



Multinational Force & Observers (MFO)

Independent auditor's report
As of September 30, 2022, and 2021

INDEPENDENT AUDITOR'S REPORT

Director General
Multinational Force and Observers

Opinion

We have audited the financial statements of Multinational Force and Observers (MFO), which comprise the statement of financial position as of September 30, 2022 and 2021, the related statement of revenues, expenses and changes in net assets, statements of functional expenses and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MFO as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with the accounting policies as set forth in Note 2 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MFO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies specified in Note 2 to financial statements, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MFO ability to continue as a going concern for 12 months beyond the date of the financial statements.

MILANO ROMA TORINO PADOVA GENOVA BRESCIA PISA BOLOGNA

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial 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 MFO'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MFO'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.

Milan, Italy
November 9, 2022

Crowe Bompani SpA



Giovanni Santoro
(Partner)

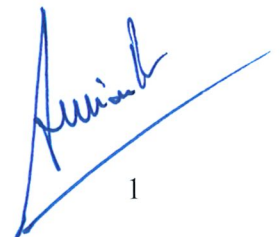
MULTINATIONAL FORCE & OBSERVERS
STATEMENT OF FINANCIAL POSITION
as at September 30, 2022 and 2021

	Sept. 30, 2022	Sept. 30, 2021
	<i>USD 000s</i>	<i>USD 000s</i>
ASSETS		
Current assets		
Cash & cash equivalents	66,430	68,849
Marketable securities < 1 year (notes 2 & 4)	0	5,515
Pledges (notes 2 & 7)	211	223
Prepaid expenses & other receivables (note 6)	2,629	3,937
Total current assets	69,270	78,524
Non-current assets		
Fixed assets (notes 2 & 5)	0	0
Total non-current assets	0	0
TOTAL ASSETS	69,270	78,524
LIABILITIES & NET ASSETS		
Current liabilities		
Accounts payable & accrued expenses (note 10)	14,137	19,127
Total current liabilities	14,137	19,127
Net assets without donor restrictions: (notes 2 & 4)		
SIF* unrealized gain(loss) on marketable securities (notes 2 & 13)	0	5
CARF** unrealized loss on marketable securities (notes 2 & 14)	0	0
BSRF*** unrealized gain(loss) on marketable securities (notes 2 & 3)	0	10
Total net assets without donor restrictions	0	15
Net assets with donor restrictions:		
SIF Self Insurance Fund (notes 2 & 13)	6,150	6,150
CARF Capital Asset Replacement Fund (notes 2 & 14)	4,188	2,886
BSRF Budget Stabilization Reserve Fund carry forward (notes 2 & 3)	33,333	35,853
BSRF Budget Stabilization Reserve Fund current surplus	2,515	33
USFP Force Protection Fund (notes 2 & 9)	8,335	13,367
JPPF Japan Projects Fund (notes 2 & 9)	612	1,093
Total net assets with donor restrictions	55,133	59,382
Total net assets, restricted and unrestricted	55,133	59,397
TOTAL LIABILITIES & NET ASSETS	69,270	78,524

The accompanying notes are an integral part of these financial statements

* SIF: Self-Insurance Fund **CARF: Capital Asset Replacement Fund

*** BSRF: Budget Stabilization Reserve Fund



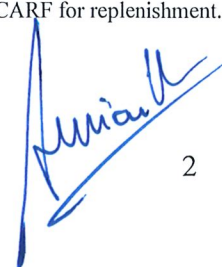
MULTINATIONAL FORCE & OBSERVERS
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET ASSETS
as at September 30, 2022 and 2021

	2022			2021	
	<i>Unrestricted General</i>	<i>Unrealized gain (loss)</i>	<i>with donor restrictions</i>	<i>Total</i>	<i>Total</i>
	<i>USD 000s</i>	<i>USD 000s</i>	<i>USD 000s</i>	<i>USD 000s</i>	<i>USD 000s</i>
Revenue:					
Support from Funds Contributing States (notes 1 & 2)					
Egypt	24,000			24,000	25,000
Israel	24,000			24,000	25,000
United States	24,000			24,000	25,000
Support from Donor States (notes 2 & 8)					
Finland (note 8) – unrestricted	139			139	141
Germany (note 8)	478		613	1,091	1,266
Japan (note 8) – restricted			27	27	28
Republic of Korea (note 8) – unrestricted	300			300	252
Netherlands (note 8) – unrestricted	981			981	999
Norway (note 8) – restricted			203	203	215
Sweden (note 8) – restricted			123	123	150
Switzerland (note 8)	211		120	331	373
United Kingdom (note 8)			0	0	0
Japan Projects (note 9) – restricted			* 538	538	1,471
US Force Protection (note 9) – restricted			0	0	0
Other income: interest & realized gain, and gain related to previous years (note 2)	231		4	235	334
Release of restricted revenue (note 8)	1,086		(1,086)	0	0
Total revenue	75,426	0	542	75,968	80,229
Expenses (note 10):					
Program services: (note 12)					
Peacekeeping mission (note 11)	65,239			65,239	72,859
CARF Capital Asset Replacement (note 14)			1,252	1,252	1,011
JPPF Japan Projects (note 9)			1,022	1,022	2,642
USFP US Force Protection (note 9)			5,032	5,032	4,471
SPF US Special Projects Fund			0	0	0
Support services: (note 12)					
Management & general (note 12) Cf. page 4	7,672			7,672	5,858
Total expenses	72,911	0	7,306	80,217	86,841
Excess / (deficit) of revenues over expenses	2,515	0	** (6,764)	(4,249)	(6,612)
Beginning net assets	0	15	59,382	59,397	65,951
Transfer to BSRF Budget Stabilization Reserve Fund (note 3)	(2,515)	*** 0	2,515	0	0
Change in unrealized gains (losses) on marketable securities, all funds (note 4)	0	(15)	0	(15)	33
Reclassification from BSRF to unrealized loss in Oct. 2020					25
Realized income from BSRF investments transferred to BSRF:		0	0	0	0
Ending net assets	0	0	55,133	55,133	59,397

*\$538 thousand revenue from Japan is net of \$611 thousand received in FY22 for the purchase of an aircraft rescue and firefighting vehicle and ancillary support equipment, less \$73 thousand reimbursed following completion in FY22 of the FY21 communication tower replacement/installation project that came in under budget.

** \$6,764 thousand is the net use of Force Protection / Japan / CARF Funds in FY 2022.

*** the FY22 surplus was transferred to BSRF, then a total of \$2,554K was transferred from BSRF to CARF for replenishment.

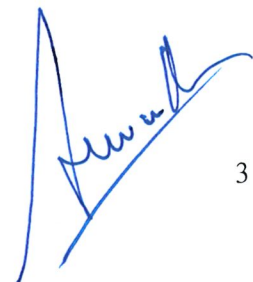


MULTINATIONAL FORCE & OBSERVERS
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN NET ASSETS
as at September 30, 2021 and 2020

	2021			2020	
	<i>Unrestricted General</i>	<i>Unrealized gain (loss)</i>	<i>with donor restrictions</i>	<i>Total</i>	<i>Total</i>
	<i>USD 000s</i>	<i>USD 000s</i>	<i>USD 000s</i>	<i>USD 000s</i>	<i>USD 000s</i>
Revenue:					
Support from Funds Contributing States (notes 1 & 2)					
Egypt	25,000			25,000	25,000
Israel	25,000			25,000	25,000
United States	25,000			25,000	25,000
Support from Donor States (notes 2 & 8)					
Finland (note 8) – unrestricted	141			141	133
Germany (note 8)	561		705	1,266	1,474
Japan (note 8) – restricted			28	28	39
Republic of Korea (note 8) – unrestricted	252			252	205
Netherlands (note 8) – unrestricted	999			999	942
Norway (note 8) – restricted			215	215	220
Sweden (note 8) – restricted			150	150	142
Switzerland (note 8)	223		150	373	334
United Kingdom (note 8)			0	0	326
Japan Projects (note 9) – restricted			1,471	1,471	1,489
US Force Protection (note 9) – restricted			0	0	6,000
Other income: interest & realized gain, and gain related to previous years (note 2)	326		8	334	474
Release of restricted revenue (note 8)	1,248		(1,248)	0	0
Total revenue	78,750	0	1,479	80,229	86,777
Expenses (note 10):					
Program services: (note 12)					
Peacekeeping mission (note 11)	72,859			72,859	63,885
CARF Capital Asset Replacement (note 14)			1,011	1,011	25
JPPF Japan projects (note 9)			2,642	2,642	646
USFP US Force Protection (note 9)			4,471	4,471	5,521
SPF US Special Projects Fund			0	0	436
Support services: (note 12)					
Management & general (note 12) Cf. page 4	5,858			5,858	6,377
Total expenses	78,717	0	8,124	86,841	76,889
Excess / (deficit) of revenues over expenses	33	0	* (6,645)	(6,612)	9,888
Beginning net assets	0	(18)	65,969	65,951	55,820
Transfer to BSRF Budget Stabilization Reserve Fund (note 3)	** (58)		58	0	0
Change in unrealized gains (losses) on marketable securities (note 4), all funds	0	33	0	33	(44)
Reclassification from BSRF to unrealized loss in Oct.2020	25	0	0	25	
Realized income from BSRF investments transferred directly to BSRF in Oct.2020 (unrealized on FY19 balance sheet)	0	0	0	0	286
Ending net assets	0	15	59,382	59,397	65,951

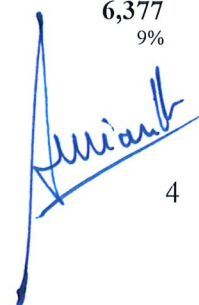
* \$6,645 thousand is the net use of Force Protection / Japan / CARF Funds in FY 2021.

** The transfer of \$58 thousand to the BSRF is the sum of the \$33 thousand FY 2021 surplus, plus \$25 thousand net gains that were realized in FY 2021



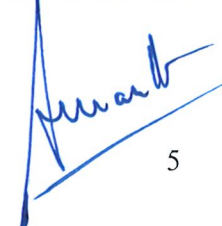
MULTINATIONAL FORCE & OBSERVERS
STATEMENT OF FUNCTIONAL EXPENSES
as at September 30, 2022 and 2021

	<i>USD 000s</i>	<i>USD 000s</i>	<i>USD 000s</i>
	<i>FY 2022</i>		
	<i>Total</i>	<i>Peacekeeping</i>	<i>Management</i>
	<i>Expenses</i>	<i>Services</i>	<i>& General</i>
Civilian & military personnel (notes 11 & 12)	28,697	24,683	4,014
Supplies & services net of miscellaneous sales (note 2)	13,032	13,032	0
Finance, administration, insurances, security	6,353	5,012	1,341
Contractual labor services, Egypt	8,460	8,460	0
Logistics on civilian and military rotations	2,474	2,402	72
Equipment & furnishing, net of misc. sales (notes 2 & 5)	3,023	2,902	121
Fuels & lubricants	5,264	5,251	13
Transportation	1,613	1,439	174
ICT and communication running costs	1,933	1,124	809
Rents	1,357	656	701
Engineering, buildings & facilities (notes 2 & 11)	4,101	3,853	248
Travels	898	806	92
Utilities	1,234	1,147	87
DoD, UK & Japan offsets (staff costs, petrol, supplies)	(5,528)	(5,528)	0
Total expenses	72,911	65,239	7,672
		89%	11%
		<i>FY 2021</i>	
Civilian & military personnel (notes 11 & 12)	28,846	25,672	3,174
Supplies & services net of miscellaneous sales (note 2)	16,032	16,032	0
Finance, administration, insurances, security	5,584	5,072	512
Contractual labor services, Egypt	10,318	10,318	0
Logistics on civilian and military rotations	1,657	1,598	59
Equipment & furnishing, net of misc. sales (notes 2 & 5)	4,202	4,032	170
Fuels & lubricants	4,097	4,064	33
Transportation	1,568	1,553	15
ICT and communication running costs	4,005	3,845	160
Rents	1,460	679	781
Engineering, buildings & facilities (notes 2 & 11)	4,874	4,011	863
Travels	23	(12)	35
Utilities	1,391	1,335	56
DoD, UK & Japan offsets (staff costs, petrol, supplies)	(5,340)	(5,340)	0
Total expenses	78,717	72,859	5,858
		93 %	7 %
		<i>FY 2020</i>	
Civilian & military personnel (notes 11 & 12)	27,794	23,341	4,453
Supplies & services net of miscellaneous sales (note 2)	12,758	12,758	0
Finance, administration, insurances, security	5,370	4,834	537
Contractual labor services, Egypt	9,105	9,105	0
Logistics on civilian and military rotations	4,199	4,161	38
Equipment & furnishing, net of misc. sales (notes 2 & 5)	3,612	3,469	143
Fuels & lubricants	3,966	3,952	14
Transportation	2,089	2,069	20
ICT and communication running costs	1,808	1,698	110
Rents	1,369	750	619
Engineering, buildings & facilities (notes 2 & 11)	2,105	1,754	351
Travels	645	598	47
Utilities	1,272	1,227	45
DoD, UK & Japan offsets (staff costs, petrol, supplies)	(5,831)	(5,831)	0
Total expenses	70,261	63,885	6,377
		91%	9%



MULTINATIONAL FORCE & OBSERVERS
STATEMENT OF CASH FLOWS
as at September 30, 2022 and 2021

	2022	2021
	USD 000s	USD 000s
Cash provided (used) by operating activities:		
Change in net assets		
Excess of revenue over expenses – unrestricted only	2,515	33
Increase (decrease) in year-end unrealized gains on marketable securities, SIF CARF BSRF USFP	(15)	33
Expense (-) in CARF fund (notes 2 & 14)	(1,252)	(1,011)
Expense (-) in US Force Protection Fund (notes 2 & 9)	(5,032)	(4,471)
Net of expense (-) and donation & interest (+) in Japan Fund	(480)	(1,163)
Reclassification from BSRF to unrealized year-end loss in October 2020	0	25
Change in liabilities:		
Decrease in payables & accrued expenses	(4,990)	(1,194)
Change in assets:		
Decrease in prepaid expenses & other receivables (note 6)	1,308	44
Decrease (increase) in pledges (notes 2 & 7, Swiss pledge)	12	(9)
Depreciation of fixed assets (full final depreciation in FY 2021)	0	2,100
Net cash provided by operating activities	(7,934)	(5,613)
Cash provided by investing activities:		
Current assets:		
Sale of securities < 1 year, at sale price	5,566	12,000
Realized loss(gain) on sale of (N-1) securities vs value on Sept 30 (N-1)	(51)	112
Purchase (-) of other Current Assets	0	(5,500)
Unrealized gain (-) on securities hold on September 30, 2021	0	(15)
Non-current Assets:		
Sale (purchase) of marketable securities > 1 year (note 4)	0	0
Cash & cash equivalents at beginning of year	68,849	67,866
Cash & cash equivalents at end of year	66,430	68,849
Supplemental Data, detail of all “Other income”:		
Realized gain/(loss), current year, on BSRF and SIF funds	51	(137)
Realized gain/(loss), resulting from past year's unrealized gains/(loss) (BSRF SIF)	15	(18)
Interest earned on MFO operational accounts and BSRF USFP SIF CARF funds	163	263
P&L unrestricted revenue: Interest & realized gain on investments, on SIF CARF USFP BSRF funds (mainly BSRF)	229	108
Other various profits and gains on previous years	2	218
Other income Unrestricted/Released shown on the Statement of Revenue, pages 2 & 3	231	326
Other income restricted (Interest earned on Japanese funds)	4	8
TOTAL Other income shown on the Statement of Revenue, Pages 2 & 3	235	334



NOTE 1 - THE ORGANIZATION

The Multinational Force & Observers (MFO) is an international organization established by the Protocol signed by the Governments of Egypt and Israel (the Receiving States) and witnessed by the United States on August 3, 1981. The MFO's function is to supervise the implementation of key security provisions of the Treaty of Peace between Egypt and Israel dated March 26, 1979. The MFO received its initial funding on September 9, 1981. Each of the Receiving States and, subject to annual appropriations, the United States (together, the Funds Contributing States) agreed to contribute equally to the annual operating expenses of the MFO.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the MFO are prepared on the accrual basis. The accounting principles applied by the organization are in accordance with Chapter III of the MFO's Administrative and Financial Regulations and the notes to these financial statements. For matters not regulated by the organization's Administrative and Financial Regulations and the notes to these financial statements, the organization adopts the generally accepted accounting principles and standards (hereafter GAAPs and standards) as defined by the Financial Accounting Standards Board (FASB), in particular the standards for topic 958 "Not-for-Profit Organizations" of the FASB's Accounting Standards Codification (ASC).

In the preparation of the financial statement as of September 30, 2022, in order to better represent the cost categories, it was considered useful to change the classification of the statement of functional expenses and consequently, in order to make the data comparable, making some reclassification to the statement of functional expenses as of September 30, 2021 and as of September 30, 2020.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes – cf. note 10 accruals, in particular. Actual results could differ from those estimates.

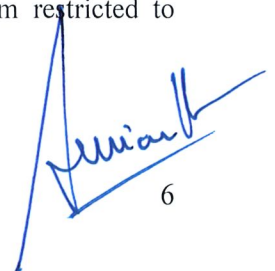
Net assets

The MFO classifies net assets in accordance with the FASB's ASC 958-210. MFO's net assets result from support contributions by the Funds Contributing States (note 1) plus the additional annual contributions from "Donor States" (notes 8 & 9).

Revenue Recognition – Monetary contributions and Financial income

Monetary contributions are shown in the financial statements as revenue upon notification, in accordance with the FASB's guidance in subtopic 958-605, including the Accounting Standards Update 2018-08.

Restricted monetary contributions are in the restricted class of the Statement of Revenue, and unrestricted monetary contributions are in the unrestricted class. A transfer from restricted to unrestricted class is made when the donor's spending conditions are met.



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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All of the MFO's revenues in Fiscal Year (FY) 2022 are derived from monetary support contributions by the Funds Contributing States (note 1) plus additional monetary contributions from "Donor States" (notes 8 & 9) which in FY 2022 were Finland, Germany, Japan, the Netherlands, Norway, the Republic of Korea, Sweden, and Switzerland, and from other income relating to interest, dividends, realized gains/losses on marketable securities which are recognized as unrestricted, and gains related to previous financial years (extinguished debt, reversal of some accruals). Unrealized gains/losses on marketable securities are recorded directly in net assets (BSRF and SIF net assets).

We recognize support from amounts pledged to the MFO. We maintain the principle of equal contributions by the three Funds Contributing States pursuant to the Protocol to the Treaty and related side letters.

Revenue Recognition - Pledges (see also note 7)

Conditional and unconditional pledges of the Funds Contributing States and other Donor States have been shown in the financial statements as revenue in accordance with the FASB codified section 958-605.

Fixed assets

- Buildings

The Rome Headquarters and Tel Aviv office spaces, owned by the MFO, are recorded as fixed assets on the balance sheet at their historic cost, net of the accumulated depreciation in accordance with the FASB codified section 958-360. These two office spaces were being depreciated over thirty years using the straight-line method until FY 2020. In FY 2021 it was decided to accelerate to full depreciation to align the treatment of these two office spaces with other fixed assets.

- Other fixed assets: equipment (tangible and intangible) and furnishings

The costs of equipment (tangible and intangible) and furnishings are expensed as incurred net of all sales proceeds. The MFO Policy and Administrative Manual, Volume III, section 300.3.3, states that MFO does not capitalize them. This policy differs from the FASB codified section 958-360.

Supplies & Stores Inventory

Costs of supplies and stored items are charged to expense as they are received.

Foreign Exchange

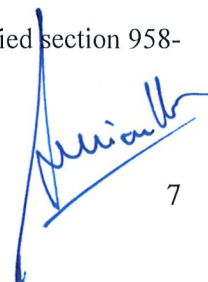
Adjustments arising from the exchange of foreign currencies are included in the results of current operations.

Marketable securities

After retaining sufficient liquidity to meet planned, near-term expenditure, funds are invested in fixed income, U.S. dollar-denominated securities and certificates with a maximum maturity period of ten years (hereinafter "securities"). Securities which are available for sale relate to funds deposited in a fixed income portfolio management account and are stated at a fair value.

Net assets with donor restrictions

Net assets with donor restrictions are reported in accordance with the FASB's codified section 958-210 and Accounting Standards Update (ASU) 2016-14.



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NOTE 3 - BUDGET STABILIZATION RESERVE FUND (NET ASSETS WITH DONOR RESTRICTIONS)

Following consultations with the three Funds Contributing States on June 10, 2010, the MFO was asked to establish a mechanism to set aside any surplus from the Funds Contributing States contribution to the operating budget, in order to stabilize their annual contributions and to make up any deficit that might occur during successive years. This led to the creation of the Budget Stabilization Reserve Fund (BSRF) in FY 2010. Since FY 2011, we had been retaining all interest earned on BSRF investments in the BSRF. Starting in FY 2021, interest earned on the BSRF investments are credited to the operating funds.

The BSRF balance at the end of FY 2022 amounts to \$35,847,495 (versus \$35,886,258 last year). The decrease of \$ 38,763 is the result of a \$2,553,767 transfer to the CARF, minus the FY 2022 surplus of \$2,515,004.

NOTE 4 – MARKETABLE SECURITIES (CURRENT ASSETS)


Until September 2022, available funds were invested in fixed income, U.S. dollar-denominated securities and certificates with a maximum maturity period of ten years (hereinafter “securities”). In August 2022, all securities were sold for the transfer of investment activities to Société Générale Hambros. The delegation of investment activities took effect in Q1 FY 2023.

A breakdown of the fair value of securities, which are available for sale at maturity, is as follows:

	<u>Sept 30,</u> <u>2022</u> <i>USD 000s</i>	<u>Sept 30,</u> <u>2021</u> <i>USD 000s</i>
Securities maturing within 1 year	0	5,515
Securities maturing between 1-5 years	0	0
Total Marketable securities, year-end	0	5,515

The realized gains on sales of marketable securities, recognized as revenue on the FY 2022 statement of revenue (page 2, included in line “other income”) was \$66,162.

Unrealized gains and losses reflect movements in the market value of securities and are only realized if the securities are sold (cf. note 2 and the two schedules below).



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MULTINATIONAL FORCE & OBSERVERS
 NOTES TO THE FINANCIAL STATEMENTS
 as at September 30, 2022 and 2021

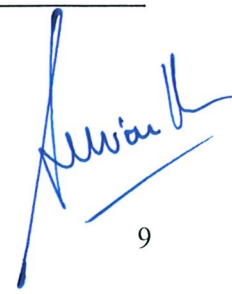
NOTE 4 - MARKETABLE SECURITIES (CONTINUED)

At September 30, 2022, marketable securities are summarized below:

	<i>Carrying Amount FY2022 USD 000s</i>	<i>Unrealized gains FY2022 USD 000s</i>	<i>Unrealized losses FY2022 USD 000s</i>	<i>Fair Value Sept 30, 2022 USD 000s</i>
U.S. Corporations maturing:				
within 1 year	0	0	0	0
between 1-5 years	0	0	0	0
Money market instruments maturing:				
within 1 year	0	0	0	0
between 1-5 years	0	0	0	0
Total FY 2022	0	0	0	0

At September 30, 2021, marketable securities which were available for sale are summarized below:

	<i>Carrying Amount FY2021 USD 000s</i>	<i>Unrealized gains FY2021 USD 000s</i>	<i>Unrealized losses FY2021 USD 000s</i>	<i>Fair Value Sept 30, 2021 USD 000s</i>
U.S. Corporations maturing:				
within 1 year	0	0	0	0
between 1-5 years	0	0	0	0
Money market instruments maturing:				
within 1 year	5,500	15,29	0	5,515
between 1-5 years	0	0	0	0
Total FY 2021	5,500	15,29	0	5,515



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NOTE 5 - FIXED ASSETS (cf. also note 2 on accounting policies, paragraph “Fixed assets”)

Tangible fixed assets: Office spaces

On September 16, 1997, the MFO acquired part of a building in Rome, Italy, for use as the headquarters of the organization for \$2,336,903. On August 9, 2007, the MFO also acquired part of a building in Tel Aviv, Israel, for use as the office of the Director General’s Representative for \$2,677,231.

In FY 2021, MFO booked an exceptional depreciation, so that the depreciation of both properties ended on September 30, 2021. The related noncash cost was \$2,099,703 (compared to \$167,176 in 2020).

The acquisition cost and accumulated depreciation of both properties are composed as follows:

	<u>2022</u> <i>USD 000s</i>	<u>2021</u> <i>USD 000s</i>
Cost of the MFO’s two office spaces	5,014	5,014
Accumulated depreciation	(5,014)	(5,014)
Fixed assets net book value, September 30:	0	0

The expenditures for equipment and furnishings are included in the statement of functional expenses (cf. note 2, paragraph “Equipment (tangible and intangible) and furnishings”).

Intangible fixed assets: Software licenses

MFO purchased in September 2021 a series of Microsoft licenses for \$2,531,992, and SAP licenses for \$154,276. Following MFO accounting policies (cf. note 2) applied in the past for the previous purchases of licenses, these licenses have been expensed. They have a validity (and economic value for the MFO) of 5 years for the Microsoft licenses and 3 years for the SAP licenses.

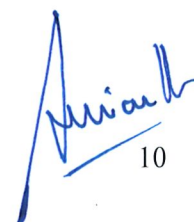
NOTE 6 - PREPAID EXPENSES AND OTHER RECEIVABLES (CURRENT ASSETS)

The schedule below provides an analysis of prepaid expenses and receivables as at September 30:

	<u>2022</u> <i>USD 000s</i>	<u>2021</u> <i>USD 000s</i>	<u>Var.</u> <i>USD 000s</i>
Prepayments, deposits & receivables, Headquarters	1,314	1,817	- 503
Prepayments & deposits by the Cairo office	520	1,144	- 624
Prepayments & receivables, Force	9	6	+ 3
Prepayments & deposits by the Israel office	226	141	+ 85
Taxes & VAT receivable, Israel	405	829	- 424
FRP Force Retail Program, intercompany	155	0	+ 155
Total prepaid expenses & other receivables	2,629	3,937	- 1,308

The balance of prepaid expenses and receivables decreased by 33%, due to the following two reasons:

- decrease in the Cairo and Rome prepaid amounts, due to fewer open purchases with prepayments on Sept. 30, 2022 (higher rate of timely purchase was achieved than in the past).



**NOTE 6 - PREPAID EXPENSES AND OTHER RECEIVABLES (CURRENT ASSETS)
(CONTINUED)**

NB: since 2019, a \$942K prepayment for armored vehicles is included in the first line of the above table. This concerns 16 vehicles, 4 of which are now ready to be shipped and 12 still being armored, to which the MFO has title of ownership. Delivery is projected in FY 2023. Armoring delays were due to Covid-related, supply chain issues.

- the balance of \$405K tax receivables in Israel decreased due to reduced year-end procurement activity (the amount relates to procurements in July-September 2022).

Also:

- the Force Retail Program (FRP) intercompany account became \$155K debtor. The FRP's debit balance reflects the MFO's financing of the FRP's working capital, i.e., some FRP supplies and Morale Support activities were prepaid by the MFO.
- the Israel office prepayment account increased by \$85K, mainly because \$72K was reclassified from cash at ID-Bank to collateral (other receivables) for MFO's IDB visa credit cards. Advance payments on purchase orders remained stable in FY 2022 in Israel.

The Force Retail Program (FRP) intercompany account:

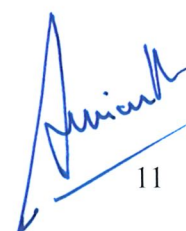
The MFO operates the FRP on a not-for-profit basis. The FRP has two fund-generating arms in the Sinai -- the Force Exchange and the Club System -- whose surpluses are exclusively used to fund the recreational activities of military and civilian personnel. FRP operations have not been incorporated into the MFO financial statements as they are distinct and autonomous from those of the MFO, and such inclusion is deemed immaterial.

The FRP operates using its own treasury accounts and financial accounting records. FRP accounts and records are subject to a separate audit every financial year. Should FRP operations significantly increase, they may be consolidated into the MFO financial statements, although such an increase in operations is not envisioned in the foreseeable future.

NOTE 7 - PLEDGES (RECEIVABLES, CURRENT ASSETS)

The contributions from Donor States that have not been drawn upon or made available are shown in the financial statements as pledges.

All pledges are secured as of September 30, 2022. As of that date, only a portion of the Government of Switzerland's FY 2022 pledge had yet to materialize amounting to CHF 207,000 (\$211,306). The situation was identical in 2021 and 2020. The receivable was CHF 207,000 (\$223,089) on September 30, 2021.



NOTE 8 - CONTRIBUTIONS TO OPERATING REVENUE BY THE DONOR STATES

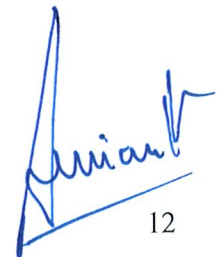
Donor State contributions to FY 2022 operating revenue were recorded as follows (for Force Protection-earmarked funding see note 9):

- from the Government of Finland, a contribution of € 120,000 (\$138,654) without donor restrictions – unchanged in euros compared to FY 2021;
- from the Government of Germany, € 1,070,000 (\$1,091,086) of which € 600,000 (\$613,439) was restricted and applied towards local Sinai employment;
- from the Government of Japan a restricted contribution of \$27,020. As specified by the Government of Japan, this contribution has been applied exclusively to pay for food and civilian personnel salaries; (see also, \$611,111 supplemental donation for a Japanese project, detailed in note 9);
- from the Republic of Korea, an unrestricted contribution of \$300,000, increased compared to \$252,066 in FY 2021;
- from the Government of the Netherlands, an unrestricted contribution of € 850,000 (\$981,223) – unchanged in euros compared to FY 2021;
- from the Government of Norway, a contribution of NOK 2,000,000 (\$202,607) restricted toward support for the Civilian Observer Unit – unchanged in NOK compared to FY 2021;
- from the Government of Sweden, a contribution of SEK 1,250,000 (\$122,464) restricted toward support for the Civilian Observer Unit– unchanged in SEK compared to FY 2021;
- from the Government of Switzerland, CHF 207,000 and \$120,000. The CHF 207,000 (\$211,309) is unrestricted and unchanged in CHF compared to FY 2021; the \$120,000 (\$150,000 in FY 2021) was restricted toward support for the Civilian Observer Unit;

Contributions noted as conditional appear as “with donor restrictions” in the statement of Revenue Expense and Changes in Net Assets, and were released in their entirety by incurring qualified expenses during FY 2022 thereby satisfying donor restrictions.

The Donor State contributions have been included in the financial statements as follows:

	<u>2022</u>	<u>2021</u>
	USD 000s	USD 000s
Finland	139	141
Germany	1,091	1,266
Japan	27	28
Republic of Korea	300	252
Netherlands	981	999
Norway	203	215
Sweden	122	150
Switzerland	331	373
Total	3,194	3,424



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NOTE 9 – SUPPLEMENTAL DONATIONS – FORCE PROTECTION and JAPANESE PROJECTS

Beginning in FY 2005, the U.S. Government has provided funding for Force Protection requirements that are separate from and additional to the U.S. contribution to the MFO’s annual operating expenses. Japan began providing Force Protection financing in FY 2015.

In FY 2022, Japan contributed \$611,111 (separate from and additional to Japan’s \$27,020 contribution to operating expenses, cf. note 8 above) towards the Japanese project “North Camp aircraft rescue and firefighting vehicle and ancillary equipment”. The MFO also completed the Japanese FY 2021 supplemental project for the replacement and/or installation of six communication towers at MFO facilities in Sinai with a balance of \$74,546 designated for refund to Japan.

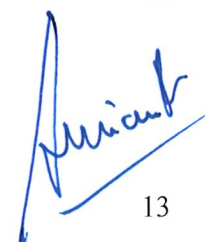
The MFO did not request additional Force Protection funding from the U.S. Government in FY 2021 and FY 2022.

These funds are separately managed and accounted for and exclusively applied for the intended purpose of specific projects. The project expenditures were released by incurring qualified expenses or commitments during FY 2022, thereby satisfying donors’ restrictions.

The schedule below provides an analysis of supplementary funding from inception to September 30, 2022:

<u>Force Protection (FP) and Japanese projects</u>	<u>Contributions</u> USD 000s	<u>Interest</u> USD 000s	<u>Expenditures</u> USD 000s	<u>Balance of funds</u> USD 000s
USA FP – FY05 to FY2021:	+ 66,937	685	(54,255)	13,367
USA FP - FY 2022:			(5,032)	(5,032)
				8,335
Japan – FY15 to FY2021:	+ 10,540	39	(9,487)	1,092
Japan - FY 2022:	+ 538	4	(1,022)	(480)
				612
Australia FP –FY13 to FY18	+ 3,530		(3,530)	0
Germany FP – FP FY15:	+ 322		322)	0
Total on Sept. 30, 2022:	+ 81,867	728	(73,648)	8,947

In accordance with the FASB codified sections 958-210 and 958-225, these funds are considered “with donor restrictions”.



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NOTE 10 - ACCOUNTS PAYABLE & ACCRUED EXPENSES (CURRENT LIABILITIES)

The schedule below provides an analysis of accounts payable and accrued expenses as at Sept. 30:

	<u>2022</u>	<u>2021</u>
	USD 000s	USD 000s
(1) Personnel/labor costs (staff country payables, accrued leave etc.)	6,242	6,814
(2) Payables on supplies received in Q4 FY 2022	718	1,174
(3) Other payables and accruals, Headquarters	1,211	4,979
(4) Other payables, Cairo	790	357
(5) Other payables, Force	1,214	906
(6) Other payables, Israel	761	1,019
(7) Payments in process Cairo & Tel Aviv, short-term liabilities	183	1,294
(8) US Troop Rotations accrued: (\$443K is FY21, \$670K is FY22)	670	443
(9) Accrual of shared Force Protection costs to DOD	2,348	2,079
(10) FRP Force Retail Program, intercompany account	0	62
Total ACCOUNTS PAYABLE & ACCR. EXPENSES	14,137	19,127

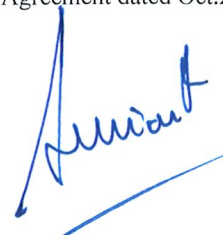
In FY 2022, the balance of account payable and accrued expenses decreased by **\$5M** (26%) due to the following:

- (1) A **\$572K** decrease in the personnel/labor accounts payable, mainly attributed to less liability to Care Service (\$-652K), to US DoD for medicines (\$-225K); to Cigna insurance (\$-117K), to the Australian Government for staff costs (\$-270K). The untaken leave accumulated by International and Cairo staff (\$-167K) is diminishing thanks to the end of the COVID; and finally, Finance booked a lower provision for estimated tax liability (\$-54K). On the other hand, our liability for Staff Country Payments diminished.
- (3) A **\$3.7M** decrease in our estimated liability to the DoD, mainly due to the end of the \$1.4M provision for the repair of the C12 airplane and the \$1.9M provision for the replacement of the helicopter that crashed in FY 2020. The remaining variance is caused by the diminishing payable to DoD on flying hours.
- (7) A **\$1.1M** decrease of payments in process on Sept.30. This improvement is due to more diligent processing of invoices at year-end.
- (8) A **\$227K** decrease in the US Troop Rotations balance due to DoD's invoicing of all FY 2020 and FY 2021 rotations costs.
- (10) the FRP intercompany account became \$155K debtor (cf. note 6 receivables for more detail). It was a **\$62K** MFO liability last year. There were more Morale Support expenses (pre-financed by MFO because of the end of the COVID pandemic) so the MFO-FRP relationship reversed compared to FY 2021.

Three payable lines (4, 5, and 9) increased:

- (4 & 5) MFO has **\$741K** additional liabilities to Cairo and Force vendors, due to increased procurement activity.
- (9) MFO has a **\$269K** higher liability to DOD for shared Force Protection expenses¹ as no invoice was issued for FY 2022. The amounts estimated were accrued and confirmed by DOD.

¹ Sharing of Force Protection expenses, cf. 3rd amendment of the MFO-DOD Memorandum of Agreement dated Oct.21, 2016



NOTE 11 - CONTRIBUTED SERVICES & FACILITIES

Contributed Services

For Troop Contributing States, the MFO may reimburse all or part of the agreed cost of special pay and allowances for troops serving in Sinai. The MFO does not reimburse fixed base pay and salaries. The MFO recognizes with gratitude the indirect and substantial support that Troop Contributing States are providing.

Canada, Japan, New Zealand, Norway, and the United Kingdom provide military participation on a generous basis that does not seek MFO reimbursement of costs for soldiers' allowances, benefits, overheads, or rotation costs. Australia very kindly waived troop reimbursements and rotational costs in MFO FYs 2021 and 2022 and also provided a Royal Australian Air Force aircraft to transfer Fijian military personnel to the Sinai and back to Fiji, saving the MFO approximately \$700k in commercial aircraft transportation costs.

New Zealand provided a five-person military engineer team for six months from February to August to complete South Camp storm remediation work, South Camp firing range upgrades, and also began renovations to the South Camp ammunition supply point.

Although the MFO partly reimburses the United States for military personnel, the U.S. offsets for costs avoided from having their military personnel assigned at U.S. military installations, making the total cost of U.S. military personnel cost neutral to the MFO.

Throughout the financial year, the United States Army generously contributed Force Protection equipment for use at North Camp, South Camp, and remote sites.

Contributed Equipment

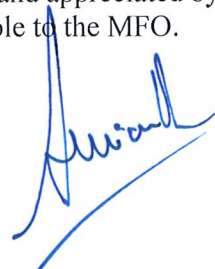
The Czech Republic, Italy, and the United States provided aviation and maritime assets to the MFO with agreed maintenance and support arrangements that effectively share operating costs between the MFO and the contributing country.

Contributed Facilities in the Sinai

The MFO does not have title to the buildings and facilities that are located in the Sinai. The MFO is permitted to use North Camp and South Camp in the Sinai rent-free. These sites and related facilities are owned and provided by the Government of Egypt; all improvements to the facilities have been made possible through the contributions of the Funds-Contributing and Donor States.

Accounting treatment for in-kind contributions

In accordance with the FASB codified section 958-605-25, the value of the above contributed Services, Equipment, and Facilities is not included in the financial statements, as they are not obtainable from the general marketplace. A precise valuation of these capital contributions, either in terms of cost to contributors not reimbursed by the MFO and/or in avoided costs of potentially more costly alternate sourcing of such assets, while obviously substantial and appreciated by the MFO, would be very speculative based on the limited information available to the MFO.



NOTE 11 - CONTRIBUTED SERVICES & FACILITIES (CONTINUED)

Offsets from Japan, United Kingdom, and the USA

The MFO receives a credit from certain Troop-Contributing States for certain costs that troop contributors would have incurred had their troops remained at home. These credits are not identified as revenue within the financial statements, but the MFO's operating expense is net of these credits.

Regarding the United States Army, the arrangement of October 21, 2016 provides both for credits to the MFO for support costs that the U.S. Army avoids by having its soldiers stationed in the Sinai, and charges the MFO pays for U.S. Army incremental costs including certain soldier allowances and benefits, flying hours and labor contract charges. In FY 2022, the total value of offset credits from the United States Department of Defense was \$5,421,341.

NOTE 12 - ALLOCATION OF EXPENSES IN THE STATEMENT OF REVENUE & EXPENSE (PAGES 2 AND 3)

MFO Management has determined, in compliance with the FASB codified section 958-720, that all costs relating to the Rome Headquarters including the staff compensation costs will be regarded as **support costs**.

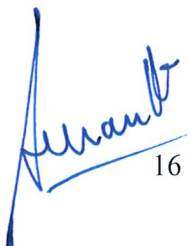
All other costs relating to the MFO field offices in Tel Aviv, Cairo and the Force in the Sinai have been reported as **program costs** as defined by the FASB codified section 958-720.

It should be noted that some Headquarters costs are truly program specific, whilst some Tel Aviv and Cairo office costs could be regarded as support costs. The cost of tracking and reallocating these costs separately would not provide the user of the accounts with a greater understanding of them. Management thus determined the most cost-effective way of complying with the standard is the adopted method of cost allocation. However, it should be noted that all costs are related to the purposes for which the MFO has received contributions, i.e., the conduct and support of its peacekeeping mission.

NOTE 13 - SELF-INSURANCE FUND (NET ASSETS WITH DONOR RESTRICTIONS)

At the Trilateral Conference held on November 27, 1989, it was agreed that a self-insurance fund (SIF) would be created. The authorized amount of the SIF is set at \$6,150,239. There was no expense during the financial year, so the ending Fund balance remained at \$6,150,239. In accordance with the FASB codified section 958-210, the SIF is considered "with donor restrictions".

NB: This year there is no "SIF unrealized gain" to show as part of the net assets. Instead, \$24,059 in realized gains from financial investments on SIF funds were transferred to the BSRF on Sept. 30, 2022. Last year there were \$5,559 unrealized gain on FY 2021 short term investment using SIF funds.



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NOTE 14 - CAPITAL ASSET REPLACEMENT FUND (NET ASSETS WITH DONOR RESTRICTIONS)

At the Trilateral Conference held on November 26, 1990, it was agreed that a Capital Asset Replacement Fund (CARF) would be created to finance projects of a non-routine, non-recurring nature (within 5 years) with a projected cost in excess of \$250,000. The authorized amount of the fund was set at \$4,187,500 on September 30, 2017, and it will be replenished as needed.

The opening balance of the CARF was \$2,886,120. During FY 2022, expenditures totaled \$1,252,387. After a \$2,553,767 replenishment, the CARF closing balance was \$4,187,500.

The \$1,252,387 FY 2022 expenditure concerns the renovation of South Camp's electrical distribution system and the purchase of replacement barracks:

- Expenses for the South Camp electric network were agreed for a maximum of \$850,000 based on DG's letter to the Funds Contributing States dated November 14, 2018.
- Expenses for the replacement of 48 barracks for military personnel were agreed for a maximum of \$7,903,920 over 6 years based on DG's letter to the Funds Contributing States dated August 4, 2022.

<u>CARF projects</u>	<u>Carry Forward</u> <u>Oct 1, 2021</u> <i>USD</i>	<u>Expenses</u> <u>FY2022</u> <i>USD</i>	<u>Replenishment</u> <u>FY2022</u> <i>USD</i>	<u>Reserve funds on</u> <u>Sept 30, 2022</u> <i>USD</i>
South Camp electric network:	447,862	119,651	0	328,211
Replacement of 48 barracks:	2,438,258	1,132,736	2,553,767	3,859,289
Totals	2,886,120	1,252,387	2,553,767	4,187,500

<u>CARF projects</u>	<u>Authorized Expenses</u> <i>USD</i>	<u>Expenses</u> <u>FY2019-</u> <u>FY2021</u> <i>USD</i>	<u>Expenses</u> <u>FY2022</u> <i>USD</i>	<u>Authorized remaining amounts</u> <i>USD</i>
South Camp electric network:	850,000	402,138	119,651	328,211
Replacement of 48 barracks:	7,903,920	657,693	1,132,736	6,113,491
Totals	8,753,920	1,059,831	1,252,387	6,441,702

The balance in the CARF as of September 30, 2022 is \$4,187,500. The CARF will be replenished as needed from the Budget Stabilization Reserve Fund.

In accordance with the FASB codified section 958-210, the CARF is considered "with donor restrictions".

