

American Near East Refugee Aid, Inc.

Financial Report
May 31, 2014

Contents

Independent Auditor's Report on the Financial Statements	1-2
<hr/>	
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6-13
<hr/>	
Independent Auditor's Report on the Supplementary Information	14
<hr/>	
Supplementary Information	
Schedule of functional expenses	15



Independent Auditor's Report on the Financial Statements

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, 2014 and 2013, 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, 2014 and 2013, 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 8, 2014, and October 29, 2013 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.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed name and date.

McLean, Virginia
September 8, 2014

American Near East Refugee Aid, Inc.

Statements of Financial Position
May 31, 2014 and 2013

Assets	2014	2013
Current Assets		
Cash and cash equivalents:		
Unrestricted	\$ 2,963,790	\$ 1,858,934
Restricted	4,203,921	3,371,261
Total cash and cash equivalents	7,167,711	5,230,195
Accounts receivable	75,091	15,545
Grants receivable (Note 2)	1,156,071	1,216,418
Prepaid expenses and other assets	250,149	270,224
Inventory (Note 6)	482,144	3,391,001
Property and equipment, net (Note 3)	275,598	263,030
Total assets	\$ 9,406,764	\$ 10,386,413
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 359,700	\$ 351,097
Accrued benefits (Note 4)	1,785,899	1,528,153
Deferred grant advances (Note 5)	824,173	450,041
Deferred program income	-	197,942
Total liabilities	2,969,772	2,527,233
Commitments and Contingencies (Notes 8, 10 and 12)		
Net Assets		
Unrestricted:		
Undesignated	2,160,057	4,162,441
Board designated	1,252,926	1,121,629
Total unrestricted net assets	3,412,983	5,284,070
Temporarily restricted (Note 9)	2,960,806	2,511,907
Permanently restricted	63,203	63,203
Total net assets	6,436,992	7,859,180
Total liabilities and net assets	\$ 9,406,764	\$ 10,386,413

See Notes to Financial Statements.

American Near East Refugee Aid, Inc.

Statements of Activities

Years Ended May 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
In-kind contributions (Note 6)	\$ 40,350,096	\$ -	\$ -	\$ 40,350,096	\$ 44,853,545	\$ -	\$ -	\$ 44,853,545
Governmental grant revenue	10,905,710	-	-	10,905,710	15,307,069	-	-	15,307,069
Non-governmental grant revenue	2,174,599	-	-	2,174,599	922,881	-	-	922,881
Contributions	2,185,676	2,643,183	-	4,828,859	2,442,417	4,294,665	-	6,737,082
Other income	7,900	-	-	7,900	12,720	-	-	12,720
Net assets released from restrictions (Note 9)	2,194,284	(2,194,284)	-	-	3,528,703	(3,528,703)	-	-
Total support and revenue	57,818,265	448,899	-	58,267,164	67,067,335	765,962	-	67,833,297
Expenses								
Program services:								
Medical in-kind and health services (Note 6)	44,635,178	-	-	44,635,178	44,971,367	-	-	44,971,367
Community and economic development	9,575,084	-	-	9,575,084	15,177,654	-	-	15,177,654
Education	2,891,426	-	-	2,891,426	3,175,693	-	-	3,175,693
Total program services	57,101,688	-	-	57,101,688	63,324,714	-	-	63,324,714
Supporting services:								
Management and general	2,042,012	-	-	2,042,012	1,886,034	-	-	1,886,034
Fundraising	545,652	-	-	545,652	408,900	-	-	408,900
Total supporting services	2,587,664	-	-	2,587,664	2,294,934	-	-	2,294,934
Total expenses	59,689,352	-	-	59,689,352	65,619,648	-	-	65,619,648
Change in net assets	(1,871,087)	448,899	-	(1,422,188)	1,447,687	765,962	-	2,213,649
Net Assets								
Beginning	5,284,070	2,511,907	63,203	7,859,180	3,836,383	1,745,945	63,203	5,645,531
Ending	\$ 3,412,983	\$ 2,960,806	\$ 63,203	\$ 6,436,992	\$ 5,284,070	\$ 2,511,907	\$ 63,203	\$ 7,859,180

See Notes to Financial Statements.

American Near East Refugee Aid, Inc.

Statements of Cash Flows
Years Ended May 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ (1,422,188)	\$ 2,213,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,501	117,038
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	60,347	(1,145,535)
Accounts receivable	(59,546)	15,786
Prepaid expenses and other assets	20,075	(111,921)
Inventory	2,908,857	(482,361)
Increase (decrease) in:		
Accounts payable and accrued expenses	8,603	(44,878)
Accrued benefits	257,746	61,353
Deferred grant advances	374,132	232,135
Deferred program income	(197,942)	43,432
Net cash provided by operating activities	2,064,585	898,698
Cash Flows From Investing Activities		
Purchase of property and equipment	(127,069)	(27,778)
Net cash (used in) investing activities	(127,069)	(27,778)
Net increase in cash and cash equivalents	1,937,516	870,920
Cash and Cash Equivalents		
Beginning	5,230,195	4,359,275
Ending	\$ 7,167,711	\$ 5,230,195

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 also incorporated as required by local laws in Jerusalem, Jordan, 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, Jordan, 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, 2014 and 2013, board designated net assets that are to be used for emergencies and contingencies were \$1,252,926 and \$1,121,629, 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, 2014 and 2013, restricted cash was \$4,203,921 and \$3,371,261, 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 \$1,069,553 and \$444,513 in foreign accounts which are not insured as of May 31, 2014 and 2013, 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. There was no provision for doubtful accounts at May 31, 2014 and 2013.

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, 2014 and 2013. Donated inventory is stated at fair market value.

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.

Deferred program income: ANERA reproduced documents for contractors as a part of its construction projects. These receipts were recorded as deferred program income until expenses are incurred. Revenue is recognized when the funds are spent for program purposes. This deferred program income was available to support specific programs and as agreed to with specific donors. There was no such program for the year ended May 31, 2014.

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 wholesale 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 wholesale 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 wholesale values 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, 2014 and 2013, 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 \$916,352 of foreign assets (excluding foreign cash) held in foreign countries.

Subsequent events: ANERA evaluated subsequent events for potential required disclosure through September 8, 2014, 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:

	2014	2013
U.S. government	\$ -	\$ 22,173
Non – U.S. government	1,000,000	1,004,603
International organizations	156,071	144,642
Other	-	45,000
Total	\$ 1,156,071	\$ 1,216,418

Note 3. Property and Equipment

Property and equipment at May 31 consist of the following:

	2014	2013
Vehicles	\$ 549,494	\$ 454,369
Furniture and office equipment	256,784	256,157
Computer equipment and design	110,335	79,015
Website design	25,900	25,900
Subtotal	942,513	815,441
Less accumulated depreciation	(666,915)	(552,411)
Total	\$ 275,598	\$ 263,030

Depreciation expense was \$114,501 and \$117,038 for the years ended May 31, 2014 and 2013, respectively. There was equipment costing \$701,663 and \$584,192 held in foreign field offices at May 31, 2014 and 2013, respectively.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 4. Accrued Benefits

Accrued benefits at May 31 consist of the following:

	2014	2013
Accrued severance*	\$ 1,535,323	\$ 1,346,952
Accrued vacation	250,576	177,963
Other benefits	-	3,238
Total	\$ 1,785,899	\$ 1,528,153

*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 \$1,535,323 and \$1,346,952 at May 31, 2014 and 2013, respectively. Of that, \$1,267,310 and \$890,468, was funded via money market funds included with cash and cash equivalents at May 31, 2014, and 2013, respectively.

During the years ended May 31, 2014 and 2013, termination benefits of \$125,553 and \$156,196, respectively, were paid.

Note 5. Deferred Grant Advances

Deferred grant advances at May 31 consist of the following:

	2014	2013
Foundations	\$ 317,986	\$ 393,464
U.S. Government	299,505	52,697
Other donors	103,803	3,880
International organizations	102,879	-
Total	\$ 824,173	\$ 450,041

Note 6. In-Kind Contributions

For the years ended May 31, 2014 and 2013, ANERA recognized in-kind contributions of \$40,350,096 and \$44,853,545 and in-kind grant expenses of \$43,258,953 and \$44,376,084, respectively, which are included in the medical in-kind and health services 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, 2014 and 2013, was \$482,144 and \$3,391,001, respectively. All inventory is located in foreign field offices.

As of May 31, 2014 and 2013, 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.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

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 \$134,607 and \$90,549 for the years ended May 31, 2014 and 2013, 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 an audit. Management does not anticipate any significant adjustments as a result of such an audit.

ANERA is a party to a lawsuit. Liability, if any, associated with this matter is not presently determinable. In the opinion of management, resolution of this matter should not have a material effect on ANERA's financial position.

Note 9. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets are as follows:

	Balance May 31, 2013	Additions	Released From Restrictions	Balance May 31, 2014
Community and economic development	\$ 2,142,521	\$ 1,444,470	\$ (858,514)	\$ 2,728,477
Education	316,015	902,713	(1,063,558)	155,170
Medical in-kind and health services	53,371	296,000	(272,212)	77,159
Total	\$ 2,511,907	\$ 2,643,183	\$ (2,194,284)	\$ 2,960,806

Changes in temporarily restricted net assets are as follows:

	Balance May 31, 2012	Additions	Released From Restrictions	Balance May 31, 2013
Community and economic development	\$ 1,186,071	\$ 2,742,761	\$ (1,786,311)	\$ 2,142,521
Education	316,698	1,058,762	(1,059,445)	316,015
Medical in-kind and health services	243,176	493,142	(682,947)	53,371
Total	\$ 1,745,945	\$ 4,294,665	\$ (3,528,703)	\$ 2,511,907

American Near East Refugee Aid, Inc.

Notes to Financial Statements

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, 2014, the minimum future lease payments under the agreements are as follows:

Year Ending May 31,

2015	\$	210,499
2016		215,761
2017		221,155
2018		226,684
2019		232,351
2020		197,643
Total	\$	<u>1,304,093</u>

Rent expense for ANERA was \$603,275 and \$420,503 for the years ended May 31, 2014 and 2013, respectively.

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.

American Near East Refugee Aid, Inc.

Notes to Financial Statements

Note 11. Fair Value Measurements (Continued)

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	\$ 2,493,471	\$ 2,493,471	\$ -	\$ -

The table below presents the balances of assets and liabilities, at May 31, 2013, 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	\$ 1,989,783	\$ 1,989,783	\$ -	\$ -
Total	\$ 1,989,783	\$ 1,989,783	\$ -	\$ -

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.

Note 12. Subsequent Event – Gaza Operations

ANERA has been working in Gaza with a staff of local professionals since 1985. Subsequent to May 31, 2014, significant infrastructure and access to basic humanitarian needs such as water, food and hygiene in Gaza have been destroyed by war. The Gaza staff has operated throughout this violence delivering millions of dollars of disaster relief, with access coordinated through Israeli authorities. Some of these efforts were financed with private funding and others with USAID grant funds. Senior management has inspected first-hand the situation and intends to continue operating in Gaza to provide relief and recovery projects to help families rebuild their communities. ANERA has a number of partnerships and donors that have already committed to some of these future efforts.



**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, 2014 and 2013, 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 8, 2014

American Near East Refugee Aid, Inc.

Schedule of Functional Expenses

Year Ended May 31, 2014

(With Comparative Totals for 2013)

	Program Services				Supporting Services			2014 Total	2013 Total
	Medical in-kind and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 272,169	\$ 1,686,792	\$ 395,850	\$ 2,354,811	\$ 858,835	\$ 176,460	\$ 1,035,295	\$ 3,390,106	\$ 2,729,920
Fringe benefits	111,953	935,261	199,397	1,246,611	532,176	13,630	545,806	1,792,417	1,308,503
Total salaries and fringe benefits	384,122	2,622,053	595,247	3,601,422	1,391,011	190,090	1,581,101	5,182,523	4,038,423
Grants in-kind	43,258,953	-	-	43,258,953	-	-	-	43,258,953	44,376,084
Grants	802,890	5,942,543	2,046,107	8,791,540	-	-	-	8,791,540	15,230,786
Occupancy	35,441	302,769	38,907	377,117	226,158	-	226,158	603,275	420,503
Professional services	7,493	88,276	33,276	129,045	204,553	132,801	337,354	466,399	420,562
Travel	6,784	59,786	47,059	113,629	42,395	59,625	102,020	215,649	150,129
Office supplies and equipment	9,433	157,011	16,584	183,028	24,616	2,825	27,441	210,469	65,257
Vehicle expense	22,409	126,280	16,348	165,037	1,195	-	1,195	166,232	140,892
Depreciation	10,250	75,265	12,893	98,408	16,093	-	16,093	114,501	117,038
Printing and lettershop	6,517	4,818	8,843	20,178	26,150	65,967	92,117	112,295	89,372
Telephone and communications	10,907	58,419	17,597	86,923	17,489	18	17,507	104,430	91,649
Postage and shipping	19,645	6,932	253	26,830	16,295	36,092	52,387	79,217	43,293
Technical assistance	6,304	22,404	49,113	77,821	-	-	-	77,821	110,025
Repairs and maintenance	912	65,362	2,456	68,730	7,516	-	7,516	76,246	22,859
Conferences and memberships	4,581	29,336	1,597	35,514	18,245	5,351	23,596	59,110	48,271
Banking fees	861	7,104	2,845	10,810	11,604	31,709	43,313	54,123	70,259
In-kind shipping and storage	46,872	-	-	46,872	-	-	-	46,872	118,652
Advertising and marketing	6	6,118	76	6,200	2,954	19,002	21,956	28,156	17,563
Risk management	13	165	37	215	23,503	-	23,503	23,718	30,949
Miscellaneous	785	443	2,188	3,416	4,764	2,110	6,874	10,290	11,348
Board and committee meetings	-	-	-	-	7,471	62	7,533	7,533	5,734
Total	\$ 44,635,178	\$ 9,575,084	\$ 2,891,426	\$ 57,101,688	\$ 2,042,012	\$ 545,652	\$ 2,587,664	\$ 59,689,352	\$ 65,619,648