

American Near East Refugee Aid, Inc.

Financial Report
May 31, 2015

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Independent Auditor's Report

To the Board of Directors
American Near East Refugee Aid, Inc.
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of American Near East Refugee Aid, Inc. (ANERA) which comprise the statements of financial position as of May 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 American Near East Refugee Aid, Inc. as of May 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 4, 2015 and September 8, 2014, on our consideration of ANERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ANERA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "McGladrey LLP".

McLean, Virginia
September 4, 2015

American Near East Refugee Aid, Inc.

Statements of Financial Position
May 31, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Cash and cash equivalents:		
Unrestricted	\$ 5,326,132	\$ 2,963,790
Restricted	7,886,842	4,203,921
Total cash and cash equivalents	13,212,974	7,167,711
Accounts receivable	33,897	75,091
Grants and contributions receivable, net (Note 2)	186,856	1,156,071
Prepaid expenses and other assets	235,821	250,149
Inventory (Note 6)	2,635,122	482,144
Property and equipment, net (Note 3)	196,051	275,598
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Total assets	\$ 16,500,721	\$ 9,406,764
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Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 242,580	\$ 359,700
Accrued benefits (Note 4)	2,123,769	1,785,899
Deferred grant advances (Note 5)	3,144,752	824,173
Total liabilities	5,511,101	2,969,772
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Commitments and Contingencies (Notes 8 and 10)		
Net Assets		
Unrestricted:		
Undesignated	5,556,351	2,160,057
Board designated	2,590,094	1,252,926
Total unrestricted net assets	8,146,445	3,412,983
Temporarily restricted (Note 9)	2,769,972	2,960,806
Permanently restricted	73,203	63,203
Total net assets	10,989,620	6,436,992
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Total liabilities and net assets	\$ 16,500,721	\$ 9,406,764
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See Notes to Financial Statements.

American Near East Refugee Aid, Inc.

Statements of Activities

Years Ended May 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
In-kind contributions (Note 6)	\$ 29,846,810	\$ -	\$ -	\$ 29,846,810	\$ 40,350,096	\$ -	\$ -	\$ 40,350,096
Governmental grant revenue	17,297,727	-	-	17,297,727	10,905,710	-	-	10,905,710
Non-governmental grant revenue	3,634,996	-	-	3,634,996	2,174,599	-	-	2,174,599
Contributions	4,459,399	2,884,319	10,000	7,353,718	2,185,676	2,643,183	-	4,828,859
Other income	14,142	-	-	14,142	7,900	-	-	7,900
Net assets released from restrictions (Note 9)	3,075,153	(3,075,153)	-	-	2,194,284	(2,194,284)	-	-
Total support and revenue	58,328,227	(190,834)	10,000	58,147,393	57,818,265	448,899	-	58,267,164
Expenses								
Program services:								
Medical in-kind and health services (Note 6)	29,399,722	-	-	29,399,722	44,635,178	-	-	44,635,178
Community and economic development	18,360,325	-	-	18,360,325	9,575,084	-	-	9,575,084
Education	2,967,401	-	-	2,967,401	2,891,426	-	-	2,891,426
Total program services	50,727,448	-	-	50,727,448	57,101,688	-	-	57,101,688
Supporting services:								
Management and general	2,235,120	-	-	2,235,120	2,042,012	-	-	2,042,012
Fundraising	632,197	-	-	632,197	545,652	-	-	545,652
Total supporting services	2,867,317	-	-	2,867,317	2,587,664	-	-	2,587,664
Total expenses	53,594,765	-	-	53,594,765	59,689,352	-	-	59,689,352
Change in net assets	4,733,462	(190,834)	10,000	4,552,628	(1,871,087)	448,899	-	(1,422,188)
Net Assets								
Beginning	3,412,983	2,960,806	63,203	6,436,992	5,284,070	2,511,907	63,203	7,859,180
Ending	\$ 8,146,445	\$ 2,769,972	\$ 73,203	\$ 10,989,620	\$ 3,412,983	\$ 2,960,806	\$ 63,203	\$ 6,436,992

See Notes to Financial Statements.

American Near East Refugee Aid, Inc.

Statements of Cash Flows
Years Ended May 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Receipts from Grants	\$ 23,134,588	\$ 13,289,459
Receipts from Donations	8,365,991	4,830,083
Interest and Dividends Received	979	272
Miscellaneous Receipts	15,429	(16,426)
Payments for Personnel Costs	(5,078,198)	(4,915,031)
Payments for Other Support Costs	(2,233,549)	(2,254,412)
Payments for Program Costs	(18,118,379)	(8,869,360)
Total cash flows from operating activities	6,086,861	2,064,585
Cash Flows Used In Investing Activities		
Net Cash (to) from Purchase/Sale of Assets	(51,598)	(127,069)
Total cash flows used in investing activities	(51,598)	(127,069)
Cash Flows From Financing Activities		
Receipts from permanently restricted donations	10,000	-
Total cash flows from financing activities	10,000	-
Cash and Cash Equivalents		
Beginning of fiscal year	7,167,711	5,230,195
End of fiscal year	\$ 13,212,974	\$ 7,167,711

Reconciliation of change in net assets to net cash provided by operating activities:

	2015	2014
Change in net assets	\$ 4,552,628	\$ (1,422,188)
Adjustments to reconcile change:		
Depreciation	131,145	114,501
Bad debt expense	92,527	-
Permanently restricted contribution	(10,000)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	876,688	60,347
Accounts receivable	41,194	(59,546)
Prepaid expenses and other assets	14,328	20,075
Inventory	(2,152,978)	2,908,857
Increase (decrease) in:		
Accounts payable and accrued expenses	(117,120)	8,603
Accrued benefits	337,870	257,746
Deferred grant advances	2,320,579	374,132
Deferred program income	-	(197,942)
Net cash provided by operating activities	\$ 6,086,861	\$ 2,064,585

See Notes to Financial Statements.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: American Near East Refugee Aid (ANERA) is a not-for-profit corporation organized in 1968 for the purpose of improving the lives of Palestinian and other needy communities in the Middle East through grants and gifts-in-kind. Consistent with this purpose is the support of infrastructure, education and health programs for relief and development goals.

ANERA has its headquarters in Washington, D.C. ANERA is incorporated in Washington DC and registered as required by local laws in Jerusalem, West Bank, Gaza and Lebanon.

A summary of ANERA's significant accounting policies follows:

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

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (the Codification). As required by the Non-Profit Entities topic of the Codification, ANERA 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.

Unrestricted net assets: Unrestricted net assets result from revenue 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.

Board designated net assets: As of May 31, 2015 and 2014, board designated unrestricted net assets that are to be used for emergencies and contingencies were \$2,590,094 and \$1,252,926 respectively.

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.

Permanently restricted net assets: Contributions and other inflows of assets whose use is subject to donor-imposed stipulations that the principal must be maintained permanently by ANERA.

Cash and cash equivalents: Cash and cash equivalents consist of cash and money market accounts and funds.

Restricted cash: Restricted cash consists of cash received with donor imposed restrictions for non-current use, advances from donors for restricted purposes and amounts set aside to meet future obligations, including accrued benefits. At May 31, 2015 and 2014, restricted cash was \$7,886,842 and \$4,203,921, respectively.

Financial risk: ANERA maintains accounts at a number of financial institutions in the United States and the Middle East. The United States bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. ANERA holds certain of its cash and cash equivalents in U.S. financial institutions, which, at times, may exceed federally insured limits. ANERA had \$1,144,103 and \$1,069,553 in foreign accounts which are not insured as of May 31, 2015 and 2014, respectively. ANERA has not experienced any losses in such accounts. ANERA believes it is not exposed to any significant financial risk on cash and cash equivalents.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Grant and account receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts at May 31, 2015 was \$92,527. There was no allowance for doubtful accounts at May 31, 2014.

Inventory: Inventory consists of pharmaceuticals, medical supplies and dry-goods, for example, clothing and blankets, donated by other organizations that have not been distributed at May 31, 2015 and 2014. Donated inventory is carried at its fair market value on the date of the donation.

Property and equipment: Property and equipment, including software with a cost in excess of \$5,000 per unit, are capitalized at cost and are depreciated using the straight-line method over a five- to ten-year estimated useful life. Leasehold improvements are amortized over the lesser of their estimated useful lives or the lease life. Equipment purchased with federal funds and temporarily restricted funds are billed to donors when purchased and capitalized in accordance with ANERA capitalization policy as previously stated.

Deferred grant advances: Deferred grant advances consist of cash received for grants that have not yet been expended. ANERA records grant revenue in relation to expenses incurred.

Foreign currency transactions and translation: The functional currency of ANERA is the U.S. dollar. The financial statements and transactions of ANERA's foreign operations are generally maintained in U.S. dollars. Where local currencies are used, assets and liabilities are re-measured at the statement of financial position date at the exchange rate in effect at year-end. Monthly expenses that are incurred by project field office operations in foreign countries are translated using a weighted monthly average exchange rate in effect at the end of each month. At year end, balances denominated in foreign currency are valued at the exchange rate in effect at year-end, with gains and losses included within other income on the accompanying statements of activities.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses: The costs of providing ANERA's various programs and supporting services have been summarized on a functional basis. Certain direct administrative charges have been allocated to programs and supporting services based on salaries.

Support and revenue: Unconditional contributions are recorded when received as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Support and revenue (continued): All donor-restricted revenue and support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional contributions are not recorded as support until the condition(s) are probable of being met.

Contributed materials: ANERA receives medical and other supplies from both for-profit and not-for-profit organizations and ships them to the Middle East. ANERA delivers these donated supplies to hospitals, clinics and charitable organizations. Contributed equipment and supplies received by the field offices are also recorded as support and expenses.

Gifts-in-kind revenue is recognized as revenue in circumstances in which ANERA has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with the Codification. Accordingly, the recognition of gifts-in-kind revenue is limited to circumstances in which ANERA takes constructive possession of the gifts-in-kind and ANERA is the recipient of the gift, rather than an agent or intermediary (as defined by the Codification).

ANERA obtains United States FDA-approved pharmaceuticals from donors for distribution in developing countries or areas where disasters have occurred. Management has concluded that the geographical areas do not represent its principal market and therefore considers the United States region as its principal market for determining the fair value of the donated prescription drugs. The principal market is the market in which ANERA would sell the asset with the greatest volume and level of activity for the asset. Contributions of United States FDA-approved pharmaceuticals are recorded at the Average Wholesale Price (AWP) as published by Thomson Reuters in the Red Book. The Red Book is an industry recognized drug pricing reference guide for pharmaceuticals in the United States. Contributions of medical equipment and supplies are recorded at estimated fair value based upon appropriate wholesale price guides or other online pricing sources as applicable. Non-pharmaceutical gifts-in-kind contributions received by ANERA have been valued at their estimated fair value as provided by the donor, or, in the absence of the donors' valuation, using "like-kind" methodology that references United States wholesale pricing data for similar products. One donor, International Health Partners uses the Monthly Index of Medical Specialties (MIMS), a British publication, as the basis for their valuation. It is similar to the Red Book mentioned above. ANERA also receives donation of shoes for which the donor does not provide a value; ANERA conservatively estimates the price to value the shoes based on the value of the shoe per various retail stores in the beneficiary locale.

Gifts-in-kind expense is recorded when the goods are distributed for program use. While it is ANERA's policy to distribute the gifts-in-kind as promptly as possible, undistributed gifts-in-kind are recorded as inventory. The inventory is valued at fair value estimated by ANERA. ANERA believes that this approximates the lower of cost or market.

Income taxes: ANERA is generally exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. However, ANERA is subject to income taxes on unrelated business income as defined by the Internal Revenue Service. During the years ended May 31, 2015 and 2014, ANERA had no taxable unrelated business income and, accordingly, no provision for income taxes was required in the accompanying financial statements.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes (Continued): ANERA follows the accounting standard on accounting for uncertainty in income taxes. Under this guidance, ANERA may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated ANERA's tax positions and concluded that ANERA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, ANERA is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

Foreign assets: ANERA has approximately \$3,000,733 of foreign assets (excluding foreign cash) held in foreign countries.

Subsequent events: ANERA evaluated subsequent events for potential required disclosure through September 4, 2015, which is the date the financial statements were available to be issued.

Note 2. Grants Receivable

Grants receivable at May 31 consist of the following:

	2015	2014
U.S. government	\$ 122,527	\$ -
Non – U.S. government	18,306	1,000,000
International organizations	133,982	156,071
Other	4,568	-
	279,383	1,156,071
Less allowance for doubtful accounts	(92,527)	-
Total	\$ 186,856	\$ 1,156,071

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 3. Property and Equipment

Property and equipment at May 31 consist of the following:

	2015	2014
Vehicles	\$ 579,022	\$ 549,494
Furniture and office equipment	262,409	256,784
Computer equipment and design	126,777	110,335
Website design	25,900	25,900
Subtotal	994,108	942,513
Less accumulated depreciation	(798,057)	(666,915)
Total	\$ 196,051	\$ 275,598

Depreciation expense was \$131,145 and \$114,501 for the years ended May 31, 2015 and 2014, respectively. There was equipment costing \$737,573 and \$701,663 held in foreign field offices at May 31, 2015 and 2014, respectively.

Note 4. Accrued Benefits

Accrued benefits at May 31 consist of the following:

	2015	2014
Accrued severance*	\$ 1,854,182	\$ 1,535,323
Accrued vacation	269,587	250,576
Total	\$ 2,123,769	\$ 1,785,899

*The law operative in Jerusalem, the West Bank, Gaza strip and Lebanon dictates that upon retirement, an employee shall receive a defined end-of-service benefit. The benefit is calculated based on one month of the employee's salary rate as of the end-of-service and multiplied by the number of year of service. Accrued severance was \$1,854,182 and \$1,535,323 at May 31, 2015 and 2014, respectively. Of that, \$1,778,182 and \$1,267,310, was funded via money market funds included with cash and cash equivalents at May 31, 2015, and 2014, respectively.

During the years ended May 31, 2015 and 2014, termination benefits of \$42,172 and \$125,553, respectively, were paid.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 5. Deferred Grant Advances

Deferred grant advances at May 31 consist of the following:

	2015	2014
U.S. Government	\$ 712,264	\$ 299,505
International organizations	497,445	206,682
Foundations	1,935,043	317,986
Total	\$ 3,144,752	\$ 824,173

Note 6. In-Kind Contributions

For the years ended May 31, 2015 and 2014, ANERA recognized in-kind contributions of \$29,846,810 and \$40,350,096, respectively, and in-kind grant expenses of \$27,679,500 and \$43,258,953, respectively, which are included in the medical in-kind and health services expense line on the statements of activities. In-kind revenue is recognized when the in-kind contribution is received in ANERA's warehouse. In-kind expense is recognized when the goods are distributed. The inventory balance at May 31, 2015 and 2014, was \$2,635,122 and \$482,144, respectively. All inventory is located in foreign field offices.

As of May 31, 2015 and 2014, ANERA does not have any in-kind inventory that had landed but not cleared customs. It is ANERA's policy to count inventory after it has been inspected and not count inventory that may be rejected during the process of clearing customs.

Note 7. Pension Plan

ANERA has a defined contribution pension plan, or 401(a) Money Purchase Pension Plan, which covers substantially all of its headquarters' employees. Contributions are based on annual salaries. Pension plan expense amounted to \$185,222 and \$134,607 for the years ended May 31, 2015 and 2014, respectively.

ANERA also offers a 403(b) Tax Deferred Annuity (TDA) to its headquarters employees. In accordance with applicable regulations, the employees can contribute into the TDA, and the employer does not contribute to this TDA.

Note 8. Contingencies

ANERA participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 9. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets in 2015 were as follows:

	Balance May 31, 2014	Apportionments	Additions	Released From Restrictions	Balance May 31, 2015
Specific Community or location	\$ 1,992,919	\$ (1,022,534)	\$ 1,251,690	\$ -	\$ 2,222,075
Community and Economic development	417,477	594,714	136,439	(973,005)	175,625
Education	319,940	61,443	956,240	(1,071,506)	266,117
Medical in-kind and health services	230,470	366,377	539,950	(1,030,642)	106,155
Total	\$ 2,960,806	\$ -	\$ 2,884,319	\$ (3,075,153)	\$ 2,769,972

Changes in temporarily restricted net assets in 2014 were as follows:

	Balance May 31, 2013	Apportionments	Additions	Released From Restrictions	Balance May 31, 2014
Specific Community or location	\$ 1,653,236	\$ (673,987)	\$ 1,013,670	\$ -	\$ 1,992,919
Community and Economic development	215,395	433,412	415,819	(647,149)	417,477
Education	364,634	116,151	902,713	(1,063,558)	319,940
Medical in-kind and health services	278,642	124,424	310,981	(483,577)	230,470
Total	\$ 2,511,907	\$ -	\$ 2,643,183	\$ (2,194,284)	\$ 2,960,806

Note 10. Commitments

ANERA entered into a lease with an effective date of April 1, 2010. The lease payments are subject to an annual base rent increase and a proportional share of operating expenses and real estate taxes that are in excess of the base year for the lease.

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

At May 31, 2015, the minimum future lease payments under the agreements are as follows:

Year Ending May 31,

2016	\$ 215,761
2017	221,155
2018	226,684
2019	232,351
2020	197,643
Total	\$ 1,093,594

Rent expense for ANERA was \$570,096 and \$603,275 for the years ended May 31, 2015 and 2014, respectively.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 11. Fair Value Measurements

The Fair Value Measurement Topic of the FASB ASC establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This Topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The Topic establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and a hierarchy for ranking the quality and reliability of the information used to determine fair values. This Topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities
- Level 2 Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 Unobservable inputs not corroborated by market data

To determine the appropriate levels, ANERA performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The table below presents the balances of assets and liabilities, at May 31, 2015, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Financial Assets				
Included with cash and cash equivalents				
Money market funds	\$ 4,400,582	\$ 4,400,582	\$ -	\$ -
Total	<u>\$ 4,400,582</u>	<u>\$ 4,400,582</u>	<u>\$ -</u>	<u>\$ -</u>

The table below presents the balances of assets and liabilities, at May 31, 2014, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Financial Assets				
Included with cash and cash equivalents				
Money market funds	\$ 2,493,471	\$ 2,493,471	\$ -	\$ -
Total	<u>\$ 2,493,471</u>	<u>\$ 2,493,471</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of ANERA's money market funds is determined based on quoted prices in active markets; thus, they are categorized as a Level 1 input.



**Independent Auditor's Report
on the Supplementary Information**

To the Board of Directors
American Near East Refugee Aid, Inc.
Washington, D.C.

We have audited the financial statements of American Near East Refugee Aid, Inc. (ANERA) as of and for the years ended May 31, 2015 and 2014, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole.

The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

McLean, Virginia
September 4, 2015

American Near East Refugee Aid, Inc.

Schedule of Functional Expenses
Year Ended May 31, 2015
(With Comparative Totals for 2014)

	Program Services			Supporting Services			2015 Total	2014 Total	
	Medical in-kind and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 254,360	\$ 1,779,577	\$ 312,495	\$ 2,346,432	\$ 995,855	\$ 226,706	\$ 1,222,561	\$ 3,568,993	\$ 3,390,106
Fringe benefits	134,156	973,596	163,385	1,271,137	491,751	99,079	590,830	1,861,967	1,792,417
Total salaries and fringe benefits	388,516	2,753,173	475,880	3,617,569	1,487,606	325,785	1,813,391	5,430,960	5,182,523
Grants in-kind	27,632,708	-	46,792	27,679,500	-	-	-	27,679,500	43,258,953
Grants	1,102,186	14,734,802	2,044,000	17,880,988	-	-	-	17,880,988	8,791,540
Occupancy	34,895	253,337	36,543	324,775	245,321	-	245,321	570,096	603,275
Professional services	9,973	66,465	74,501	150,939	226,409	75,846	302,255	453,194	466,399
Travel	7,697	71,677	18,433	97,807	61,571	47,041	108,612	206,419	215,649
Office supplies and equipment	7,604	42,840	14,473	64,917	29,684	3,414	33,098	98,015	210,469
Vehicle expense	19,409	148,204	18,986	186,599	1,144	-	1,144	187,743	166,232
Printing and lettershop	1,631	5,917	8,621	16,169	25,591	68,514	94,105	110,274	112,295
Telephone and communications	9,623	62,328	15,185	87,136	25,312	-	25,312	112,448	104,430
Postage and shipping	150	686	391	1,227	19,430	27,362	46,792	48,019	79,217
Technical assistance	1,053	37,652	196,854	235,559	4,686	-	4,686	240,245	77,821
Repairs and maintenance	470	3,163	1,418	5,051	7,371	-	7,371	12,422	76,246
Conferences and memberships	26,264	4,868	600	31,732	28,628	4,419	33,047	64,779	59,110
Banking fees	949	9,395	1,524	11,868	14,111	56,558	70,669	82,537	54,123
In-kind shipping and storage	119,931	-	-	119,931	-	-	-	119,931	46,872
Advertising and marketing	165	3,242	4,224	7,631	1,598	19,543	21,141	28,772	28,156
Risk management	-	-	-	-	26,963	-	26,963	26,963	23,718
Bad debt expense	30,000	62,527	-	92,527	-	-	-	92,527	-
Board and committee meetings	-	-	-	-	4,878	-	4,878	4,878	7,533
Miscellaneous	1,417	509	1,872	3,798	5,397	3,715	9,112	12,910	-
Total expenses before depreciation	29,394,641	18,260,785	2,960,297	50,615,723	2,215,700	632,197	2,847,897	53,463,620	59,564,561
Depreciation	5,081	99,540	7,104	111,725	19,420	-	19,420	131,145	114,501
Total expenses before Allocation of indirect costs	29,399,722	18,360,325	2,967,401	50,727,448	2,235,120	632,197	2,867,317	53,594,765	
Allocation of indirect costs	254,163	1,384,951	271,932	1,911,046	(2,166,625)	255,579	(1,911,046)	-	-
Total expenses	\$ 29,653,885	\$ 19,745,276	\$ 3,239,333	\$ 52,638,494	\$ 68,495	\$ 887,776	\$ 956,271	\$ 53,594,765	\$ 59,689,352