

Return of Organization Exempt From Income Tax

2005

Department of the Treasury Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2005 calendar year, or tax year beginning 2005, and ending

B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending. D Employer Identification Number: 23-7749796. E Telephone number: (215) 546-5406. F Accounting method: X Cash, Accrual.

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

G Web site: WWW.MEFORUM.ORG

J Organization type (check only one): X 501(c) 3 (insert no), 4947(a)(1) or 527

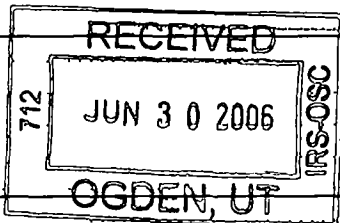
K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be sure to file a complete return. Some states require a complete return.

H and I are not applicable to section 527 organizations. H (a) Is this a group return for affiliates? Yes No. H (b) If 'Yes,' enter number of affiliates. H (c) Are all affiliates included? Yes No. H (d) Is this a separate return filed by an organization covered by a group ruling? Yes No. I Group Exemption Number. M Check if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12: 2,291,076.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Instructions)

Table with columns for Revenue, Expenses, and Assets. Rows include: 1 Contributions, gifts, and similar amounts received; 2 Program service revenue; 3 Membership dues and assessments; 4 Interest on savings and temporary cash investments; 5 Dividends and interest from securities; 6a Gross rents; 6b Less rental expenses; 6c Net rental income or (loss); 7 Other investment income; 8a Gross amount from sales of assets other than inventory; 8b Less cost or other basis and sales expenses; 8c Gain or (loss); 8d Net gain or (loss); 9 Special events and activities; 9a Gross revenue; 9b Less direct expenses; 9c Net income or (loss); 10a Gross sales of inventory; 10b Less cost of goods sold; 10c Gross profit or (loss); 11 Other revenue; 12 Total revenue; 13 Program services; 14 Management and general; 15 Fundraising; 16 Payments to affiliates; 17 Total expenses; 18 Excess or (deficit) for the year; 19 Net assets or fund balances at beginning of year; 20 Other changes in net assets or fund balances; 21 Net assets or fund balances at end of year.



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Part II Statement of Functional Expenses All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (att sch) (cash \$ _____ non-cash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22			
23	Specific assistance to individuals (att sch)	23			
24	Benefits paid to or for members (att sch)	24			
25	Compensation of officers, directors, etc	25	111,876.	102,926.	3,356.
26	Other salaries and wages	26	334,422.	218,278.	86,231.
27	Pension plan contributions	27			
28	Other employee benefits	28	3,417.	663.	2,754.
29	Payroll taxes	29	34,261.	22,147.	7,286.
30	Professional fundraising fees	30			
31	Accounting fees	31	8,345.		8,345.
32	Legal fees	32	4,888.		4,888.
33	Supplies	33	7,850.	1,780.	6,070.
34	Telephone	34	8,774.		8,774.
35	Postage and shipping	35	13,111.	5,130.	7,930.
36	Occupancy	36	53,632.		53,632.
37	Equipment rental and maintenance	37	5,045.		5,045.
38	Printing and publications	38	40,809.	40,474.	335.
39	Travel	39	21,092.	5,928.	1,504.
40	Conferences, conventions, and meetings	40			
41	Interest	41			
42	Depreciation, depletion, etc (attach schedule)	42	3,328.		3,328.
43	Other expenses not covered above (itemize)				
a	SEE STATEMENT 2	43a	1,011,180.	911,572.	97,761.
b	-----	43b			
c	-----	43c			
d	-----	43d			
e	-----	43e			
f	-----	43f			
g	-----	43g			
44	Total functional expenses Add lines 22 through 43 (Organizations completing columns (B) - (D), carry these totals to lines 13 - 15)	44	1,662,030.	1,308,898.	297,239.
					55,893.

Joint Costs. Check if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to Program services \$ _____, (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

BAA

Part III Statement of Program Service Accomplishments

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ▶ <u>EDUCATION REGARDING THE MIDDLE EAST</u> All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts, but optional for others.)
a <u>THE ORGANIZATION CONDUCTS RESEARCH AND PROVIDES LITERATURE, EDUCATIONAL PROGRAMS, MEETINGS AND LECTURES REGARDING THE MIDDLE EAST AND RELATED U.S. FOREIGN POLICY</u> ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	1,308,898.
b ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
c ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
d ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
e Other program services (Grants and allocations \$ _____) If this amount includes foreign grants, check here ▶ <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶	1,308,898.

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Part IV Balance Sheets (See Instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only

		(A) Beginning of year		(B) End of year
ASSETS	45 Cash – non-interest-bearing	239,404.	45	215,337.
	46 Savings and temporary cash investments	197,342.	46	777,006.
	47 a Accounts receivable	47 a		
	b Less allowance for doubtful accounts	47 b		47 c
	48 a Pledges receivable	48 a		
	b Less allowance for doubtful accounts	48 b		48 c
	49 Grants receivable	20,000.	49	5,000.
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)			50
	51 a Other notes & loans receivable (attach sch)	51 a		
	b Less allowance for doubtful accounts	51 b		51 c
	52 Inventories for sale or use			52
	53 Prepaid expenses and deferred charges	2,042.	53	13,911.
	54 Investments – securities (attach schedule)	<input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV 1,498.	54	
	55 a Investments – land, buildings, & equipment basis	55 a		
	b Less accumulated depreciation (attach schedule)	55 b		55 c
	56 Investments – other (attach schedule)			56
57 a Land, buildings, and equipment basis	57 a	69,211.		
b Less accumulated depreciation (attach schedule)	57 b	56,004.		
58 Other assets (describe ▶ <u>STATEMENT 3 SEE STATEMENT 4</u>)		8,685.	57 c	13,207.
59 Total assets (must equal line 74) Add lines 45 through 58		473,750.	58	4,779.
60 Accounts payable and accrued expenses		83,338.	59	1,029,240.
61 Grants payable			60	31,722.
62 Deferred revenue		9,483.	61	
63 Loans from officers, directors, trustees, and key employees (attach schedule)			62	11,446.
64 a Tax-exempt bond liabilities (attach schedule)			63	
b Mortgages and other notes payable (attach schedule)			64 a	
65 Other liabilities (describe ▶ _____)			64 b	
66 Total liabilities. Add lines 60 through 65		92,821.	65	
66 Total liabilities. Add lines 60 through 65			66	43,168.
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here ▶ <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74			
	67 Unrestricted	263,808.	67	801,653.
	68 Temporarily restricted	117,121.	68	184,419.
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here ▶ <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21).	380,929.	73		986,072.
74 Total liabilities and net assets/fund balances. Add lines 66 and 73	473,750.	74		1,029,240.

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Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See instructions.)

a	Total revenue, gains, and other support per audited financial statements		a	2,199,875.
b	Amounts included on line a but not on Part I, line 12		b	
	1 Net unrealized gains on investments	b1		
	2 Donated services and use of facilities	b2		
	3 Recoveries of prior year grants	b3		
	4 Other (specify) _____	b4		
	Add lines b1 through b4		b	
c	Subtract line b from line a		c	2,199,875.
d	Amounts included on Part I, line 12, but not on line a :		d	
	1 Investment expenses not included on Part I, line 6b	d1		
	2 Other (specify) <u>SEE STM 5</u> _____	d2		67,298.
	Add lines d1 and d2		d	67,298.
e	Total revenue (Part I, line 12) Add lines c and d		e	2,267,173.

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total expenses and losses per audited financial statements.		a	1,662,030.
b	Amounts included on line a but not on Part I, line 17		b	
	1 Donated services and use of facilities	b1		
	2 Prior year adjustments reported on Part I, line 20	b2		
	3 Losses reported on Part I, line 20	b3		
	4 Other (specify) _____	b4		
	Add lines b1 through b4		b	
c	Subtract line b from line a		c	1,662,030.
d	Amounts included on Part I, line 17, but not on line a :		d	
	1 Investment expenses not included on Part I, line 6b	d1		
	2 Other (specify) _____	d2		
	Add lines d1 and d2		d	
e	Total expenses (Part I, line 17) Add lines c and d		e	1,662,030.

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated) (See the instructions)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation plans	(E) Expense account and other allowances
SEE STATEMENT 6		111,876.	0.	0.

Part V-A Current Officers, Directors, Trustees, and Key Employees <i>(continued)</i>	Yes	No
75a Enter the total number of officers, directors, and trustees permitted to vote on organization business as board meetings ▶ 12		
b Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If 'Yes,' attach a statement that identifies the individuals and explains the relationship(s)	75b	<input checked="" type="checkbox"/>
c Do any officers, directors, trustees, or key employees listed in form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to this organization through common supervision or common control? Note. Related organizations include section 509(a)(3) supporting organizations If 'Yes,' attach a statement that identifies the individuals, explains the relationship between this organization and the other organization(s), and describes the compensation arrangements, including amounts paid to each individual by each related organization	75c	<input checked="" type="checkbox"/>
d Does the organization have a written conflict of interest policy?	75d	<input checked="" type="checkbox"/>

(A) Name and address	(B) Loans and Advances	(C) Compensation	(D) Contributions to employee benefit plans and deferred compensation plans	(E) Expense account and other allowances

Part VI Other Information <i>(See the instructions)</i>	Yes	No
76 Did the organization engage in any activity not previously reported to the IRS? If 'Yes,' attach a detailed description of each activity	76	<input checked="" type="checkbox"/>
77 Were any changes made in the organizing or governing documents but not reported to the IRS? If 'Yes,' attach a conformed copy of the changes	77	<input checked="" type="checkbox"/>
78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	<input checked="" type="checkbox"/>
b If 'Yes,' has it filed a tax return on Form 990-T for this year?	78b	N/A
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If 'Yes,' attach a statement	79	<input checked="" type="checkbox"/>
80a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc, to any other exempt or nonexempt organization?	80a	<input checked="" type="checkbox"/>
b If 'Yes,' enter the name of the organization ▶ N/A _____ and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81a Enter direct and indirect political expenditures (See line 81 instructions) 81a 0.	81a	<input checked="" type="checkbox"/>
b Did the organization file Form 1120-POL for this year?	81b	<input checked="" type="checkbox"/>

Part VI Other Information (continued)		Yes	No
82 a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?			X
b If 'Yes,' you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III)	82 b		N/A
83 a Did the organization comply with the public inspection requirements for returns and exemption applications?	83 a	X	
b Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83 b	X	
84 a Did the organization solicit any contributions or gifts that were not tax deductible?	84 a		X
b If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84 b		N/A
85 501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?	85 a		N/A
b Did the organization make only in-house lobbying expenditures of \$2,000 or less?	85 b		N/A
If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year			
c Dues, assessments, and similar amounts from members	85 c		N/A
d Section 162(e) lobbying and political expenditures	85 d		N/A
e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85 e		N/A
f Taxable amount of lobbying and political expenditures (line 85d less 85e)	85 f		N/A
g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85 g		N/A
h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85 h		N/A
86 501(c)(7) organizations Enter a Initiation fees and capital contributions included on line 12	86 a		N/A
b Gross receipts, included on line 12, for public use of club facilities	86 b		N/A
87 501(c)(12) organizations Enter a Gross income from members or shareholders	87 a		N/A
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	87 b		N/A
88 At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If 'Yes,' complete Part IX	88		X
89 a 501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 ▶ 0. , section 4912 ▶ 0. , section 4955 ▶ 0.			
b 501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction	89 b		X
c Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958			0.
d Enter Amount of tax on line 89c, above, reimbursed by the organization			0.
90 a List the states with which a copy of this return is filed ▶ PA NY MA OH	90 b		0
b Number of employees employed in the pay period that includes March 12, 2005 (See instructions)			
91 a The books are in care of ▶ DANIEL PIPES Telephone number ▶ (215) 546-5406			
Located at ▶ 1500 WALNUT STREET, STE 1050, PHILA, PA, ZIP + 4 ▶ 19102			
b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	91 b		X
If 'Yes,' enter the name of the foreign country ▶			
See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Statements			
c At any time during the calendar year, did the organization maintain an office outside of the United States?	91 c		X
If 'Yes,' enter the name of the foreign country ▶			
92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here		N/A	<input type="checkbox"/>
and enter the amount of tax-exempt interest received or accrued during the tax year	▶ 92		N/A

Part VII Analysis of Income-Producing Activities (See the instructions)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a LITERATURE SALES					2,734.
b MEETINGS AND BRIEFING			6	402,703.	
c SPEAKER & LECTURE FEE			6	43,977.	
d SUBSCRIPTION REVENUE					56,442.
e _____					
f Medicare/Medicaid payments					
g Fees & contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts			14	8,152.	
96 Dividends & interest from securities			14	58.	
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from pers prop					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	279.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue a _____					
b _____					
c _____					
d _____					
e _____					
104 Subtotal (add columns (B), (D), and (E))				455,169.	59,176.
105 Total (add line 104, columns (B), (D), and (E))					514,345.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
93A/D	THE ORGANIZATION SELLS SUBSCRIPTIONS TO THEIR SCHOLARY PUBLICATIONS WHICH OFFSET, IN PART, THE COSTS OF PUBLISHING

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	0%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions)

- a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
 - b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
- Note: If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions)

Under penalties of perjury, I declare that I have examined this return, including any schedules or attachments, and the information and declarations are true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which he or she has any knowledge.

Please Sign Here

Signature of officer: Daniel Pipes
 Type or print name and title: DANIEL PIPES, DIRECTOR

Paid Preparer's Use Only

Preparer's signature: John A. Paciello
 Firm's name (or yours if self-employed), address and ZIP + 4: JOHN A. PACIELLO, CPA
CLAIRMONT, PACIELLO & CO, P.
250 TANGLEWOOD LANE
KING OF PRUSSIA, PA 19406-23

SCHEDULE A
(Form 990 or 990-EZ)

**Organization Exempt Under
Section 501(c)(3)**

OMB No 1545 0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

2005

Department of the Treasury
Internal Revenue Service

Supplementary Information — (See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ.**

Name of the organization MIDDLE EAST FORUM	Employer identification number 23-7749796
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Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See instructions List each one If there are none, enter 'None.')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account and other allowances
AMY SHARGEL PHILA., PA	MANAGING DIR. 40	84,333.	0.	0.
ALEXANDER JOFFE PHILA., PA	PROJECT DIRECT. 40	56,000.	0.	0.
JUDITH GOODROBB PHILA., PA	ADMINISTRATION 40	53,608.	0.	0.
TROY CARY PHILA., PA	BOOKKEEPER 40	44,417.	0.	0.
THELMA PROSSER PHILA., PA	ADMINISTRATIVE 40	40,000.	0.	0.
Total number of other employees paid over \$50,000 ▶	0			

Part II - A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See instructions List each one (whether individuals or firms) If there are none, enter 'None')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services ▶	0	

Part II - B Compensation of the Five Highest Paid Independent Contractors for Other Services

(List each contractor who performed services other than professional services, whether individuals or firms If there are none, enter 'None.' See instructions)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of other contractors receiving over \$50,000 for other services ▶	0	

Part III Statements About Activities (See instructions.)

	Yes	No
<p>1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If 'Yes,' enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ <u>N/A</u></p> <p>(Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.)</p> <p>Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking 'Yes' must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.</p>		X
<p>2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is 'Yes,' attach a detailed statement explaining the transactions.)</p> <p style="text-align: center;">SEE STATEMENT 7</p> <p>a Sale, exchange, or leasing of property?</p>	2a	X
b Lending of money or other extension of credit?	2b	X
c Furnishing of goods, services, or facilities?	2c	X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d	X
e Transfer of any part of its income or assets?	2e	X
3a Do you make grants for scholarships, fellowships, student loans, etc? (If 'Yes,' attach an explanation of how you determine that recipients qualify to receive payments.)	3a	X
b Do you have a section 403(b) annuity plan for your employees?	3b	X
c During the year, did the organization receive a contribution of qualified real property interest under section 170(h)?	3c	X
4a Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?	4a	X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?	4b	X

Part IV Reason for Non-Private Foundation Status (See instructions.)

The organization is not a private foundation because it is. (Please check only **ONE** applicable box.)

- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i).
- 6 A school Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ▶ _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 An organization that normally receives (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc, functions - subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) Check the box that describes the type of supporting organization. ▶ Type 1 Type 2 Type 3

Provide the following information about the supported organizations (See instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) *Use cash method of accounting.*

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	1,650,864.	1,749,234.	2,054,318.	2,565,878.	8,020,294.
16 Membership fees received					0.
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	236,322.	101,251.	79,283.	73,070.	489,926.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	7,351.	7,875.	3,094.	1,320.	19,640.
19 Net income from unrelated business activities not included in line 18					0.
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0.
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					0.
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.					0.
23 Total of lines 15 through 22	1,894,537.	1,858,360.	2,136,695.	2,640,268.	8,529,860.
24 Line 23 minus line 17	1,658,215.	1,757,109.	2,057,412.	2,567,198.	8,039,934.
25 Enter 1% of line 23	18,945.	18,584.	21,367.	26,403.	
26 Organizations described on lines 10 or 11:	a Enter 2% of amount in column (e), line 24				▶ 26a 160,799.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2001 through 2004 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts.					▶ 26b 1,157,657.
c Total support for section 509(a)(1) test. Enter line 24, column (e).					▶ 26c 8,039,934.
d Add Amounts from column (e) for lines	18 19,640.	19 19,640.	26b 1,157,657.		26d 1,177,297.
e Public support (line 26c minus line 26d total)					▶ 26e 6,862,637.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					▶ 26f 85.36 %
27 Organizations described on line 12: N/A					
a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year.	(2004) _____	(2003) _____	(2002) _____	(2001) _____	
b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year.	(2004) _____	(2003) _____	(2002) _____	(2001) _____	
c Add Amounts from column (e) for lines:	15 _____	16 _____	17 _____	20 _____	21 _____
d Add Line 27a total and line 27b total					27c _____
e Public support (line 27c total minus line 27d total)					27d _____
f Total support for section 509(a)(2) test. Enter amount from line 23, column (e)					▶ 27e _____
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					▶ 27f _____
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					▶ 27g _____ %
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.					

Part V Private School Questionnaire (See instructions)
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

		N/A	
		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If 'Yes,' please describe, if 'No,' please explain (If you need more space, attach a separate statement) ----- ----- -----		
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered 'No' to any of the above, please explain (If you need more space, attach a separate statement) ----- -----		
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?		
b	Admissions policies?		
c	Employment of faculty or administrative staff?		
d	Scholarships or other financial assistance?		
e	Educational policies?		
f	Use of facilities?		
g	Athletic programs?		
h	Other extracurricular activities? If you answered 'Yes' to any of the above, please explain (If you need more space, attach a separate statement) ----- ----- -----		
34 a	Does the organization receive any financial aid or assistance from a governmental agency?		
b	Has the organization's right to such aid ever been revoked or suspended? If you answered 'Yes' to either 34a or b, please explain using an attached statement		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75 50, 1975-2 C B 587, covering racial nondiscrimination? If 'No,' attach an explanation		

Part VI-A Lobbying Expenditures by Electing Public Charities (See instructions)
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check **a** if the organization belongs to an affiliated group Check **b** if you checked 'a' and 'limited control' provisions apply

Limits on Lobbying Expenditures

(The term 'expenditures' means amounts paid or incurred)

	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38	
39 Other exempt purpose expenditures	39	
40 Total exempt purpose expenditures (add lines 38 and 39)	40	
41 Lobbying nontaxable amount Enter the amount from the following table –		
If the amount on line 40 is –		
Not over \$500,000		The lobbying nontaxable amount is – 20% of the amount on line 40 \$100,000 plus 15% of the excess over \$500,000 \$175,000 plus 10% of the excess over \$1,000,000 \$225,000 plus 5% of the excess over \$1,500,000 \$1,000,000
Over \$500,000 but not over \$1,000,000		
Over \$1,000,000 but not over \$1,500,000	41	
Over \$1,500,000 but not over \$17,000,000		
Over \$17,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)	42	
43 Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	
44 Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720

4 -Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below
 See the instructions for lines 45 through 50.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4 -Year Averaging Period				
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenditures					
48 Grassroots non taxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See instructions)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a Volunteers
- b Paid staff or management (Include compensation in expenses reported on lines c through h.)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (add lines c through h)

Yes	No	Amount

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities

Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations (See instructions)

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

a Transfers from the reporting organization to a noncharitable exempt organization of

(i) Cash

(ii) Other assets

b Other transactions

(i) Sales or exchanges of assets with a noncharitable exempt organization

(ii) Purchases of assets from a noncharitable exempt organization

(iii) Rental of facilities, equipment, or other assets

(iv) Reimbursement arrangements

(v) Loans or loan guarantees

(vi) Performance of services or membership or fundraising solicitations

c Sharing of facilities, equipment, mailing lists, other assets, or paid employees.

d If the answer to any of the above is 'Yes,' complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received

	Yes	No
51 a (i)		X
a (ii)		X
b (i)		X
b (ii)		X
b (iii)		X
b (iv)		X
b (v)		X
b (vi)		X
c		X

(a) Line no	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements
N/A			

52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? Yes No

b If 'Yes,' complete the following schedule:

(a) Name of organization	(b) Type of organization	(c) Description of relationship
N/A		

MIDDLE EAST FORUM

23-7749796

STATEMENT 1
FORM 990, PART I, LINE 8
NET GAIN (LOSS) FROM NONINVENTORY SALES

PUBLICLY TRADED SECURITIES

GROSS SALES PRICE: 24,182.
COST OR OTHER BASIS: 23,903.

TOTAL GAIN (LOSS) PUBLICLY TRADED SECURITIES \$ 279.

TOTAL NET GAIN (LOSS) FROM NONINVENTORY SALES \$ 279.

STATEMENT 2
FORM 990, PART II, LINE 43
OTHER EXPENSES

	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT & GENERAL	(D) FUNDRAISING
ADVERTISING & MARKETING	18,558.	2,798.	15,760.	
BANK AND CREDIT CARD FEES	16,245.	7,324.	8,921.	
COMPUTER EXPENSES	3,102.		3,102.	
CONSULTANTS/CONTRACT LABOR	83,588.	81,276.	490.	1,822.
DONATIONS	100.		100.	
DUES AND FEES	1,776.	902.	874.	
GIFTS	1,750.		1,725.	25.
HONARIUM	14,567.	13,150.	1,417.	
INSURANCE	10,425.		10,425.	
PROGRAM EXPENSES	768,785.	768,785.		
SECURITY	241.		241.	
SPECIAL EVENTS	32,631.	29,561.	3,070.	
STORAGE	411.	411.		
TEMPORARY EMPLOYEES	16,054.	7,365.	8,689.	
WEB SITE	42,947.		42,947.	
TOTAL	\$ <u>1,011,180.</u>	\$ <u>911,572.</u>	\$ <u>97,761.</u>	\$ <u>1,847.</u>

STATEMENT 3
FORM 990, PART IV, LINE 57
LAND, BUILDINGS, AND EQUIPMENT

<u>CATEGORY</u>	<u>BASIS</u>	<u>ACCUM. DEPREC.</u>	<u>BOOK VALUE</u>
FURNITURE AND FIXTURES	\$ 69,211.	\$ 56,004.	\$ 13,207.
TOTAL	\$ <u>69,211.</u>	\$ <u>56,004.</u>	\$ <u>13,207.</u>

MIDDLE EAST FORUM

23-7749796

STATEMENT 4
FORM 990, PART IV, LINE 58
OTHER ASSETS

SECURITY DEPOSITS

TOTAL \$ 4,779.
\$ 4,779.

STATEMENT 5
FORM 990, PART IV-A, LINE D(2)
OTHER AMOUNTS

INCREASE IN TEMPORARILY REST NET ASSETS

TOTAL \$ 67,298.
\$ 67,298.

STATEMENT 6
FORM 990, PART V-A
LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVERAGE HOURS PER WEEK DEVOTED	COMPEN- SATION	CONTRI- BUTION TO EBP & DC	EXPENSE ACCOUNT/ OTHER
DANIEL PIPES 1500 WALNUT ST., STE 1050 PHILADELPHIA, PA 19102	PRESIDENT 5	\$ 111,876.	\$ 0.	\$ 0.
IRWIN HOCHBERG 1500 WALNUT ST., STE 1050 PHILADELPHIA, PA 19102	CO-CHAIRMAN 5	0.	0.	0.
LAWERENCE I. GOULD 1500 WALNUT ST., STE. 1050 PHILADELPHIA, PA 19102	CO-CHAIRMAN 5	0.	0.	0.
LAWERENCE K. GRODMAN 1500 WALNUT ST., STE. 1050 PHILADELPHIA, PA 19102	CO-CHIARMAN 5	0.	0.	0.
ROBERT GUZZARDI 1500 WALNUT ST., STE. 1050 PHILADELPHIA, PA 19102	CO-CHAIRMAN 5	0.	0.	0.
DAVID P. STEINMANN 1500 WALNUT ST., STE. 1050 PHILADLEPHIA, PA 19102	CO-CHAIRMAN 5	0.	0.	0.
MARILYN STERN 1500 WALNUT ST., STE 1050 PHILADELPHIA, PA 19102	CO-CHAIRMAN 5	0.	0.	0.
EDWARD SEAVE 1500 WALNUT ST., STE 1050 PHILADELPHIA, PA 19102	CO-CHAIRMAN 5	0.	0.	0.

MIDDLE EAST FORUM

23-7749796

STATEMENT 6 (CONTINUED)
 FORM 990, PART V-A
 LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

<u>NAME AND ADDRESS</u>	<u>TITLE AND AVERAGE HOURS PER WEEK DEVOTED</u>	<u>COMPEN- SATION</u>	<u>CONTRI- BUTION TO EBP & DC</u>	<u>EXPENSE ACCOUNT/ OTHER</u>
ALBERT T. WOOD 1500 WALNUT ST., STE 1050 PHILADELPHIA, PA 19102	FOUNDING CHAIR 5	\$ 0.	\$ 0.	\$ 0.
STEVEN LEVY 1500 WALNUT ST., STE 1050 PHILADLEPHIA, PA 19102	VICE CHAIRMAN 5	0.	0.	0.
RICHARD CALMAS 1500 WALNUT ST., STE 1050 PHILADELPHIA, PA 19102	VICE CHAIRMAN 5	0.	0.	0.
DAVID SHIFRIN 1500 WALNUT ST., STE 1050 PHILADELPHIA, PA 19102	VICE CHAIRMAN 5	0.	0.	0.
	TOTAL	\$ <u>111,876.</u>	\$ <u>0.</u>	\$ <u>0.</u>

STATEMENT 7
 SCHEDULE A, PART III, LINE 2
 TRANSACTIONS WITH TRUSTEES, DIRECTORS, ETC.

SEE FORM 990, PART V

Application for Extension of Time to File an Exempt Organization Return

Department of the Treasury
Internal Revenue Service

▶ File a separate application for each return

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Part I Automatic 3-Month Extension of Time – Only submit original (no copies needed)

Form 990-T corporations requesting an automatic 6-month extension – check this box and complete Part I only

All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041

Electronic Filing (e-file). Form 8868 can be filed electronically if you want a 3-month automatic extension of time to file one of the returns noted below (6-months for corporate Form 990-T filers). However, you cannot file it electronically if you want the additional (not automatic) 3-month extension, instead you must submit the fully completed signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit www.irs.gov/efile

Type or print File by the due date for filing your return See instructions	Name of Exempt Organization MIDDLE EAST FORUM	Employer identification number 23-7749796
	Number, street, and room or suite number. If a P.O. box, see instructions 1500 WALNUT STREET #1050	
	City, town or post office. For a foreign address, see instructions PHILADELPHIA, PA 19102	state ZIP code

Check type of return to be filed (file a separate application for each return).

- | | | |
|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990 T (section 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- The books are in the care of ▶ DANIEL PIPES

Telephone No ▶ (215) 546-5406 FAX No ▶ _____

- If the organization does **not** have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the **whole** group, check this box If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension will cover

- I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until 8/15, 20 06, to file the exempt organization return for the organization named above. The extension is for the organization's return for
 - ▶ calendar year 20 05 or
 - ▶ tax year beginning _____, 20 _____, and ending _____, 20 _____.
- If this tax year is for less than 12 months, check reason Initial return Final return Change in accounting period
- 3a** If this application is for Form 990-BL, 990-PF, 990 T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. \$ _____ 0.
- b** If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. \$ _____ 0.
- c Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. \$ _____ 0.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879 EO for payment instructions

BAA For Privacy Act and Paperwork Reduction Act Notice, see instructions.

AUDITED FINANCIAL STATEMENTS

MIDDLE EAST FORUM
(A NON-PROFIT ORGANIZATION)

YEARS ENDED DECEMBER 31, 2005 AND 2004

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**CLAIRMONT
PACIELLO & Co., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

EARL A CLAIRMONT, JR., CPA, PFS, CFP, CSA
JOHN A PACIELLO, CPA, PFS, CFP
RICHARD C CAPASSO, CPA, PFS, CFP
ANDREW T. GILINSKY, CPA, PFS, MBA, CFP
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250 Tanglewood Lane King of Prussia, PA 19406
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www.CPCFinancial.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Middle East Forum

We have audited the accompanying statements of financial position of Middle East Forum (a non-profit organization) as of December 31, 2005 and 2004 and the related statements of activity, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middle East Forum as of December 31, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clairmont, Paciello & Company P.C.

King of Prussia, Pennsylvania
April 28, 2006

MIDDLE EAST FORUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 992,343	\$ 436,746
Investments	-	1,498
Grant receivable	5,000	20,000
Prepaid expenses	<u>13,911</u>	<u>2,042</u>
TOTAL CURRENT ASSETS	<u>1,011,254</u>	<u>460,286</u>
PROPERTY AND EQUIPMENT		
Furniture and fixtures	69,211	61,361
Less accumulated depreciation	(<u>56,004</u>)	(<u>52,676</u>)
	<u>13,207</u>	<u>8,685</u>
OTHER ASSETS		
Security deposits	<u>4,779</u>	<u>4,779</u>
TOTAL ASSETS	\$ <u>1,029,240</u>	\$ <u>473,750</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 31,722	\$ 83,338
Deferred revenues	<u>11,446</u>	<u>9,483</u>
TOTAL CURRENT LIABILITIES	<u>43,168</u>	<u>92,821</u>
NET ASSETS		
Unrestricted	801,653	263,808
Temporarily restricted	<u>184,419</u>	<u>117,121</u>
	<u>986,072</u>	<u>380,929</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,029,240</u>	\$ <u>473,750</u>

See accompanying notes to financial statements.

MIDDLE EAST FORUM
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31

	<u>2005</u>	<u>2004</u>
UNRESTRICTED NET ASSETS		
Revenue and Support		
Contributions	\$ 1,078,758	\$ 867,356
Middle East Quarterly	56,442	45,407
Book sales	2,734	20,974
Investment return	<u>8,489</u>	<u>1,782</u>
TOTAL UNRESTRICTED SUPPORT	1,146,423	935,519
Net assets released from restrictions - Restrictions satisfied by payments	<u>1,053,452</u>	<u>898,549</u>
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	<u>2,199,875</u>	<u>1,834,068</u>
Expenses		
Program services	1,308,898	1,361,102
Supporting services	297,239	351,382
Fundraising services	<u>55,893</u>	<u>36,018</u>
TOTAL EXPENSES	<u>1,662,030</u>	<u>1,748,502</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>537,845</u>	<u>85,566</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,120,750	953,449
Net assets released from restrictions	<u>(1,053,452)</u>	<u>(898,549)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>67,298</u>	<u>54,900</u>
INCREASE IN NET ASSETS	605,143	140,466
NET ASSETS AT BEGINNING OF YEAR	<u>380,929</u>	<u>240,463</u>
NET ASSETS AT END OF YEAR	\$ <u>986,072</u>	\$ <u>380,929</u>

See accompanying notes to financial statements.

MIDDLE EAST FORUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising Services</u>	<u>Total</u>
Advertising	\$ -	\$ 15,760	\$ -	\$ 15,760
Bank and credit card fees	1,283	8,921	-	10,204
Computer expenses	-	3,102	-	3,102
Consultants and contract labor	15,891	9,179	1,822	26,892
Depreciation	-	3,328	-	3,328
Donations	-	100	-	100
Dues and fees	-	874	-	874
Equipment lease	-	5,045	-	5,045
Events	-	3,070	-	3,070
Gifts	-	1,725	25	1,750
Honorarium	-	1,417	-	1,417
Insurance	-	10,425	-	10,425
Office supplies	-	6,070	-	6,070
Payroll	-	89,587	35,507	125,094
Payroll taxes and fringe benefits	-	10,040	4,828	14,868
Program expenses				
Campus Watch	334,508	-	-	334,508
Campus Club	27,311	-	-	27,311
CIP	23,911	-	-	23,911
CT Dinner	1,242	-	-	1,242
Islamic Watch	10,000	-	-	10,000
Lecture Series				
Guzzardi	33,240	-	-	33,240
Linsenberg	9,710	-	-	9,710
Middle East Quarterly	149,856	-	-	149,856
Research Projects	701,938	-	-	701,938
Postage	8	7,930	51	7,989
Printing	-	335	-	335
Professional fees				
Accounting	-	8,345	-	8,345
Legal	-	4,888	-	4,888
Rent	-	53,632	-	53,632
Security	-	241	-	241
Telephone	-	8,774	-	8,774
Travel	-	1,504	13,660	15,164
Web site	-	42,947	-	42,947
	<u>\$ 1,308,898</u>	<u>\$ 297,239</u>	<u>\$ 55,893</u>	<u>\$ 1,662,030</u>

See accompanying notes to financial statements.

MIDDLE EAST FORUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2004

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising Services</u>	<u>Total</u>
Bank and credit card fees \$	-	\$ 6,621	\$ -	\$ 6,621
Computer expenses	-	2,546	-	2,546
Consultants and contract labor	29,367	27,452	15,000	71,819
Depreciation	8,015	4,809	3,206	16,030
Donations	-	250	-	250
Dues and fees	-	1,267	-	1,267
Insurance	-	8,092	-	8,092
Office supplies	18,722	14,978	3,745	37,445
Payroll	325,186	182,755	-	507,941
Payroll taxes and fringe benefits	30,119	13,773	-	43,892
Program expenses				
Campus Watch	6,140	-	-	6,140
Lecture Series	30,158	-	-	30,158
Middle East Intelligence Bulletin	1,220	-	-	1,220
Middle East Quarterly	63,783	-	-	63,783
Research Projects	793,825	-	-	793,825
Payroll fees	1,224	688	-	1,912
Postage	4,073	3,257	814	8,144
Printing	3,881	3,148	-	7,029
Professional fees				
Accounting	-	15,365	-	15,365
Legal	2,000	31,053	-	33,053
Rent	24,937	19,950	4,987	49,874
Security	-	4,763	-	4,763
Telephone	7,182	5,746	1,436	14,364
Travel	11,270	-	6,830	18,100
Web site	-	4,869	-	4,869
	<u>\$ 1,361,102</u>	<u>\$ 351,382</u>	<u>\$ 36,018</u>	<u>\$ 1,748,502</u>

See accompanying notes to financial statements.

MIDDLE EAST FORUM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 605,143	\$ 140,466
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	3,328	16,030
Realized and unrealized gain (loss) on investments	(278)	2,925
Changes in operating assets and liabilities:		
Decrease in:		
Grants receivable	15,000	26,556
Prepaid expenses	(11,869)	7,757
Increase (decrease) in:		
Accounts payable and accrued expenses	(51,616)	17,961
Deferred revenues	<u>1,963</u>	<u>(1,864)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>561,671</u>	<u>209,831</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(22,406)	(10,318)
Proceeds from sales of investments	24,182	111,511
Purchases of property and equipment	<u>(7,850)</u>	<u>(2,914)</u>
NET PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(6,074)</u>	<u>98,279</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	 555,597	 308,110
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>436,746</u>	 <u>128,636</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 \$ <u>992,343</u>	 \$ <u>436,746</u>

See accompanying notes to financial statements.

MIDDLE EAST FORUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of activities
The Middle East Forum (the Organization) is a non-profit organization established to define and promote American interests in the Middle East and to shape the intellectual climate in which U.S. foreign policy is made through research, publications, media outreach and consultations. Additionally, the Organization sponsors educational programs in five cities (Philadelphia, New York, Boston, Cleveland, and Los Angeles) providing lecture series, debates, conferences and a variety of private meetings. The Organization's support comes primarily through private donations, literature sales and subscriptions to its quarterly journal.
2. Basis of accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.
3. Basis of presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
4. Cash and cash equivalents
For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of six months or less to be cash equivalents.
5. Public support and revenue
Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

MIDDLE EAST FORUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

5. Public support and revenue (continued)

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

6. Property and equipment

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. Depreciation expense was \$3,328 and \$16,030 for 2005 and 2004, respectively.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MIDDLE EAST FORUM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

8. Investments
 Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.
9. Functional Allocation of Expenses
 The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE B - GRANT RECEIVABLE

A private foundation gave the Organization a \$50,000 grant to help support its campus clubs program. The Organization received \$15,000 and \$30,000 of grant funds during the years ended December 31, 2005 and 2004, respectively. The balance of the grant will be collected during 2006.

NOTE C - INVESTMENTS

Investments as of December 31, 2004 are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
Unrestricted:			
77 shares Patterson-UTI Energy, Inc.	\$ <u>1,492</u>	\$ <u>1,498</u>	\$ <u>6</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<u>2005</u>	<u>2004</u>
Unrestricted:		
Interest and dividends	\$ 8,211	\$ 4,707
Net realized and unrealized gains (losses)	<u>278</u>	<u>(2,925)</u>
	\$ <u>8,489</u>	\$ <u>1,782</u>

MIDDLE EAST FORUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE D - INCOME TAXES

The Organization was granted tax exempt status under Section 501 (c) (3) of the Internal Revenue Code. Therefore no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(1) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

NOTE E - RESTRICTION ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2005</u>	<u>2004</u>
CT - Dinner	\$ 80,358	\$ -
Research Projects	-	27,866
Linsenberg Memorial Lecture	12,044	11,017
Center for Islamic Pluralism	11,779	35,690
Campus Club	15,238	42,548
Islamic Watch	<u>65,000</u>	<u>-</u>
	\$ <u>184,419</u>	\$ <u>117,121</u>

NOTE F - COMMITMENTS

The Organization leases its office facility and office equipment under non-cancelable operating leases that expire on December 31, 2010 and October 20, 2006, respectively. Rent expense charged to operations for the years ended December 31, 2005 and 2004 was \$53,632 and \$49,874, respectively.

As of December 31, 2005, the future minimum lease payments under the above operating leases are:

<u>Year ending</u> <u>December 31</u>	<u>Amount</u>
2006	\$ 51,880
2007	51,788
2008	53,140
2009	54,632
2010	<u>37,216</u>
	\$ <u>248,656</u>

MIDDLE EAST FORUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE G - CONCENTRATION OF RISK

As of the balance sheet dates, balances of cash and cash equivalents at two financial institutions exceeded the federally insured limit of \$100,000 by \$752,948 in 2005 and \$250,165 in 2004. These balances fluctuate greatly during the year and can exceed the \$100,000 limit.