June 30, 2021 and 2020, respectively.

Reclassifications

Certain amounts have been reclassified from the 2020 financial statements to conform with the current year presentation.

Change in Accounting Principle

ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement

Effective July 1, 2020, the Foundation adopted ASU 2018-13, which modified the disclosure requirements of fair value measurements in Topic 820. The amendment included the removal of disclosures previously required regarding the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. In addition, for nonpublic entities, ASU 2018-13 removed the requirement to disclose changes in the unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. ASU 2018-13 also included modification of existing provisions and additions of new provisions related to disclosures for Level 3 fair value measurements. The majority of the disclosure changes are to be applied on a prospective basis. The adoption of ASU 2018-13 did not have a material effect on the Foundation's financial statements.

3. PRIOR PERIOD ADJUSTMENT

During 2021, it was determined that two contributions with donor restrictions related to projects in Jordan were incorrectly classified as without donor restrictions. As a result, the Foundation's net assets with donor restrictions and net assets without donor restrictions have been restated as follows as of June 30, 2020:

	<u>Net Assets with Donor Restrictions</u>	<u>Net Assets without Donor Restrictions</u>
Balances as previously stated, June 30, 2020	\$ 4,460,273	\$ 1,845,404
Correction to net assets	<u>322,551</u>	<u>(322,551)</u>
Balances as restated, June 30, 2020	<u>\$ 4,782,824</u>	<u>\$ 1,522,853</u>

4. LIQUIDITY

The Foundation has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's ability to meet cash needs is dependent on timely collection of its receivables and continued grant opportunities from federal and foreign governments. In addition, the Foundation also has a committed line of credit in the amount of \$707,000 which it could draw upon in the event of an unanticipated liquidity need.

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,714,607	\$ 3,463,475
Accounts receivable	68,839	89,353
Loans receivable	168,757	-
Grants and contracts receivable	152,474	1,248,426
Investments	<u>6,458,329</u>	<u>4,325,129</u>
Financial assets, at year end	10,563,006	9,126,383
Less those unavailable for general expenditures within one year, due to:		
Restricted by donors	<u>5,134,455</u>	<u>4,782,824</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,428,551</u>	<u>\$ 4,343,559</u>

5. LOANS RECEIVABLE

Loans receivable consist of the following at June 30:

	<u>2021</u>
Development loans	\$ 104,649
Micro loans	<u>64,108</u>
	168,757
Current	<u>124,793</u>
Long-term	<u>\$ 43,964</u>

	<u>2021</u>					
	<u>Current</u>	<u>1-29 Days Past Due</u>	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater than 90 Days Past Due</u>	<u>Total Loans Receivable</u>
Development loans	\$ 104,649	\$ -	\$ -	\$ -	\$ -	\$ 104,649
Micro loans	<u>64,108</u>	-	-	-	-	<u>64,108</u>
	<u>\$ 168,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,757</u>

6. 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.

6. FAIR VALUE MEASUREMENTS (Continued)

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

Level 1 Fair Value Measurements

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

Level 2 Fair Value Measurements

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

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.

Investments Measured at NAV Practical Expedient

The Foundation has an investment in Jones Lang LaSalle Income Property Trust, Inc., which is an externally advised, daily valued perpetual-life real estate investment trust (REIT) that owns and manages a diversified portfolio of apartment, industrial, office, retail and other properties located in the United States. The fair value of the REIT is valued based on net asset value (NAV) per share. Further information concerning the REIT may be obtained from their separate audited financial statements. There are no unfunded commitments or withdrawal restrictions.

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

There were no changes in valuation techniques used in 2021 or 2020.

6. 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:

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

	June 30, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 2,580,052	\$ -	\$ -	\$ 2,580,052
Common stocks	222,057	-	-	222,057
Corporate bonds	<u>-</u>	<u>1,034,653</u>	<u>-</u>	<u>1,034,653</u>
	<u>\$ 2,802,109</u>	<u>\$ 1,034,653</u>	<u>\$ -</u>	3,836,762
Investments measured at NAV (a)				<u>488,367</u>
Total				<u>\$ 4,325,129</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.

7. INVESTMENTS

Investment income consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 136,663	\$ 162,446
Realized gain (loss) on investments	49,147	(104,027)
Unrealized gain on investments	1,304,623	66
Investment fees	<u>(36,727)</u>	<u>(28,271)</u>
	<u>\$ 1,453,706</u>	<u>\$ 30,214</u>

8. PROPERTY AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 1,006,144	\$ 962,746
Office equipment	122,042	113,542
Leasehold improvements	41,317	41,317
Furniture and fixtures	<u>138,756</u>	<u>138,756</u>
	1,308,259	1,256,361
Less: Accumulated depreciation	<u>(1,085,670)</u>	<u>(1,011,010)</u>
	<u>\$ 222,589</u>	<u>\$ 245,351</u>

9. OPERATING LEASES

The Foundation has several operating leases that are either renewable on an annual basis or expire at various dates. Future minimum lease payments under the operating leases over one year as of June 30, 2021 are as follows:

2022	\$ 198,835
2023	88,032
2024	84,109
2025	<u>42,362</u>
	<u>\$ 413,338</u>

Rental expense under operating leases was \$344,174 and \$399,058 for the year ended June 30, 2021 and 2020, respectively.

10. LINE OF CREDIT

The Foundation has a line of credit agreement with a bank with the ability to draw up to \$707,000. Amounts borrowed under this agreement bear interest at Libor plus 3.50%. There were no outstanding balances as of June 30, 2021 or 2020. The line of credit is secured by the Foundation's investment accounts.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Specific Purposes

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

	<u>2021</u>	<u>2020</u>
NEF - Armenia	\$ 34,851	\$ 10,000
NEF - Jordan	92,440	552,462
NEF - Lebanon	181,016	28,074
NEF - US	6,698	-
NEF - Sudan	59,986	-
NEF - South Sudan	264,981	-
NEF - Syria	<u>382,017</u>	<u>79,822</u>
	<u>\$ 1,021,989</u>	<u>\$ 670,358</u>

The following represents assets released from restrictions:

	<u>2021</u>	<u>2020</u>
NEF - Armenia	\$ 87,992	\$ -
NEF - Jordan	609,944	252,625
NEF - Lebanon	241,668	98,440
NEF - US	7,527	-
NEF - Sudan	23,114	-
NEF - South Sudan	2,345	-
NEF - Syria	<u>7,087</u>	<u>20,178</u>
	<u>\$ 979,677</u>	<u>\$ 371,243</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>2021</u>	<u>2020</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.

11. 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, 2019	\$ 4,112,466
Contributions	<u>-</u>
Balance, June 30, 2020	4,112,466
Contributions	<u>-</u>
Balance, June 30, 2021	<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, 2021 and 2020.

12. PAYCHECK PROTECTION PROGRAM ARRANGEMENT

In April 2020, the Foundation entered into an arrangement with a bank under the Paycheck Protection Program (PPP) and received \$336,800. This arrangement is evidenced by a loan agreement that includes provisions whereby the loan balance can be fully or partially forgiven based on the Foundation's use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements in accordance with the requirements of the PPP. Under the terms of the PPP loan agreement, any balance related to this arrangement that is not ultimately forgiven will be repayable in equal monthly installments through April 2022 including interest at 1%.

The Foundation has elected to account for the PPP arrangement as a conditional contribution, and revenue is recorded as the conditions meeting the requirements for forgiveness are met. For the years ended June 30, 2021 and 2020, respectively, the Foundation determined that it administered the proceeds of its PPP arrangement and managed its staff complement in a manner that met the conditions for forgiveness for \$93,581 and \$243,219, respectively. This amount is recorded as Paycheck Protection Program forgiveness on the accompanying Consolidated Statement of Activities and Changes in Net Assets. These estimates, while considered reasonable as of the date the financial statements were available to be issued, are subject to change based on the Foundation's administration of its PPP arrangement and future review. On August 17, 2021, the Foundation received forgiveness of the loan by the Small Business Administration (SBA).

13. 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 \$139,671 and \$155,777 for the years ended June 30, 2021 and 2020, respectively.

14. SUBSEQUENT EVENTS

Beginning in October 2021, NEF, with the support of IKEA Foundation, Novo Nordisk Foundation, Norad, the U.S. Development Finance Corporation (DFC), Ferd, and KOIS will launch a four-year, \$13,500,000 Development Impact Bond (DIB) for Refugees in Jordan and Lebanon. DFC and Ferd will provide a four-year results-based risk investment to fund a vocational, entrepreneurship and resilience-building program. This will support 4,380 refugee and host population trainees and provide 3,400 business start-up grants in Jordan. An independent evaluator will rigorously assess these outcomes. Maximum success will generate a 5.1% annualized return for investors. IKEA Foundation, Novo Nordisk Foundation, and Norad will serve as the funders, committing \$13,500,000 to support outcomes, evaluation costs, project management and currency risk.

Subsequent events have been evaluated through November 10, 2021, the date the consolidated financial statements were available to be issued.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals for 2020)

	Near East Foundation	Near East Foundation - UK	NEF- BE	Eliminations	2021	(Restated) 2020
ASSETS						
Cash and cash equivalents	\$ 3,137,726	\$ 289,013	\$ 287,868	\$ -	\$ 3,714,607	\$ 3,463,475
Accounts receivable	65,919	2,920	-	-	68,839	89,353
Accounts receivable - intercompany	164,758	1,643,622	-	(1,808,380)	-	-
Loans receivable	-	-	168,757	-	168,757	-
Grants and contracts receivable	113,826	38,648	-	-	152,474	1,248,426
Prepaid expenses and other assets	143,462	5,095	2,350	-	150,907	170,437
Investments	6,458,329	-	-	-	6,458,329	4,325,129
Property and equipment, net	117,197	105,392	-	-	222,589	245,351
Total assets	<u>\$ 10,201,217</u>	<u>\$ 2,084,690</u>	<u>\$ 458,975</u>	<u>\$ (1,808,380)</u>	<u>\$ 10,936,502</u>	<u>\$ 9,542,171</u>
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Accounts payable and accrued expenses	\$ 668,317	\$ 212,057	\$ 15,203	\$ -	\$ 895,577	\$ 1,156,969
Accounts payable - intercompany	1,614,966	33,914	159,500	(1,808,380)	-	-
Refundable advances	757,910	1,175,475	118,997	-	2,052,382	1,985,944
Paycheck Protection Program refundable advance	-	-	-	-	-	93,581
Total liabilities	<u>3,041,193</u>	<u>1,421,446</u>	<u>293,700</u>	<u>(1,808,380)</u>	<u>2,947,959</u>	<u>3,236,494</u>
NET ASSETS:						
Without donor restrictions	2,672,586	182,974	(1,472)	-	2,854,088	1,522,853
With donor restrictions	4,487,438	480,270	166,747	-	5,134,455	4,782,824
Total net assets	<u>7,160,024</u>	<u>663,244</u>	<u>165,275</u>	<u>-</u>	<u>7,988,543</u>	<u>6,305,677</u>
Total liabilities and net assets	<u>\$ 10,201,217</u>	<u>\$ 2,084,690</u>	<u>\$ 458,975</u>	<u>\$ (1,808,380)</u>	<u>\$ 10,936,502</u>	<u>\$ 9,542,171</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)**

	Near East Foundation			Near East Foundation - UK			Near East Foundation - BE			Eliminations	2021	2020
	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	\$ 383,881	\$ 674,963	\$ 1,058,844	\$ 4,627	\$ 489,598	\$ 494,225	\$ -	\$ -	\$ -	\$ -	\$ 1,553,069	\$ 1,345,296
Government grants and contracts	9,472,820	-	9,472,820	4,645,615	-	4,645,615	-	-	-	-	14,118,435	11,002,867
Paycheck Protection Program revenue	93,581	-	93,581	-	-	-	-	-	-	-	93,581	243,219
Private grants	-	-	-	444,738	-	444,738	515,132	166,747	681,879	-	1,126,617	365,244
Investment income, net	1,453,706	-	1,453,706	-	-	-	-	-	-	-	1,453,706	30,214
Other income (expenses)	167,212	-	167,212	100,259	-	100,259	(12)	-	(12)	(254,510)	12,949	10,944
Net assets released from restrictions	662,369	(662,369)	-	317,308	(317,308)	-	-	-	-	-	-	-
Total revenue and other support	12,233,569	12,594	12,246,163	5,512,547	172,290	5,684,837	515,120	166,747	681,867	(254,510)	18,358,357	12,997,784
EXPENSES:												
Direct program services	8,067,857	-	8,067,857	5,042,279	-	5,042,279	428,367	-	428,367	(254,510)	13,283,993	9,808,862
Program administration	2,048,248	-	2,048,248	137,570	-	137,570	58,049	-	58,049	-	2,243,867	2,360,317
Total program services	10,116,105	-	10,116,105	5,179,849	-	5,179,849	486,416	-	486,416	(254,510)	15,527,860	12,169,179
Management and general	528,360	-	528,360	133,341	-	133,341	-	-	-	-	661,701	537,455
Fundraising	426,303	-	426,303	3,675	-	3,675	29,336	-	29,336	-	459,314	650,215
Total expenses	11,070,768	-	11,070,768	5,316,865	-	5,316,865	515,752	-	515,752	(254,510)	16,648,875	13,356,849
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	1,162,801	12,594	1,175,395	195,682	172,290	367,972	(632)	166,747	166,115	-	1,709,482	(359,065)
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	117,685	-	117,685	(143,062)	-	(143,062)	(1,239)	-	(1,239)	-	(26,616)	(89,609)
CHANGE IN NET ASSETS	1,280,486	12,594	1,293,080	52,620	172,290	224,910	(1,871)	166,747	164,876	-	1,682,866	(448,674)
NET ASSETS - beginning of year (restated)	1,392,100	4,474,844	5,866,944	130,354	307,980	438,334	399	-	399	-	6,305,677	6,754,351
NET ASSETS - end of year	\$ 2,672,586	\$ 4,487,438	\$ 7,160,024	\$ 182,974	\$ 480,270	\$ 663,244	\$ (1,472)	\$ 166,747	\$ 165,275	\$ -	\$ 7,988,543	\$ 6,305,677

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, 2021 (With Comparative Totals for 2020)

	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	\$ 2,277,268	\$ 925,746	\$ 3,203,014	\$ 348,265	\$ 174,015	\$ 3,725,294	\$ 950,129	\$ 35,217	\$ 985,346
Fringe benefits	656,426	399,431	1,055,857	103,436	56,806	1,216,099	221,073	15,973	237,046
Total salaries and related expenses	2,933,694	1,325,177	4,258,871	451,701	230,821	4,941,393	1,171,202	51,190	1,222,392
Occupancy and operating expenses	374,944	651,257	1,026,201	74,225	194,963	1,295,389	70,060	121,623	191,683
Travel	250,829	8,937	259,766	-	519	260,285	130,903	-	130,903
Equipment and furniture	45,454	(3,550)	41,904	2,434	-	44,338	74,551	(38,877)	35,674
Program activities	3,911,129	21,440	3,932,569	-	-	3,932,569	3,448,840	783	3,449,623
Sub-awards	541,354	-	541,354	-	-	541,354	122,127	-	122,127
Depreciation	10,453	44,987	55,440	-	-	55,440	24,596	2,851	27,447
Total expenses	\$ 8,067,857	\$ 2,048,248	\$ 10,116,105	\$ 528,360	\$ 426,303	\$ 11,070,768	\$ 5,042,279	\$ 137,570	\$ 5,179,849

NEF - BE

Management and General	Fundraising	Total	Direct Program Services	Program Administration	Total Program Services	Management and General	Fundraising	Total	Eliminations	2021	2020
\$ 2,220	\$ -	\$ 987,566	\$ 273,089	\$ 7,586	\$ 280,675	\$ -	\$ 17,215	\$ 297,890	\$ -	\$ 5,010,750	\$ 5,143,054
487	-	237,533	42,967	2,466	45,433	-	5,693	51,126	-	1,504,758	1,365,549
2,707	-	1,225,099	316,056	10,052	326,108	-	22,908	349,016	-	6,515,508	6,508,603
130,634	3,675	325,992	38,006	45,857	83,863	-	6,428	90,291	(254,510)	1,457,162	1,232,168
-	-	130,903	10,835	-	10,835	-	-	10,835	-	402,023	607,986
-	-	35,674	10,612	-	10,612	-	-	10,612	-	90,624	122,283
-	-	3,449,623	52,858	2,140	54,998	-	-	54,998	-	7,437,190	4,177,346
-	-	122,127	-	-	-	-	-	-	-	663,481	613,749
-	-	27,447	-	-	-	-	-	-	-	82,887	94,714
<u>\$ 133,341</u>	<u>\$ 3,675</u>	<u>\$ 5,316,865</u>	<u>\$ 428,367</u>	<u>\$ 58,049</u>	<u>\$ 486,416</u>	<u>\$ -</u>	<u>\$ 29,336</u>	<u>\$ 515,752</u>	<u>\$ (254,510)</u>	<u>\$ 16,648,875</u>	<u>\$ 13,356,849</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

(With Comparative Totals for 2020)

	Near East Foundation	Near East Foundation - UK	NEF - BE	Eliminations	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:						
Change in net assets before foreign currency translation adjustment	\$ 1,175,395	\$ 367,972	\$ 166,115	\$ -	\$ 1,709,482	\$ (359,065)
Adjustments to reconcile change in net assets to net cash flow from operating activities:						
Depreciation	55,440	27,447	-	-	82,887	94,714
Realized and unrealized (gain) loss on investments	(1,353,770)	-	-	-	(1,353,770)	103,961
Gain on disposal of property and equipment	-	-	-	-	-	-
Changes in:						
Accounts receivable	(5,170)	25,684	-	-	20,514	58,371
Accounts receivable - intercompany	(109,218)	(572,467)	399	681,286	-	-
Loans receivable	-	-	(168,757)	-	(168,757)	-
Grants and contracts receivable	983,280	112,672	-	-	1,095,952	(210,144)
Prepaid expenses and other assets	23,534	(1,654)	(2,350)	-	19,530	(48,021)
Accounts payable and accrued expenses	(177,805)	(98,790)	15,203	-	(261,392)	(689,868)
Accounts payable - intercompany	538,186	(16,400)	159,500	(681,286)	-	-
Refundable advances	(152,975)	100,416	118,997	-	66,438	(671,944)
Paycheck Protection Program refundable advance	(93,581)	-	-	-	(93,581)	93,581
Net cash flow from operating activities	<u>883,316</u>	<u>(55,120)</u>	<u>289,107</u>	<u>-</u>	<u>1,117,303</u>	<u>(1,628,415)</u>
CASH FLOW FROM INVESTING ACTIVITIES:						
Purchases of property and equipment	(8,500)	(51,625)	-	-	(60,125)	(9,600)
Proceeds on sales of property and equipment	-	-	-	-	-	2,251
Proceeds on sales of investments	1,710,968	-	-	-	1,710,968	2,332,587
Purchase of investments	<u>(2,490,398)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,490,398)</u>	<u>(677,441)</u>
Net cash flow from investing activities	<u>(787,930)</u>	<u>(51,625)</u>	<u>-</u>	<u>-</u>	<u>(839,555)</u>	<u>1,647,797</u>
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES						
	95,386	(106,745)	289,107	-	277,748	19,382
CASH AND CASH EQUIVALENTS - beginning of year	2,924,655	538,820	-	-	3,463,475	3,533,702
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>117,685</u>	<u>(143,062)</u>	<u>(1,239)</u>	<u>-</u>	<u>(26,616)</u>	<u>(89,609)</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 3,137,726</u>	<u>\$ 289,013</u>	<u>\$ 287,868</u>	<u>\$ -</u>	<u>\$ 3,714,607</u>	<u>\$ 3,463,475</u>

The accompanying notes are an integral part of these schedules.

NEAR EAST FOUNDATION AND SUBSIDIARIES

**SCHEDULE OF DIRECT PROGRAM SERVICES BY LOCATION
FOR THE YEAR ENDING JUNE 30, 2021**

(With Comparative Totals for 2020)

	Near East <u>Foundation</u>	Near East <u>Foundation - UK</u>	<u>NEF - BE</u>	<u>2021</u>	<u>2020</u>
Armenia	\$ 80,268	\$ (2,362)	\$ -	\$ 77,906	\$ 175,887
Belgium	-	-	20,827	20,827	-
Iraq	2,013,033	-	-	2,013,033	581,900
Jordan	320,525	328,457	-	648,982	304,020
Jordan Regional	40,462	434,776	325,620	800,858	2,276,924
Lebanon	2,676,496	-	-	2,676,496	1,079,148
Mali	-	3,361,758	-	3,361,758	2,843,110
Morocco	241,169	297,420	-	538,589	364,838
Sudan	1,893,921	455,004	-	2,348,925	939,424
New York	752,884	166,801	39,489	959,174	1,074,724
West Bank/Gaza	-	-	-	-	259,356
London	49,099	425	42,431	91,955	141,125
	<u>\$ 8,067,857</u>	<u>\$ 5,042,279</u>	<u>\$ 428,367</u>	<u>\$ 13,538,503</u>	<u>\$ 10,040,456</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, 2021**

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
DEPARTMENT OF STATE:			
Al-Rawabet Morocco: Connections for Youth Employment and Enterprise Growth	19.500	S-NEAAC-18-GR-0009	\$ <u>294,548</u>
TOTAL MIDDLE EAST PARTNERSHIP INITIATIVE			<u>294,548</u>
Reducing Economic and Social Vulnerability of Syrian Refugees and Lebanese in Lebanon	19.519	S-PRMCO-16-CA-1251	19,398
Reducing the Vulnerability of Iraqi Refugees, Jordanians and Vulnerable Groups in Zarqa Governorate	19.519	S-PRMCO-15-CA-1153	9,265
Reducing Vulnerability of Syrian Refugees and Lebanese in Lebanon III	19.519	S-PRMCO-19-CA-0248	1,345,934
Reducing the Vulnerability of Syrian Refugees and Lebanese in Lebanon IV	19.519	S-PRMCO-20-CA-0116	1,907,291
Building Resilient Livelihoods among Vulnerable Iraqi IDPs, Returnees, and Host Communities in Salah Al-Din and Diyala	19.519	S-PRMCO-19-CA-0129	<u>2,893,867</u>
TOTAL OVERSEAS REFUGEE ASSISTANCE PROGRAM FOR NEAR EAST			<u>6,175,755</u>
TOTAL DEPARTMENT OF STATE			<u>6,470,303</u>
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS:			
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in South Kordofan State III	98.001	720FDA19GR00160	798,380
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in Central Darfur State III	98.001	720FDA19GR00196	1,752,156
Humanitarian Support for IDPs and Vulnerable Populations in Water, Sanitation, and Hygiene in Sudan III (HSS III)	98.001	720BHA21GR00081	88,904
Advancing Livelihoods Through Support to Youth Agricultural Markets in Dara's	98.001	AID-276-A-17-00002	<u>88,755</u>
TOTAL U.S. AID FOREIGN ASSISTANCE FOR PROGRAMS OVERSEAS			<u>2,728,195</u>
			<u>\$ 9,198,498</u>

See notes to Schedule of Expenditures of Federal Awards.

NEAR EAST FOUNDATION AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2021

1. BASIS OF PRESENTATION

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

2. EXPENDITURES OF FEDERAL REVENUE

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

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports for each program. The Foundation charges indirect costs to its contracts using the current provisional rate effective from July 1, 2020 through June 30, 2021. 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

November 10, 2021

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, 2021, 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 November 10, 2021. The consolidated 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 consolidated financial statements of NEF Belgium and of the local operations in Jordan, Jordan Regional, and Sudan, as described in our report on the Near East Foundation and Subsidiaries's consolidated financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) 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)

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 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 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 EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 10, 2021

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

Report on Compliance for Each Major Federal Program

We have audited Near East Foundation and Subsidiaries's (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2021. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

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(Continued)

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

(Continued)

Opinion on Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

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

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

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

NEAR EAST FOUNDATION AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2021

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>
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.