



**NEAR EAST FOUNDATION**  
**Financial Statements and Schedule**  
**June 30, 2003**  
**(With Independent Auditors' Report Thereon)**

**NEAR EAST FOUNDATION**

Balance Sheet

June 30, 2003

(With comparative financial information at June 30, 2002)

Assets	<u>2003</u>	<u>2002</u>
Cash	\$ 1,285,567	1,211,225
Accounts and loans receivable	475,868	287,209
Accrued interest and dividends receivable	21,505	32,656
Grants receivable (note 3)	987,559	1,228,023
Prepaid expenses	89,062	72,011
Investments (note 4)	3,673,510	4,638,975
Security deposits	64,268	63,752
Fixed assets, net (note 5)	237,817	300,771
Total assets	<u>\$ 6,835,156</u>	<u>7,834,622</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 790,384	728,900
Unearned fees	38,240	139,181
Total liabilities	<u>828,624</u>	<u>868,081</u>
Net assets:		
Unrestricted	3,630,878	4,562,618
Temporarily restricted (note 10)	2,205,952	2,234,221
Permanently restricted (note 10)	169,702	169,702
Total net assets	<u>6,006,532</u>	<u>6,966,541</u>
Total liabilities and net assets	<u>\$ 6,835,156</u>	<u>7,834,622</u>

See accompanying notes to financial statements.

**NEAR EAST FOUNDATION**

Statement of Activities

Year ended June 30, 2003

(With summarized financial information for the  
year ended June 30, 2002)

	<b>Unrestricted</b>	<b>Temporarily restricted</b>
Revenues, gains, and other support:		
Contributions	\$ 1,293,174	500,338
Government grants	278,369	—
Private grants	—	1,476,181
Private grant returned (note 11)	—	(122,265)
Legacies and bequests	1,202	—
In-kind contributions (notes 7 and 9)	31,495	—
Investment income (note 4)	81,550	448
Net appreciation (depreciation) in fair value of investments	179,912	960
Program related income (note 8)	420,484	—
Other	6,063	—
	<u>2,292,249</u>	<u>1,855,662</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	1,864,193	(1,864,193)
Satisfaction of fixed assets acquisition restrictions	19,738	(19,738)
Total net assets released from restrictions	<u>1,883,931</u>	<u>(1,883,931)</u>
Total revenues, gains, and other support	<u>4,176,180</u>	<u>(28,269)</u>
Expenses:		
Program services:		
Direct	3,795,484	—
Administration	531,822	—
Project development/monitoring	—	—
Total program services	<u>4,327,306</u>	<u>—</u>
Supporting services:		
Management and general	393,592	—
Fund-raising	387,022	—
Total supporting services	<u>780,614</u>	<u>—</u>
Total expenses	<u>5,107,920</u>	<u>—</u>
Decrease in net assets	(931,740)	(28,269)
Net assets at beginning of year	<u>4,562,618</u>	<u>2,234,221</u>
Net assets at end of year	<u>\$ 3,630,878</u>	<u>2,205,952</u>

See accompanying notes to financial statements.

<b>Permanently restricted</b>	<b>Total 2003</b>	<b>Total 2002</b>
—	1,793,512	242,513
—	278,369	161,649
—	1,476,181	1,392,063
—	(122,265)	(281,000)
—	1,202	1,542
—	31,495	48,300
—	81,998	117,114
—	180,872	(570,133)
—	420,484	376,968
—	6,063	8,334
—	<u>4,147,911</u>	<u>1,497,350</u>
—	—	—
—	—	—
—	—	—
—	<u>4,147,911</u>	<u>1,497,350</u>
—	3,795,484	3,449,424
—	531,822	292,378
—	—	18,974
—	<u>4,327,306</u>	<u>3,760,776</u>
—	393,592	355,907
—	387,022	351,393
—	780,614	707,300
—	<u>5,107,920</u>	<u>4,468,076</u>
—	(960,009)	(2,970,726)
169,702	<u>6,966,541</u>	<u>9,937,267</u>
<u>169,702</u>	<u>6,006,532</u>	<u>6,966,541</u>

**NEAR EAST FOUNDATION**

Statement of Functional Expenses

Year ended June 30, 2003

(With summarized financial information for the  
year ended June 30, 2002)

	Program services		
	Direct	Administration	Total
Salaries	\$ 1,275,093	328,669	1,603,762
Fringe benefits	450,545	102,190	552,735
Total salaries and related expenses	1,725,638	430,859	2,156,497
Professional fees	180,386	2,121	182,507
Supplies	162,819	2,812	165,631
Telephone and telegraph	52,359	7,182	59,541
Postage and shipping	9,111	2,935	12,046
Occupancy (notes 7 and 9)	236,845	47,473	284,318
Rental and maintenance of equipment	65,321	1,217	66,538
Printing and publications	15,671	10,771	26,442
Travel	344,274	16,103	360,377
Conferences and meetings	344,074	2,121	346,195
Equipment	186,983	7,766	194,749
Construction	100,410	—	100,410
Agricultural expenses	7,834	—	7,834
Scholarships	13,006	—	13,006
Grants	62,917	—	62,917
Foreign currency exchange gain	66,512	—	66,512
Program development and marketing	14,946	—	14,946
Administrative fees	30,401	—	30,401
Allowance for doubtful receivables	46,607	—	46,607
Miscellaneous expense	16,500	340	16,840
Total expenses before depreciation	3,682,614	531,700	4,214,314
Depreciation	112,870	122	112,992
Total expenses	\$ 3,795,484	531,822	4,327,306

See accompanying notes to financial statements.

**Supporting services**

<b>Management and general</b>	<b>Fund- raising</b>	<b>Total</b>	<b>Total expense 2003</b>	<b>Total expense 2002</b>
164,724	177,879	342,603	1,946,365	1,641,456
66,166	63,046	129,212	681,947	611,278
230,890	240,925	471,815	2,628,312	2,252,734
91,190	25,813	117,003	299,510	311,659
1,875	4,104	5,979	171,610	156,339
4,648	4,169	8,817	68,358	88,755
808	4,049	4,857	16,903	19,039
48,137	47,431	95,568	379,886	313,416
1,219	1,137	2,356	68,894	79,461
3,714	38,960	42,674	69,116	85,088
2,002	6,752	8,754	369,131	216,896
4,818	565	5,383	351,578	351,318
3,074	12,494	15,568	210,317	156,196
—	—	—	100,410	85,960
—	—	—	7,834	5,636
—	—	—	13,006	28,000
—	—	—	62,917	62,405
—	—	—	66,512	71,643
—	—	—	14,946	16,480
—	—	—	30,401	23,193
—	—	—	46,607	—
1,095	501	1,596	18,436	11,483
393,470	386,900	780,370	4,994,684	4,335,701
122	122	244	113,236	132,375
393,592	387,022	780,614	5,107,920	4,468,076

**NEAR EAST FOUNDATION**

Statement of Cash Flows

Year ended June 30, 2003

(With comparative financial information for the  
year ended June 30, 2002)

	<b>2003</b>	<b>2002</b>
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (960,009)	(2,970,726)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization expense	113,236	132,375
Loss on disposal of fixed assets	23,036	—
Contributed securities	(1,014,636)	—
Net (appreciation) depreciation in fair value of investments	(180,872)	570,133
Increase in accounts and loans receivable	(188,659)	(310)
Decrease in accrued interest and dividends receivable	11,151	4,598
Decrease in grants receivable	240,464	658,057
(Increase) decrease in prepaid expenses	(17,051)	7,495
Increase in security deposits	(516)	(35,840)
Increase (decrease) in accounts payable and accrued expenses	61,484	(20,126)
Decrease in unearned fees	(100,941)	(16,708)
Net cash used in operating activities	(2,013,313)	(1,671,052)
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	5,387,920	5,560,614
Purchases of investments	(3,226,947)	(3,554,257)
Purchases of fixed assets	(73,318)	(89,249)
Net cash provided by investing activities	2,087,655	1,917,108
Net increase in cash	74,342	246,056
Cash at beginning of year	1,211,225	965,169
Cash at end of year	\$ 1,285,567	1,211,225

See accompanying notes to financial statements.

## NEAR EAST FOUNDATION

### Notes to Financial Statements

June 30, 2003

(With comparative financial information as of  
and for the year ended June 30, 2002)

#### (1) Description of Organization

Near East Foundation (NEF) was founded in 1915 and since its inception has provided hands-on technical assistance and funding for project start-up costs for agricultural and rural development in Africa and the Middle East. NEF provides qualified specialists to assist with the transfer of technical skills and training, and funds projects which have strong local support.

NEF has been classified by the Internal Revenue Service as exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

#### (2) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting. Other significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

- (a) Net assets of NEF and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of NEF and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by NEF. Generally, the donors of such net assets allow the use of all or part of the income and gains in the investment of such net assets for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. The satisfaction of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the statement of activities.

- (b) Contributions and private grants, including unconditional promises to give, are recorded as revenue when received.
- (c) Government grants are deemed to be exchange transactions and accordingly, revenue is recognized when funds are utilized by NEF to carry out the activity stipulated in the grant.
- (d) Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value, which is determined based upon quoted market prices.
- (e) Fixed assets are recorded at cost less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis over the shorter of the estimated useful lives of the assets ranging from five to ten years. Amortization of leasehold improvements is calculated on a straight-line basis over the lesser of the estimated useful life of the asset or remaining term of the lease.

**NEAR EAST FOUNDATION**

Notes to Financial Statements

June 30, 2003

(With comparative financial information as of  
and for the year ended June 30, 2002)

- (f) Training and conference fees related to contracts are recognized as earned. To the extent such fees are received in advance, they are recorded as unearned fees.
- (g) Monetary assets and liabilities denominated in foreign currencies are translated using rates prevailing at year end. Revenues and expenses are translated at rates prevailing on the date of transaction. Realized and unrealized foreign exchange gains or losses are included in the statement of activities.
- (h) The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.
- (i) The accompanying financial statements include certain 2002 comparative summarized financial information. With respect to the statement of activities, such prior year information is presented in total but not by net asset class. With respect to the statement of functional expenses, comparative 2002 expenses are presented by object in total rather than by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NEF's financial statements for the year ended June 30, 2002, from which the summarized financial information was derived.

**(3) Grants Receivable**

Grants receivable are scheduled to be collected as follows at June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Less than one year	\$ 833,765	1,152,944
One to three years	153,794	75,079
	<u>\$ 987,559</u>	<u>1,228,023</u>

**NEAR EAST FOUNDATION**

Notes to Financial Statements

June 30, 2003

(With comparative financial information as of  
and for the year ended June 30, 2002)

**(4) Investments**

Investments at June 30, 2003 and 2002 are composed of the following:

	2003		2002	
	Cost	Fair value	Cost	Fair value
Cash held for investment	\$ 4,400	4,400	189,031	189,031
Common and preferred stocks	2,461,660	2,610,185	2,557,272	2,667,480
U.S. Government obligations	739,189	1,058,925	1,000,369	1,250,187
Corporate and other bonds and notes	—	—	500,997	532,277
	\$ 3,205,249	3,673,510	4,247,669	4,638,975

Investment income is presented net of investment management and custodial fees of \$31,511 in 2003 and \$50,919 in 2002.

**(5) Fixed Assets**

Fixed assets consist of the following at June 30, 2003 and 2002:

	2003	2002
Vehicles	\$ 819,229	917,261
Office equipment	641,233	664,504
Furniture and fixtures	36,505	36,505
Leasehold improvements	119,079	119,079
	1,616,046	1,737,349
Less accumulated depreciation and amortization	(1,378,229)	(1,436,578)
	\$ 237,817	300,771

**(6) Retirement Plan**

NEF has a defined contribution retirement plan (the Plan) administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund which covers substantially all U.S. employees. NEF contributes between 10% and 15% of the salary of each participant, depending on the participant's years of service. NEF's contribution to the Plan for the years ended June 30, 2003 and 2002 was \$99,387 and \$76,170, respectively.

**NEAR EAST FOUNDATION**

Notes to Financial Statements

June 30, 2003

(With comparative financial information as of  
and for the year ended June 30, 2002)

**(7) Lease Commitment**

NEF occupies office space under a lease which expires on March 31, 2005. The future minimum rental payments, excluding escalations, are as follows:

Year ending June 30:		
2004	\$	120,432
2005		<u>92,341</u>
	\$	<u><u>212,773</u></u>

Rent expense related to the above lease amounted to \$129,984 and \$107,252 in 2003 and 2002, respectively. The remaining amount of occupancy costs is related to overseas programs which have rental space under agreements with terms of one year or less.

On January 9, 2002, NEF and its landlord finalized an agreement in which NEF agreed to surrender the unexpired portion of its lease agreement on February 15, 2002. As consideration for the early surrender, the landlord paid NEF a sum of \$39,632, which includes rent refunds of \$22,133. Such amount was recorded as a reduction of rent expense for the year ended June 30, 2002. On January 31, 2002, NEF entered into a three-year lease agreement for the rental of new office space expiring on March 31, 2005. In accordance with the new lease agreement, the prior tenant agreed to make rental payments of approximately \$48,000 on behalf of NEF. The amount was recorded as in-kind contributions in the 2002 financial statements.

**(8) Program Related Income**

Program related income is generated through seminars held by the Center for Development Services, an NEF program. Program related income for the years ended June 30, 2003 and 2002 is comprised of the following:

	<u>2003</u>	<u>2002</u>
Book sales	\$ 423	18,007
Seminar fees	<u>420,061</u>	<u>358,961</u>
	<u>\$ 420,484</u>	<u>376,968</u>

**(9) In-Kind Contributions**

In-kind contributions received for the years ended June 30, 2003 and 2002 consist of approximately \$31,000 and \$48,000, respectively, of contributions for scholarships and goods from foreign developmental organizations in 2003 and contributed rent in 2002 (see note 7).

**NEAR EAST FOUNDATION**

Notes to Financial Statements

June 30, 2003

(With comparative financial information as of  
and for the year ended June 30, 2002)

**(10) Temporarily Restricted and Permanently Restricted Net Assets**

Temporarily restricted net assets are generally available for direct program services. During 2003 and 2002, temporarily restricted net assets were released from restrictions by NEF expending funds that satisfied the restricted purpose.

Permanently restricted net assets at June 30, 2003 and 2002 consist entirely of endowment corpus, with donor stipulations that they be invested in perpetuity to provide a source of income for operations.

**(11) Private Grant Returned**

In April 2000, NEF was awarded an \$845,667 grant by Aga Khan Trust for Culture (AKTC) to implement an action plan for economic revitalization and environmental upgrading of the Al Darb al-Ahmar district project. In 2003, the grant agreement was amended and the amount awarded to NEF was reduced by \$122,265. This grant adjustment is reported as a reduction of revenue in the accompanying statement of activities for the year ended June 30, 2003.

On June 1, 2001, NEF was awarded a \$281,000 grant by the Ford Foundation for support for developing and testing client centered market research and impact assessment tools for East African Microfinance institutions. The entire \$281,000 was recorded as private grant revenues in fiscal year 2001. In October 2001, the Ford Foundation approved the regrant of the \$281,000 to MicroSave Africa, a project of the Kenya Gatsby Charitable Trust in Nairobi. On June 5, 2002, based on instructions received from the Ford Foundation, the full grant amount of \$281,000 was transferred by NEF to the Kenya Gatsby Charitable Trust. The amount transferred to the Trust was shown in the 2002 financial statements as private grant returned.

## NEAR EAST FOUNDATION

## Schedule of Direct Program Expenses by Location

Year ended June 30, 2003

(With comparative financial information for the  
year ended June 30, 2002)

	<u>2003</u>	<u>2002</u>
U.S.A.	\$ 21,481	20,730
Egypt	1,574,168	1,543,886
Jordan	295,856	249,876
Lebanon	10,000	41,690
Lesotho	337,741	334,637
Mali	648,724	488,763
Morocco	477,919	354,721
Sudan	255,729	182,326
Swaziland	13,293	15,913
West Bank/Gaza	69,598	216,882
Iraq	36,813	—
Ethiopia	15,928	—
Djibouti	38,234	—
	<u>\$ 3,795,484</u>	<u>3,449,424</u>