Multinational Force & Observers (MFO)

Independent auditors' report
As of September 30, 2018 and 2017
Independent auditors' report

Director General
Multinational Force and Observers

We have audited the accompanying statements of financial position of the Multinational Force and Observers (MFO) as of September 30, 2018 and 2017 and the related statements of revenues, expenses and changes in net assets, statements of functional expenses and statements of cash flows for the years then ended (financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 MFO'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 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, the financial statements referred to above present fairly, in all material respects, the financial position of the MFO as of September 30, 2018 and 2017 and the related statements of revenues, expenses and changes in net assets, statements of functional expenses and statements of cash flows for the years then ended in conformity with the accounting policies as set forth in Note 2 to financial statements.

Rome, Italy

November 5, 2018

EY S.p.A.
MULTINATIONAL FORCE & OBSERVERS
STATEMENT OF FINANCIAL POSITION
as at September 30, 2018 and 2017
(in thousands of U.S. dollars)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable Securities (Notes 2 &amp; 4)</td>
<td>8,899</td>
<td>--</td>
</tr>
<tr>
<td>Fixed Assets (Notes 2 &amp; 5)</td>
<td>2,434</td>
<td>2,601</td>
</tr>
<tr>
<td>Total Non-Current Assets</td>
<td>11,333</td>
<td>2,601</td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>36,245</td>
<td>29,792</td>
</tr>
<tr>
<td>Marketable Securities (Notes 2 &amp; 4)</td>
<td>1,014</td>
<td>--</td>
</tr>
<tr>
<td>Pledges (Notes 2 &amp; 7)</td>
<td>6,379</td>
<td>9,400</td>
</tr>
<tr>
<td>Prepaid Expenses and Other Receivables (Note 6)</td>
<td>3,382</td>
<td>4,133</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>47,020</td>
<td>43,325</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>58,353</strong></td>
<td><strong>45,926</strong></td>
</tr>
</tbody>
</table>

LIABILITIES & NET ASSETS

| Current Liabilities | | |
| Accounts Payable and Accrued Expenses (Note 10) | 14,932 | 14,714 |
| **Total Current Liabilities** | **14,932** | **14,714** |

| Net Assets | | |
| Unrestricted: | | |
| Unrealized Net Gain/(Loss) on Marketable Securities (Notes 2 and 4) | (9) | -- |
| **Total Unrestricted** | **(9)** | **--** |

| Temporarily Restricted: | | |
| Self-Insurance Fund (Note 13) | 6,150 | 6,150 |
| Capital Asset Replacement Fund (Note 14) | 4,052 | 4,188 |
| Budget Stabilization Reserve Fund (Note 3) | 19,513 | 10,717 |
| US Force Protection Fund (Note 9) | 13,086 | 7,920 |
| Japan Force Protection Fund (Note 9) | 0 | 468 |
| Special Projects Fund (Note 15) | 629 | 1,769 |
| **Total Restricted** | **43,430** | **31,212** |

| **Total Net Assets** | **43,421** | **31,212** |

| **TOTAL LIABILITIES & NET ASSETS** | **58,353** | **45,926** |

*The accompanying notes are an integral part of these financial statements*
MULTINATIONAL FORCE & OBSERVERS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
as at September 30, 2018 and 2017
(in thousands of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily</td>
</tr>
<tr>
<td></td>
<td>General</td>
<td>Unrealized</td>
</tr>
<tr>
<td></td>
<td>Gain/Loss</td>
<td>Restricted</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support (Notes 1 &amp; 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26,000</td>
</tr>
<tr>
<td>Israel</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td></td>
<td>26,000</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td></td>
<td>26,000</td>
<td></td>
</tr>
<tr>
<td>Australia Force Protecn (Note 9)</td>
<td></td>
<td>667</td>
</tr>
<tr>
<td></td>
<td>667</td>
<td>667</td>
</tr>
<tr>
<td>Finland (Note 8)</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td></td>
<td>140</td>
<td>127</td>
</tr>
<tr>
<td>Germany (Note 8)</td>
<td>551</td>
<td>990</td>
</tr>
<tr>
<td></td>
<td>1,541</td>
<td>557</td>
</tr>
<tr>
<td>Japan (Note 8)</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td></td>
<td>45</td>
<td>49</td>
</tr>
<tr>
<td>Republic of Korea (Note 8)</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Netherlands (Note 8)</td>
<td>825</td>
<td></td>
</tr>
<tr>
<td></td>
<td>825</td>
<td>825</td>
</tr>
<tr>
<td>Norway (Note 8)</td>
<td>245</td>
<td></td>
</tr>
<tr>
<td></td>
<td>245</td>
<td>256</td>
</tr>
<tr>
<td>Switzerland (Note 8)</td>
<td>206</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>326</td>
<td>326</td>
</tr>
<tr>
<td>Sweden (Note 8)</td>
<td>147</td>
<td></td>
</tr>
<tr>
<td></td>
<td>147</td>
<td>114</td>
</tr>
<tr>
<td>United Kingdom (Note 8)</td>
<td>349</td>
<td></td>
</tr>
<tr>
<td></td>
<td>349</td>
<td>307</td>
</tr>
<tr>
<td>Japan Force Protecn (Note 9)</td>
<td>1,700</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,700</td>
<td>1,667</td>
</tr>
<tr>
<td>US Force Protecn (Note 9)</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,000</td>
<td>10,016</td>
</tr>
<tr>
<td>Special Projects Fund (Note 15)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>--</td>
<td>2,854</td>
</tr>
<tr>
<td>Other Income (Note 2)</td>
<td>216</td>
<td>148</td>
</tr>
<tr>
<td></td>
<td>364</td>
<td>72</td>
</tr>
<tr>
<td>Release of Temp.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest. Revenue (Note 8)</td>
<td>1,895</td>
<td>(1,895)</td>
</tr>
<tr>
<td></td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total Support</strong></td>
<td>79,133</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>8,515</td>
<td></td>
</tr>
<tr>
<td></td>
<td>87,648</td>
<td>96,167</td>
</tr>
</tbody>
</table>

**Expenses (Note 10):**
Program Services:
Peacekeeping Mission (Note 11) | 63,819 |
|                                 | 63,819 |
|                                 | 64,776 |
| US Force Protecn (Note 9)       | 886    |
| Special Projects Fund (Note 15) | 1,147  |
|                                 | 1,147  |
|                                 | 1,086  |
| Capital Asset Repl (CARF) (Note 14) | 136    |
|                                 | 136    |
|                                 | 1,687  |
| Australia Force Protecn (Note 9) | 667    |
|                                 | 667    |
|                                 | 667    |
| Japan Force Protecn (Note 9)    | 2,175  |
| Support Services:
Mngmt & General (Note 12)       | 6,594  |
|                                 | 6,594  |
|                                 | 6,742  |
| **Total Expenses**              | 70,414 | 0                  |
|                                 | 5,011  |                    |
|                                 | 75,425 | 82,569             |

Excess/(Deficit) of
Revenues over Expense | 8,719 | 0 |
| DoD Prior Years' Credit (Note 16) | 3,504 | 12,223 |
| Beginning Net Assets | 1     | 31,212 |
| BSRF (Note 3)        | (8,803) | 8,796 |
| Force Prot.          | 7     |       |
| CARF & SIF           | --    |       |
| Unrealized Gain (Losses) on Marketable Securities (Note 4) | (9) | (9) |
| **Ending Net Assets** | (83)  | (9)  |
|                     | 43,512 | 43,421 |
|                     | 31,212 | 31,212 |
### MULTINATIONAL FORCE & OBSERVERS
### STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
as at September 30, 2017 and 2016
(in thousands of U.S. dollars)

<table>
<thead>
<tr>
<th>Revenue: Support (Notes 1 &amp; 2)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Israel</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>United States</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Australia Force Protecn (Note 9)</td>
<td>667</td>
<td>667</td>
</tr>
<tr>
<td>Finland (Note 8)</td>
<td>127</td>
<td>134</td>
</tr>
<tr>
<td>Germany (Note 8)</td>
<td>557</td>
<td>1440</td>
</tr>
<tr>
<td>Japan (Note 8)</td>
<td>49</td>
<td>57</td>
</tr>
<tr>
<td>Republic of Korea (Note 8)</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Netherlands (Note 8)</td>
<td>825</td>
<td>750</td>
</tr>
<tr>
<td>Norway (Note 8)</td>
<td>256</td>
<td>-</td>
</tr>
<tr>
<td>Switzerland (Note 8)</td>
<td>206</td>
<td>372</td>
</tr>
<tr>
<td>Sweden (Note 8)</td>
<td>114</td>
<td>95</td>
</tr>
<tr>
<td>United Kingdom (Note 8)</td>
<td>307</td>
<td>378</td>
</tr>
</tbody>
</table>

| Japan Force Protecn (Note 9)  | 1,667 | 1,655 |
| US Force Protecn (Note 9)     | 10,046 | 10,000 |
| Special Projects Fund (Note 15) | 2,854 | 2,854 |
| Other Income (Note 2)         | 72 | 76 |
| Release of Temp. Rest. Revenue (Note 8) | 846 | - |

| Total Support                  | 80,933 | 96,167 |
| Total                          | 15,234 | 93,924 |

### Expenses (Note 10):
### Program Services:
#### Peacekeeping Mission (Note 11)
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,776</td>
<td>64,776</td>
</tr>
<tr>
<td>82,444</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,410</td>
<td>6,410</td>
</tr>
<tr>
<td>7,914</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,086</td>
<td>1,086</td>
</tr>
<tr>
<td>1,027</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,687</td>
<td>1,687</td>
</tr>
<tr>
<td>308</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>667</td>
<td>667</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,200</td>
<td>1,200</td>
</tr>
<tr>
<td>1,998</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,742</td>
<td>6,742</td>
</tr>
<tr>
<td>6,705</td>
<td></td>
</tr>
</tbody>
</table>

### Total Expenses
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>71,519</td>
<td>11,050</td>
</tr>
<tr>
<td>82,569</td>
<td>101,063</td>
</tr>
</tbody>
</table>

### Excess/(Deficit) of Revenues over Expense
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,414</td>
<td>13,598</td>
</tr>
<tr>
<td>7,139</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,695</td>
<td>4,695</td>
</tr>
</tbody>
</table>

### Beginning Net Assets
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,910</td>
<td>20,033</td>
</tr>
</tbody>
</table>

### BSRF (Note 3)
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,698</td>
<td>3</td>
</tr>
<tr>
<td>14</td>
<td></td>
</tr>
</tbody>
</table>

### Force Prot.
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

### CARF & SIF
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,414</td>
<td>--</td>
</tr>
<tr>
<td>--</td>
<td></td>
</tr>
</tbody>
</table>

### Unrealized Gain (Losses) on Marketable Securities (Note 4)
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>--</td>
<td>(3)</td>
</tr>
</tbody>
</table>

### Ending Net Assets
<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>31,212</td>
<td>31,212</td>
</tr>
<tr>
<td>12,910</td>
<td></td>
</tr>
</tbody>
</table>
## MULTINATIONAL FORCE & OBSERVERS
### STATEMENT OF FUNCTIONAL EXPENSES
as at September 30, 2018 and 2017
(in thousands of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>Total Expenses</th>
<th>Peacekeeping Services</th>
<th>Management &amp; General</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel (Notes 10 and 12)</td>
<td>25,373</td>
<td>20,974</td>
<td>4,399</td>
</tr>
<tr>
<td>Supplies net of miscellaneous sales proceeds (Note 2)</td>
<td>17,512</td>
<td>16,789</td>
<td>723</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>6,168</td>
<td>6,168</td>
<td>0</td>
</tr>
<tr>
<td>Troop Rotation</td>
<td>3,888</td>
<td>3,888</td>
<td>0</td>
</tr>
<tr>
<td>Equipment &amp; Furnishings net of vehicle sales proceeds of $ (Notes 2 &amp; 5)</td>
<td>2,662</td>
<td>2,555</td>
<td>107</td>
</tr>
<tr>
<td>Petroleum, Oil, Lubricants</td>
<td>4,800</td>
<td>4,782</td>
<td>18</td>
</tr>
<tr>
<td>Transportation</td>
<td>2,615</td>
<td>2,593</td>
<td>23</td>
</tr>
<tr>
<td>Communications</td>
<td>336</td>
<td>229</td>
<td>107</td>
</tr>
<tr>
<td>Rents</td>
<td>1,272</td>
<td>615</td>
<td>657</td>
</tr>
<tr>
<td>Buildings &amp; Facilities (Notes 2 &amp; 11)</td>
<td>3,738</td>
<td>3,385</td>
<td>353</td>
</tr>
<tr>
<td>Travel</td>
<td>1,084</td>
<td>928</td>
<td>156</td>
</tr>
<tr>
<td>Utilities</td>
<td>963</td>
<td>912</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>70,414</strong></td>
<td><strong>63,819</strong></td>
<td><strong>6,594</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>90.6%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total Expenses</th>
<th>Peacekeeping Services</th>
<th>Management &amp; General</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel (Notes 10 and 12)</td>
<td>23,091</td>
<td>18,903</td>
<td>4,188</td>
</tr>
<tr>
<td>Supplies net of miscellaneous sales proceeds (Note 2)</td>
<td>17,901</td>
<td>17,187</td>
<td>714</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>10,219</td>
<td>10,219</td>
<td>--</td>
</tr>
<tr>
<td>Troop Rotation</td>
<td>3,812</td>
<td>3,812</td>
<td>--</td>
</tr>
<tr>
<td>Equipment &amp; Furnishings net of vehicle sales proceeds of $155,933 (Notes 2 &amp; 5)</td>
<td>3,183</td>
<td>3,037</td>
<td>146</td>
</tr>
<tr>
<td>Petroleum, Oil, Lubricants</td>
<td>4,636</td>
<td>4,618</td>
<td>18</td>
</tr>
<tr>
<td>Transportation</td>
<td>2,238</td>
<td>2,216</td>
<td>21</td>
</tr>
<tr>
<td>Communications</td>
<td>319</td>
<td>236</td>
<td>83</td>
</tr>
<tr>
<td>Rents</td>
<td>1,415</td>
<td>621</td>
<td>794</td>
</tr>
<tr>
<td>Buildings &amp; Facilities (Notes 2 &amp; 11)</td>
<td>2,503</td>
<td>2,114</td>
<td>389</td>
</tr>
<tr>
<td>Travel</td>
<td>1,475</td>
<td>1,175</td>
<td>300</td>
</tr>
<tr>
<td>Utilities</td>
<td>728</td>
<td>639</td>
<td>89</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>71,519</strong></td>
<td><strong>64,776</strong></td>
<td><strong>6,742</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>90.6%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

DoD Prior Years' Credit (Note 16) | (4,695) | (4,695)
MULTINATIONAL FORCE & OBSERVERS  
STATEMENT OF CASH FLOWS  
as at September 30, 2018 and 2017  
(in thousands of U.S. dollars)  

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Provided by Operating Activities</td>
<td>8,715</td>
<td>9,414</td>
</tr>
<tr>
<td><strong>Excess / (Deficit) of Revenue Over Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of Fixed Assets</td>
<td>167</td>
<td>167</td>
</tr>
<tr>
<td>Unrealized Gains on Marketable Securities</td>
<td>(9)</td>
<td>(2)</td>
</tr>
<tr>
<td>CARF Projects</td>
<td>(136)</td>
<td>2,586</td>
</tr>
<tr>
<td>SIF</td>
<td>0</td>
<td>140</td>
</tr>
<tr>
<td>Special Projects Fund</td>
<td>(1,140)</td>
<td>1,769</td>
</tr>
<tr>
<td>Japan Force Protection</td>
<td>(468)</td>
<td>468</td>
</tr>
<tr>
<td>BSRF</td>
<td>82</td>
<td>284</td>
</tr>
<tr>
<td>Change in US Force Protection Fund</td>
<td>5,167</td>
<td>3,643</td>
</tr>
<tr>
<td>Change in US Budget Reserve Fund</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Change in Current Assets &amp; Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (Increase) in Pledges</td>
<td>3,021</td>
<td>(7,734)</td>
</tr>
<tr>
<td>Decrease (Increase) in Prepaid Expenses and Other Receivables</td>
<td>751</td>
<td>(2,165)</td>
</tr>
<tr>
<td>(Decrease)/Increase in Accounts Payable, Accrued Expenses and Unearned Support Contributions</td>
<td>218</td>
<td>(1,275)</td>
</tr>
<tr>
<td><strong>Net Cash Provided/(Used) by Operating Activities</strong></td>
<td><strong>16,368</strong></td>
<td><strong>7,295</strong></td>
</tr>
</tbody>
</table>

Cash Provided/(Used) by Investing Activities  
Purchases of Available for Sale Securities  
Other Non - current assets                | (8,899) | -- |
Other Current Assets                     | (1,014) | -- |
Maturities of Available for Sale Securities | -- | 1,352 |
Net Cash Provided/(Used) by Investing Activities | -- | 1,352 |
Cash & Cash Equivalents at Beginning of Year | 29,790 | 21,145 |

**Cash & Cash Equivalents at End of Year** | 36,245 | 29,792 |

Supplemental Data:  
Cash Received – Interests  
216 | 72
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 consistently 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 as defined by the American Institute of Certified Public Accountants, specifically the Financial Accounting Standards Board codified section 958 applicable to Not-for-Profit Organizations.

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. Actual results could differ from those estimates.

Net Assets

The MFO classifies Net Assets in accordance with the Financial Accounting Standards Board codified section 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”.

Revenue Recognition

All of the MFO's revenues in FY 2018 are derived from support contributions by the Funds Contributing States (Note 1) plus the additional annual contributions from “Donor States” which in FY 2018 were Finland, Germany, Japan, the Republic of Korea, the Netherlands, Sweden, Switzerland, Norway and the United Kingdom (Note 8) and (for Force Protection) Australia, Japan and the United States (Note 9), apart from other income relating to interest,
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

dividends and realized gains/losses on the disposal of marketable securities, which are recognized on an accrual basis, and unrealized gains/losses on marketable securities, which are recorded in unrestricted net assets. Support is recognized from amounts pledged to the MFO. The principle of equal contributions by the three Funds Contributing States pursuant to the Protocol to the Treaty and related side letters is maintained.

Pledges

Conditional and unconditional pledges of the Funds Contributing States and other donors have been shown in the financial statements as revenue in accordance with the Financial Accounting Standards Board codified section 958-605. Conditional pledges (restricted revenues) are recognized when the conditions on which they depend are substantially met and unconditional pledges are recognized as revenue upon notification. Secured pledges are the budgeted contributions that have been formally confirmed and made available to the MFO and unsecured pledges are those that have been made available to the MFO but are yet to be formally confirmed.

Buildings, Equipment & Furnishings

The costs of equipment and furnishings are expensed as incurred. The Rome HQ 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 Financial Accounting Standards Board codified section 958-360. They are being depreciated over thirty years using the straight-line method.

The costs of equipment and furnishings are expensed as incurred net of all sales proceeds. The MFO policy on Equipment and Furnishing states that MFO does not capitalize, with the exception of the above mentioned owned realty, any of its fixed assets. This policy differs from the Financial Accounting Standards Board codified section 958-360.

Supplies & Stores Inventory

Costs of supplies and stores items are charged to expense as they are received, net of proceeds from miscellaneous sales.

Foreign Exchange

Exchange adjustments arising from the translation 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
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

funds deposited in a fixed income portfolio management account and are stated at fair value.

Temporarily Restricted/Permanently Restricted

Temporarily and permanently restricted assets are in accordance with the Financial Accounting Standards Board codified section 958-205-10-50.

NOTE 3 - BUDGET STABILIZATION RESERVE FUND

Following consultations between the three Funds Contributing States and the MFO on June 10, 2010, the MFO was requested to establish a mechanism to capture and set aside any annual operating budget surplus beginning from FY 2010. The aim of this budget stabilization and reserve fund (BSRF) is to stabilize, insofar as possible, the annual Funds Contributing States' contributions and to make up any deficit that might occur.

Commencing FY 2011, interest earned on the BSRF investments is retained in the Fund. In accordance with the Financial Accounting Standards Board codified section 958-210, the BSRF is considered "Temporarily Restricted".

The BSRF balance at the end of FY 2018 amounts to $19,513,324. The increase of $8,795,831 compared to last fiscal year is the net effect of interest earned in the amount of $102,262, unrealized losses of $21,009 and the FY 2018 surplus of $8,714,578, which mainly results from lower aviation maintenance charges, reduced military rotation costs and deferred vehicle purchases.

NOTE 4 - MARKETABLE SECURITIES

A breakdown of the fair value of securities, which are available for sale at maturity, is as follows (in thousands of U.S. dollars):

<table>
<thead>
<tr>
<th>Maturing within 1 year</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,014</td>
<td>--</td>
</tr>
<tr>
<td>Maturing between 1-5 years</td>
<td>8,899</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,913</strong></td>
<td><strong>--</strong></td>
</tr>
</tbody>
</table>

Realized gains and losses on sales of marketable securities during the year ended September 30, 2018 were $ nil. Realized gains and losses on sales of marketable securities during the year ended September 30, 2017 were $ nil.
NOTE 4 - MARKETABLE SECURITIES (CONTINUED)

Unrealized gains and losses reflect movements in the market value of securities and are only realized if the securities are sold.

At September 30, 2017, marketable securities which were available for sale were nil.

At September 30, 2018, marketable securities which were available for sale are summarized below (in thousands of U.S. dollars):

<table>
<thead>
<tr>
<th></th>
<th>Carrying Amount</th>
<th>Unrealized Gains</th>
<th>Unrealized Losses</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floating rate notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>maturing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>within 1 year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Corporations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>maturing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>between 1-5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,018</td>
<td>(4)</td>
<td>1,014</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,925</td>
<td>(26)</td>
<td>8,899</td>
<td></td>
</tr>
<tr>
<td>Money market</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>maturing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>within 1 year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>between 1-5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,943</strong></td>
<td><strong>(30)</strong></td>
<td><strong>9,913</strong></td>
<td></td>
</tr>
</tbody>
</table>

NOTE 5 - FIXED ASSETS

On September 16, 1997, the MFO acquired part of a building in Rome, Italy, for use as the headquarters of the organization for $2,337,000. 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 $2,677,000.

The depreciation expense of both properties for the year ended September 30, 2018 is $167,138 (2017 - $167,138).

The acquisition cost and accumulated depreciation of both properties are composed as follows as of September 30, 2018 (in thousands of U.S. dollars):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>5,014</td>
<td>5,014</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(2,580)</td>
<td>(2,413)</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td><strong>2,434</strong></td>
<td><strong>2,601</strong></td>
</tr>
</tbody>
</table>
NOTE 5 - FIXED ASSETS (CONTINUED)

The expenditures for equipment and furnishings are included in the statement of functional expenses.

NOTE 6 - PREPAID EXPENSES AND OTHER RECEIVABLES

The schedule below provides an analysis of the prepaid expenses and other receivables balance as of September 30, 2018 (in thousands of U.S. dollars):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Force Exchange</td>
<td>292</td>
<td>797</td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>Other Prepaids</td>
<td>2,531</td>
<td>2,030</td>
</tr>
<tr>
<td>Prepaid Morale Support</td>
<td>289</td>
<td>121</td>
</tr>
<tr>
<td>Other Receivables and Advances</td>
<td>270</td>
<td>1,168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,382</strong></td>
<td><strong>4,133</strong></td>
</tr>
</tbody>
</table>

As of September 30, 2018 the balance of prepaid expenses and other receivables decreased due to the following factors:
- A decrease in the Force Exchange receivable amount is attributed to additional cash transfers made by the Force Exchange to the MFO.
- An increase in Other Prepaids is due to advance payments for bulk fuel and electrical equipment.
- A decrease in Other Receivables and Advances is mainly due to cumulative refunds relating to the past three years of military and medical insurance.

NOTE 7 - PLEDGES

The amounts of budgeted contributions that have not been drawn upon or made available are shown in the financial statements as pledges, which are secured as of September 30, 2018 and are as follows (in thousands of U.S. dollars):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured Pledges</td>
<td>6,000</td>
<td>9,400</td>
</tr>
<tr>
<td>Unsecured pledges</td>
<td>379</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,379</strong></td>
<td><strong>9,400</strong></td>
</tr>
</tbody>
</table>
NOTE 8 - CONTRIBUTIONS TO OPERATING REVENUE MADE BY THE GOVERNMENTS OF FINLAND, GERMANY, JAPAN, THE REPUBLIC OF KOREA, THE NETHERLANDS, NORWAY, SWEDEN, SWITZERLAND AND THE UNITED KINGDOM

Donor State contributions to FY 2018 operating revenue were recorded as follows (for Force Protection-earmarked funding see Note 9):

In FY 2018 Finland made an unrestricted contribution of Euro 120,000 to the MFO.

The MFO received a contribution from the Government of Germany in the amount of Euro 1,315,085 during FY 2018 of which Euro 845,085 is applied towards the Bedouin Employment Program.

In FY 2018, a contribution from the Government of Japan to operating revenue amounted to $44,627. As specified by the Government of Japan, this contribution has been applied exclusively, and conditionally, to pay for food costs and civilian personnel salaries.

During FY 2018, the MFO received an unrestricted contribution of $300,000 from the Republic of Korea.

During FY 2018, unrestricted support amounting to $825,000 was received from the Government of the Netherlands.

The MFO received a contribution of NOK 2,000,000 from the Government of Norway during FY 2018 toward support for the Civilian Observer Unit.

In FY 2018, the Government of Sweden contributed SEK 1,250,000 to the MFO toward support for the Civilian Observer Unit.

In FY 2018, the Government of Switzerland contributed CHF 207,000 and $120,000. The CHF 207,000 is unrestricted and the $120,000 is applied towards support for the Civilian Observer Unit.

During FY 2018, the United Kingdom made a contribution of GBP 250,000 to the MFO cost of employing members of the local Bedouin population.

Conditional contributions that appear as “Temporarily Restricted” revenue in the statement of Revenues Expenses and Changes in Net Assets were released in their entirety by incurring qualified expenses during FY 2018 thereby satisfying donor restrictions.
NOTE 8 - CONTRIBUTIONS TO OPERATING REVENUE MADE BY THE GOVERNMENTS OF FINLAND, GERMANY, JAPAN, THE REPUBLIC OF KOREA, THE NETHERLANDS, NORWAY, SWEDEN, SWITZERLAND AND THE UNITED KINGDOM (CONTINUED)

The contributions which have been included in the accompanying financial statements are summarized as follows (in thousands of U.S. dollars):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>140</td>
<td>127</td>
</tr>
<tr>
<td>Germany</td>
<td>1,541</td>
<td>557</td>
</tr>
<tr>
<td>Japan</td>
<td>45</td>
<td>49</td>
</tr>
<tr>
<td>The Republic of Korea</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Netherlands</td>
<td>825</td>
<td>825</td>
</tr>
<tr>
<td>Norway</td>
<td>245</td>
<td>256</td>
</tr>
<tr>
<td>Sweden</td>
<td>147</td>
<td>114</td>
</tr>
<tr>
<td>Switzerland</td>
<td>326</td>
<td>326</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>348</td>
<td>307</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,917</strong></td>
<td><strong>2,861</strong></td>
</tr>
</tbody>
</table>

NOTE 9 – SUPPLEMENTAL DONATIONS – FORCE PROTECTION

Beginning in FY 2006, contributions from the U.S. Government have provided funding for Force Protection requirements that are separate from and additional to the U.S. contribution to the MFO’s annual operating expenses. In FY 2018, the Australian Government contributed $666,667, Japan contributed $1,700,000 (separate from and additional to Japan’s contribution to operating expenses), and the U.S. Government contributed $6,000,000 towards Force Protection. These funds are separately managed and accounted for and exclusively applied for the intended purpose of Force Protection and related expenditure. The above mentioned amounts were released in part or in full by incurring qualified expenses or were committed during FY 2018, thereby satisfying donor restrictions.
NOTE 9 – SUPPLEMENTAL DONATIONS – FORCE PROTECTION (CONTINUED)

The schedule below provides an analysis of supplementary funding for Force Protection requirements at September 30 (in thousands of U.S. dollars):

<table>
<thead>
<tr>
<th>Year</th>
<th>Contributions</th>
<th>Expenditures</th>
<th>Balance of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period Ended 2006</td>
<td>3,500</td>
<td>2,186</td>
<td>1,314</td>
</tr>
<tr>
<td>FY 2007</td>
<td>--</td>
<td>600</td>
<td>(600)</td>
</tr>
<tr>
<td>Period Ended 2007</td>
<td>3,500</td>
<td>2,186</td>
<td>1,314</td>
</tr>
<tr>
<td>FY 2008</td>
<td>3,798</td>
<td>394</td>
<td>3,404</td>
</tr>
<tr>
<td>Period Ended 2008</td>
<td>7,298</td>
<td>3,180</td>
<td>4,118</td>
</tr>
<tr>
<td>FY 2009</td>
<td>--</td>
<td>245</td>
<td>(245)</td>
</tr>
<tr>
<td>Period Ended 2009</td>
<td>7,298</td>
<td>3,425</td>
<td>3,872</td>
</tr>
<tr>
<td>FY 2010</td>
<td>3,000</td>
<td>865</td>
<td>2,135</td>
</tr>
<tr>
<td>Period Ended 2010</td>
<td>10,298</td>
<td>4,230</td>
<td>6,068</td>
</tr>
<tr>
<td>FY 2011</td>
<td>1,000</td>
<td>1,759</td>
<td>(759)</td>
</tr>
<tr>
<td>Period Ended 2011</td>
<td>11,298</td>
<td>5,989</td>
<td>5,309</td>
</tr>
<tr>
<td>FY 2012</td>
<td>2,000</td>
<td>3,570</td>
<td>(1,570)</td>
</tr>
<tr>
<td>Period Ended 2012</td>
<td>13,298</td>
<td>9,559</td>
<td>3,739</td>
</tr>
<tr>
<td>FY 2013</td>
<td>2,098</td>
<td>5,458</td>
<td>(3,360)</td>
</tr>
<tr>
<td>Period Ended 2013</td>
<td>15,396</td>
<td>15,017</td>
<td>379</td>
</tr>
<tr>
<td>FY 2014</td>
<td>8,500</td>
<td>7,944</td>
<td>556</td>
</tr>
<tr>
<td>Period Ended 2014</td>
<td>23,896</td>
<td>22,961</td>
<td>935</td>
</tr>
<tr>
<td>FY 2015</td>
<td>7,868</td>
<td>6,279</td>
<td>1,588</td>
</tr>
<tr>
<td>Period Ended 2015</td>
<td>31,763</td>
<td>29,240</td>
<td>2,523</td>
</tr>
<tr>
<td>FY 2016</td>
<td>12,332</td>
<td>10,579</td>
<td>1,753</td>
</tr>
<tr>
<td>Period Ended 2016</td>
<td>44,095</td>
<td>39,819</td>
<td>4,276</td>
</tr>
<tr>
<td>FY 2017</td>
<td>12,388</td>
<td>8,277</td>
<td>4,111</td>
</tr>
<tr>
<td>Period Ended 2017</td>
<td>56,484</td>
<td>48,096</td>
<td>8,388</td>
</tr>
<tr>
<td>FY 2018</td>
<td>8,427</td>
<td>3,728</td>
<td>4,699</td>
</tr>
<tr>
<td>Period Ended 2018</td>
<td>64,911</td>
<td>51,824</td>
<td>13,086</td>
</tr>
</tbody>
</table>

In accordance with the Financial Accounting Standards Board codified sections 958-210 and 958-225, these funds are considered "Temporarily Restrictec".
NOTE 10 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The schedule below provides an analysis by cost allocation of accounts payable and accrued expenses as of September 30, 2018 (in thousands of U.S. dollars):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>8,207</td>
<td>7,411</td>
</tr>
<tr>
<td>Supplies</td>
<td>4,751</td>
<td>5,447</td>
</tr>
<tr>
<td>Troop Rotation</td>
<td>1,684</td>
<td>1,566</td>
</tr>
<tr>
<td>Force Exchange</td>
<td>290</td>
<td>290</td>
</tr>
<tr>
<td>Other</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,932</strong></td>
<td><strong>14,714</strong></td>
</tr>
</tbody>
</table>

As of September 30, 2018 the balance of account payable and accrued expenses increased due to the following factors:
- An increase in the Personnel accounts payable balance is mainly attributed to late receipt of an invoice for military participation;
- A decrease in the Supplies accounts payable balance is due to lower fixed and rotary wing flying hour charges from the U.S. Department of Defense.

Effective 1 August 2011, the MFO requires claims for reimbursement by Participating States to be submitted no more than twelve months after an expense is incurred.

The MFO operates, on a not-for-profit basis, a Force Exchange in the Sinai for the benefit of participating troops and civilian personnel. Force Exchange surpluses are used to fund morale support expenditure. Force Exchange operations, for which working capital is provided by the MFO, 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 Force Exchange operates using its own bank accounts and financial accounting records. Should Force Exchange operations significantly increase they may be consolidated into the MFO financial statements. Such an increase in operations is not envisioned in the foreseeable future.
NOTE 11 - CONTRIBUTED SERVICES & FACILITIES

Contributed Services

For troop contributing nations, the MFO reimburses all or part of the agreed cost of special pay and allowances for troops serving abroad. The MFO does not pay fixed base pay and salaries, and receives a credit from certain troop contributing nations for certain costs that troop contributors would have incurred had their troops remained at home.

These credits are not separately identified within the financial statements, and the stated expense for these personnel is net of these credits. In accordance with the Financial Accounting Standards Board codified section 958-605-25, the value of the contributed services of soldiers is not included in the financial statements as such services are not obtainable from the general market place. The MFO recognizes with gratitude the indirect and often substantial support that several Participating States are providing as a result of these arrangements:

- Australia, Canada, 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.
- In addition, New Zealand contributed two electricians to assist with electrical works at South Camp.
- The United Kingdom contributed a team to assess Force command and control, operations and headquarters effectiveness.
- Australia sent an operations analyst to assist with planning, assessment and optimization.
- During the FY, the United States Army generously contributed a surgical team, an annual security assessment and Force protection equipment for use at North and South Camps.
- In the case of the United States, Italy and the Czech Republic, the MFO is furnished at no cost with capital equipment for the mission, and with agreed maintenance and support arrangements that effectively allocate such costs between the MFO and the contributing country. Stated expenses for equipment and supplies are net of agreed credits relating to maintenance and support arrangements. A precise valuation of these capital contributions themselves, 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. In accordance with the Financial Accounting Standards Board codified section 958-605-25, the MFO has not recognized as a contribution such equipment as the MFO, as stated above, has no reasonable basis for the determination of value.
NOTE 11 - CONTRIBUTED SERVICES & FACILITIES (CONTINUED)

A revised financial agreement between the MFO and the U.S. Army was signed on October 21, 2016, applicable from October 1, 2016. The agreement includes charges for U.S. Army helicopters and fixed wing aircraft stationed in the Sinai. The arrangement also 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. The agreement was updated on August 30, 2018.

In FY 2018, the total value of credits from the United States Department of Defense was $4,940,947. This amount is more than offset by amounts otherwise due to the Department of Defense from the MFO for special pay and various allowances, helicopter flying hour and labor contract charges, flying hour charges for fixed wing aircraft, and goods and services ordered by the MFO.

Contributed Facilities

The MFO does not have title to the buildings and facilities that are located in the Sinai. The MFO receives the use of FOB-N, formerly North Camp, and South Camp in the Sinai rent-free. These sites and related facilities are 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.

NOTE 12 - ALLOCATION OF EXPENSES

MFO Management has determined, in compliance with the Financial Accounting Standards Board codified section 958-720, that all costs relating to the Rome Headquarters (HQ) and the staff compensation costs of the office of the Director General’s Representatives in Cairo and Tel Aviv will be regarded as support costs. All other costs relating to the MFO field offices in Tel Aviv and Cairo and the Force deployed in the Sinai have been reported as program costs as defined by the Financial Accounting Standards Board codified section 958-720. It should be noted that some HQ 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

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.
NOTE 13 - SELF-INSURANCE FUND (CONTINUED)

The opening balance of the Fund was $6,150,239. There were no transactions during the FY and the ending Fund balance was $6,150,239. The interest earned on the Self-Insurance Fund investments is returned to the Funds Contributing States. In accordance with the Financial Accounting Standards Board codified section 958-210, the Self-Insurance Fund is considered "Temporarily Restricted".

NOTE 14 - CAPITAL ASSET REPLACEMENT FUND

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 is set at $4,187,500.

The opening balance of the Fund was $4,187,500. During the FY, expenditure totaled $135,949 and the ending Fund balance was $4,051,551. All outstanding projects approved for funding by the CARF were completed during the FY.

The interest earned on the CARF investments is returned to the Funds Contributing States. In accordance with the Financial Accounting Standards Board codified section 958-210, the CARF is considered "Temporarily Restricted".

NOTE 15 - SPECIAL PROJECTS FUND

In FY 2017, the U.S. Government contributed $2,854,263 to a Special Projects Fund. The opening balance of this fund at the start of fiscal year 2018 was $1,768,546. During the FY, expenditure totaled $1,146,589, interest of $6,807 was received and the ending Fund balance was $628,764. The Fund is being used to support additional facilities projects required at the MFO’s South Camp.

NOTE 16 - U.S. DEPARTMENT OF DEFENSE CREDIT

In FY 2017, the U.S. Department of Defense issued credits totaling $4,695,118 relating to charges against the MFO in FY 2016 and prior years. These credits were fully expended by replenishing the SIF $139,562 (Note 13) and CARF $4,273,629 (Note 14) in FY 2017, and the remaining balance of $281,927 was transferred to the BSRF (Note 3) in FY 2017.

No DoD credits relating to prior years' charges were received during FY 2018.