

AMERICAN NEAR EAST REFUGEE AID

Financial Statements
For the Years Ended May 31, 2006 and 2005
and
Report Thereon

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
American Near East Refugee Aid

We have audited the accompanying statement of financial position of American Near East Refugee Aid (ANERA) as of May 31, 2006 and 2005 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of ANERA's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of ANERA's Jerusalem, Beirut and Amman offices, which reflect total assets of \$1,330,792 and \$1,341,147 as of May 31, 2006 and 2005, respectively, and total expenses of \$6,794,080 and \$8,320,099 for the years then ended. Those statements were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for ANERA's Jerusalem office, is based solely on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of American Near East Refugee Aid as of May 31, 2006 and 2005, 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.



Washington, D.C., USA
July 26, 2006

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF FINANCIAL POSITION
May 31, 2006 and 2005

	<u>ASSETS</u>	
	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and cash equivalents	\$ 4,838,487	\$ 5,435,226
Grants receivable	1,609,823	1,244,535
Accounts receivable	20,956	3,945
Prepaid expenses and other assets	<u>148,118</u>	<u>87,180</u>
Total Current Assets	6,617,384	6,770,886
Furniture and equipment, net	<u>15,479</u>	<u>18,106</u>
Total Assets	<u>\$ 6,632,863</u>	<u>\$ 6,788,992</u>

<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 422,964	\$ 375,470
Accrued benefits	609,862	546,936
Deferred revenue	27,272	27,272
Grant commitments	<u>334,700</u>	<u>90,125</u>
Total Current Liabilities	<u>1,394,798</u>	<u>1,039,803</u>
Net Assets		
Unrestricted		
Undesignated	1,311,194	1,206,921
Board Designated Endowment	<u>485,917</u>	<u>422,181</u>
Total Unrestricted Net Assets	1,797,111	1,629,102
Temporarily Restricted	<u>3,440,954</u>	<u>4,120,087</u>
Total Net Assets	<u>5,238,065</u>	<u>5,749,189</u>
Total Liabilities and Net Assets	<u>\$ 6,632,863</u>	<u>\$ 6,788,992</u>

The accompanying notes are an integral
part of these financial statements.

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF ACTIVITIES
For the Years Ended May 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Change in unrestricted net assets		
Revenue		
Donor contributions and other grants	\$ 2,138,168	\$ 1,547,715
In-kind contributions	20,073,015	13,075,282
Interest	<u>41,456</u>	<u>19,685</u>
Total	22,252,639	14,642,682
Net assets released from restrictions		
Satisfaction of program restrictions	<u>9,106,935</u>	<u>9,904,596</u>
Total unrestricted revenue	<u>31,359,574</u>	<u>24,547,278</u>
Expenses		
Program Services		
Community and economic development	2,556,197	2,917,437
Education	4,564,740	2,149,605
Health services	22,504,566	17,746,807
Public education	<u>69,849</u>	<u>67,696</u>
Total Program Services	<u>29,695,352</u>	<u>22,881,545</u>
Supporting Services		
Fund-raising	283,513	242,410
Management and general	<u>1,212,700</u>	<u>1,075,934</u>
Total Supporting Services	<u>1,496,213</u>	<u>1,318,344</u>
Total Expenses	<u>31,191,565</u>	<u>24,199,889</u>
Change in unrestricted net assets	<u>168,009</u>	<u>347,389</u>
Change in temporarily restricted net assets		
United States Government grants	4,682,098	5,624,071
United Nations grants	570,405	1,014,972
Private sector grants and contributions	3,175,299	4,367,969
Net assets released from restrictions	<u>(9,106,935)</u>	<u>(9,904,596)</u>
Change in temporarily restricted net assets	<u>(679,133)</u>	<u>1,102,416</u>
Change in net assets	(511,124)	1,449,805
Net assets, beginning of year	<u>5,749,189</u>	<u>4,299,384</u>
Net assets, end of year	<u>\$ 5,238,065</u>	<u>\$ 5,749,189</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2006

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Overseas	Overseas	Overseas	Domestic		Fund- raising	Management and General		
	Community and Economic Development	Education	Health Services	Public Education					
Salaries	\$ 543,449	\$ 232,573	\$ 544,680	\$26,371	\$ 1,347,073	\$ 40,361	\$ 580,406	\$ 620,767	\$ 1,967,840
Payroll taxes	24,778	9,592	29,343	2,017	65,730	3,088	47,322	50,410	116,140
Fringe benefits	85,111	65,659	114,255	8,142	273,167	11,697	138,636	150,333	423,500
Total salaries and fringe benefits	653,338	307,824	688,278	36,530	1,685,970	55,146	766,364	821,510	2,507,480
Professional and contract services	20,539	22,752	21,225	6,668	71,184	84,042	115,251	199,293	270,477
Occupancy	74,576	32,533	91,851	4,481	203,441	6,194	78,001	84,195	287,636
Office supplies & equipment	28,493	19,301	31,032	1,078	79,904	1,502	18,715	20,217	100,121
Telephone & telegraph	17,153	9,008	17,503	1,548	45,212	2,614	24,436	27,050	72,262
Postage & shipping	3,346	10,047	119,774	1,917	135,084	1,945	22,798	24,743	159,827
Printing & Lettershop	6,203	7,847	4,449	8,760	27,259	101,653	63,672	165,325	192,584
Travel	99,673	67,142	88,991	5,867	261,673	16,973	18,914	35,887	297,560
Memberships & meetings	9,915	5,881	7,263	2,731	25,790	11,578	73,321	84,899	110,689
Technical assistance	51,394	99,626	39,681	--	190,701	--	9,584	9,584	200,285
Grants	1,309,256	3,981,004	1,320,683	--	6,610,943	--	--	-	6,610,943
Grants in-kind	--	--	20,073,015	--	20,073,015	--	--	-	20,073,015
Miscellaneous	3,311	1,775	821	269	6,176	1,866	13,519	15,385	21,561
Loan guarantee	154,000	--	--	--	154,000	--	--	-	154,000
Bad debt expense	125,000	--	--	--	125,000	--	--	-	125,000
Depreciation	--	--	--	--	-	--	8,125	8,125	8,125
	<u>\$ 2,556,197</u>	<u>\$ 4,564,740</u>	<u>\$ 22,504,566</u>	<u>\$ 69,849</u>	<u>\$ 29,695,352</u>	<u>\$ 283,513</u>	<u>\$ 1,212,700</u>	<u>\$ 1,496,213</u>	<u>\$ 31,191,565</u>

The accompanying notes are an integral
part of these financial statements.

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2005

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Overseas	Domestic				Fund- raising	Management and General	Total Supporting Services	
	Community and Economic Development	Education	Health Services	Public Education					
Salaries	\$ 572,450	\$ 184,620	\$ 460,808	\$27,373	\$ 1,245,251	\$ 32,654	\$ 476,892	\$ 509,546	\$ 1,754,797
Payroll taxes	31,309	9,452	22,314	2,053	65,128	3,364	44,602	47,966	113,094
Fringe benefits	104,897	30,473	65,813	5,277	206,460	11,548	130,606	142,154	348,614
Total salaries and fringe benefits	708,656	224,545	548,935	34,703	1,516,839	47,566	652,100	699,666	2,216,505
Professional and contract services	37,501	5,904	23,308	5,360	72,073	60,495	73,108	133,603	205,676
Occupancy	72,846	17,775	68,177	2,824	161,622	6,870	96,951	103,821	265,443
Office supplies & equipment	33,963	38,935	20,660	721	94,279	1,264	26,264	27,528	121,807
Telephone & telegraph	21,930	6,716	14,626	246	43,518	575	11,658	12,233	55,751
Postage & shipping	6,165	1,469	156,962	2,616	167,212	32,815	24,055	56,870	224,082
Printing & Lettershop	9,082	1,859	3,649	15,517	30,107	81,728	38,174	119,902	150,009
Travel	128,618	42,218	108,997	3,925	283,758	5,171	52,042	57,213	340,971
Memberships & meetings	14,584	4,113	7,897	1,408	28,002	5,572	73,333	78,905	106,907
Technical assistance	88,508	19,450	51,266	--	159,224	--	--	--	159,224
Grants	1,584,267	1,785,312	3,665,989	--	7,035,568	--	--	--	7,035,568
Grants in-kind	--	--	13,075,282	--	13,075,282	--	--	--	13,075,282
Miscellaneous	1,317	1,309	1,059	376	4,061	354	7,448	7,802	11,863
Loan guarantee	210,000	--	--	--	210,000	--	--	--	210,000
Depreciation	--	--	--	--	--	--	20,801	20,801	20,801
	<u>\$ 2,917,437</u>	<u>\$ 2,149,605</u>	<u>\$ 17,746,807</u>	<u>\$ 67,696</u>	<u>\$ 22,881,545</u>	<u>\$ 242,410</u>	<u>\$ 1,075,934</u>	<u>\$ 1,318,344</u>	<u>\$ 24,199,889</u>

The accompanying notes are an integral
part of these financial statements.

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF CASH FLOWS
For the Years Ended May 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (511,124)	\$ 1,449,805
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	8,125	20,801
Changes in assets and liabilities		
Change in grants receivable	(365,288)	(607,060)
Change in accounts receivable	(17,011)	82,180
Change in prepaid expenses and other assets	(60,938)	(33,174)
Change in accounts payable and other accrued expenses	47,494	(204,889)
Change in accrued benefits	62,926	(6,353)
Change in deferred revenue	-	15,200
Change in grant commitments	<u>244,575</u>	<u>80,125</u>
Net Cash Provided by/(Used in) Operating Activities	(591,241)	796,635
Cash Flows Used in Investing Activities		
Purchase of fixed assets	<u>(5,498)</u>	<u>(3,879)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(596,739)	792,756
Cash and Cash Equivalents, beginning of year	<u>5,435,226</u>	<u>4,642,470</u>
Cash and Cash Equivalents, end of year	<u>\$ 4,838,487</u>	<u>\$ 5,435,226</u>

The accompanying notes are an integral
part of these financial statements.

AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

1. Organization

American Near East Refugee Aid (ANERA) is a nonprofit corporation organized for the purpose of extending direct financial assistance and/or gifts-in-kind to Palestinian-Arab refugees and other needy individuals in the Middle East. Consistent with this purpose is the support of developmental, educational, and health training programs in the area.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements include the accounts of ANERA's Washington DC, Jerusalem, Jordan, and Lebanon offices. All significant transactions between these offices have been eliminated in the accompanying financial statements. ANERA maintains its accounts on the accrual basis of accounting.

Basis of Presentation

Net assets, revenue, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows.

Unrestricted net assets - Unrestricted net assets result from revenues and other inflows of assets whose use by ANERA is not limited by donor-imposed restrictions. Unrestricted net assets include both undesignated and board designated amounts.

Temporarily restricted net assets - Temporarily restricted net assets result from contributions and other inflows of assets whose use by ANERA is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ANERA pursuant to those stipulations. Temporarily restricted net assets whose restrictions are met in the same year are recorded as unrestricted.

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AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Estimates

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

Cash and Cash Equivalents

ANERA considers all investments purchased with original maturities of three months or less to be cash equivalents. Cash equivalents consist of money market accounts that are available for use in current operations and certificates of deposit with maturities of 90 days or less.

Concentrations of Credit Risk

ANERA maintains accounts at a number of financial institutions in the United States and the Middle East. The United States bank accounts, consisting of checking accounts and short-term certificates of deposit, are insured by the Federal Deposit Insurance Corporation up to \$100,000. Deposits in the United States in excess of Federally insured limits were \$3,317,450 and \$4,068,415 at May 31, 2006 and 2005, respectively. Overseas accounts had a balance of \$1,329,833 and \$1,340,516 at May 31, 2006 and 2005, respectively.

Furniture and Equipment

Furniture and equipment are stated at cost if purchased and at fair value if donated. Furniture and equipment are depreciated using the straight-line method over estimated useful lives of five to ten years with no salvage value.

Major additions and improvements purchased with unrestricted funds are capitalized as furniture and equipment while maintenance and repairs are expensed in the year incurred. Assets purchased with temporarily restricted grant funds are expensed as office supplies and equipment, with title held by the grantor.

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AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Grant Commitments

Grant commitments represent funds to be expended in the Middle East for community development, education and health programs during the year ending May 31, 2006 and 2005. ANERA recognizes the commitment as an expense when the grant is approved by the ANERA projects committee.

Functional Allocation of Expenses

The costs of providing ANERA's various programs and supporting services have been summarized on a functional basis. Overhead costs which cannot be specifically identified with a program or supporting service are allocated to the programs and supporting services based on salaries.

Joint Costs

The cost of ANERA's quarterly newsletter, which involves fund-raising, has been allocated as follows:

	<u>2006</u>	<u>2005</u>
Fund-raising	\$ 1,512	\$ 6,993
Public education	3,729	1,383
Management & general	<u>2,300</u>	<u>12,200</u>
Total	<u>\$ 7,541</u>	<u>\$ 20,576</u>

3. In-Kind Contributions

ANERA receives medical and other supplies from non-profit organizations and ships them to the Middle East. ANERA has recognized \$20,073,015 and \$13,075,282 as in-kind contributions and program expense on its statement of activities during the year ended May 31, 2006 and 2005, respectively.

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AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

4. Grants Receivable and Grant Commitments

Grants Receivable as of May 31, 2006 are as follows:

	<u>2006</u>	<u>2005</u>
U.S. Agency for International Development	\$ 1,147,195	\$ 592,517
International Fund for Agricultural Development	358,847	378,117
Other Grants Receivable	<u>103,781</u>	<u>273,901</u>
Total Grants Receivable	<u>\$ 1,609,823</u>	<u>\$ 1,244,535</u>

Grant commitments as of May 31, 2006 are as follows:

	<u>2006</u>	<u>2005</u>
Education	\$ 214,700	\$ 90,125
Health	90,000	--
Community Development	<u>30,000</u>	<u>--</u>
Total Grant Commitments	<u>\$ 334,700</u>	<u>\$ 90,125</u>

5. Pension Plan

ANERA has a defined contribution pension plan that covers substantially all of its employees. Contributions are based on annual salaries. Pension plan expense amounted to \$66,386 and \$68,584 for the years ended May 31, 2006 and 2005, respectively, and is included in fringe benefits on the statement of functional expenses.

6. Accrued Benefits

The law operative in the West Bank and the Gaza strip dictates that upon retirement an employee shall receive a defined termination benefit. The benefit is calculated as one month's salary at the employee's salary rate at termination multiplied by the number of years of service. ANERA provides this benefit to both Jerusalem employees and full-time consultants.

During the years ended May 31, 2006 and 2005, \$85,380 and \$118,422, respectively, of benefits were paid. The defined termination benefit at May 31, 2006 and 2005 was \$515,256 and \$440,670, respectively. The remaining balance of accrued benefits of \$94,606 and \$106,266, respectively, represents accrued benefits for Washington, D.C. employees.

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AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

7. Commitments

ANERA occupies office space in Washington, D.C. under a non-cancelable operating lease which expires January 31, 2011. The lease payments are subject to increases based on the Consumer Price Index, operating expenses and real estate taxes.

Other office sites are rented overseas on a year to year basis.

At May 31, 2006, the minimum future lease payments under these agreements are as follows:

2007	\$	111,853
2008		114,649
2009		117,515
2010		120,454
2011		<u>81,630</u>
 Total		 <u>\$ 546,101</u>

Rent expense for ANERA was \$287,686 and \$265,433 for the years ended May 31, 2006 and 2005, respectively, and has been classified as occupancy expense on the statement of functional expenses.

8. Taxes

Under Section 501 (c)(3) of the Internal Revenue Code, ANERA is exempt from Federal taxes on income other than unrelated business income. At May 31, 2006 and 2005 no provision was made as ANERA had no net unrelated business income.

9. Furniture and Equipment

At May 31, 2006 and 2005, furniture and equipment consisted of the following:

Furniture and office equipment	\$ 54,604	\$ 50,555
Software	<u>44,776</u>	<u>43,327</u>
 Total Furniture and equipment	 99,380	 93,882
Less: accumulated depreciation	<u>(83,901)</u>	<u>(75,776)</u>
 Furniture and Equipment, net	 <u>\$ 15,479</u>	 <u>\$ 18,106</u>

SUPPLEMENTARY INFORMATION

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Report on Supplementary Information

To the Board of Directors of
American Near East Refugee Aid

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement of Expenditures for the International Fund for Agricultural Development, and the Statement of Expenditures for ANERA's Health and Information Technology Projects in the Kingdom of Jordan, for the years ended May 31, 2006 and 2005 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lane + Company". The signature is written in black ink and is positioned centrally on the page.

Washington, D.C., U.S.A.
July 26, 2006

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF EXPENDITURES
IFAD T.A. GRANTS NO. 610-ANERA
For the Years Ended May 31, 2006 and 2005

Grant 610 <u>RDP II</u>	<u>2006</u>	<u>2005</u>
(I) Civil Works	\$ --	\$ --
(II) Credit	154,000	210,000
(III) Institutional Development	285,917	334,543
(IV) Incremental Operating Costs	88,695	327,964
(V) Unallocated	<u>41,793</u>	<u>154,537</u>
Total	<u>\$ 570,405</u>	<u>\$ 1,027,044</u>

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF EXPENDITURES
IFAD T.A. GRANTS NO. 610-ANERA
For the Years Ended May 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
The Holy Land Institute for the Deaf	\$ 13,250	\$ 12,875