

# **American Near East Refugee Aid, Inc.**

Financial Report  
May 31, 2016

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RSM US LLP

## 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, 2016 and 2015, 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, 2016 and 2015, 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 August 30, 2016, and September 4, 2015, 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.

*RSM US LLP*

Washington, D.C.  
August 30, 2016

American Near East Refugee Aid, Inc.

Statements of Financial Position  
May 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents: (Note 11)		
Unrestricted	\$ 5,943,868	\$ 5,326,132
Restricted	7,851,133	7,886,842
<b>Total cash and cash equivalents</b>	<b>13,795,001</b>	13,212,974
Accounts receivable	215,191	33,897
Grants and contributions receivable, net (Note 2)	357,213	186,856
Prepaid expenses and other assets	288,853	235,821
Inventory (Note 6)	4,513,797	2,635,122
Property and equipment, net (Note 3)	149,807	196,051
<b>Total assets</b>	<b>\$ 19,319,862</b>	<b>\$ 16,500,721</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 688,986	\$ 242,580
Accrued benefits (Note 4)	2,420,957	2,123,769
Deferred grant advances (Note 5)	3,124,164	3,144,752
<b>Total liabilities</b>	<b>6,234,107</b>	5,511,101
Commitments and contingencies (Notes 8 and 10)		
Net assets:		
Unrestricted:		
Undesignated	7,958,230	5,556,351
Board designated	2,699,307	2,590,094
<b>Total unrestricted net assets</b>	<b>10,657,537</b>	8,146,445
Temporarily restricted (Note 9)	2,355,015	2,769,972
Permanently restricted	73,203	73,203
<b>Total net assets</b>	<b>13,085,755</b>	10,989,620
<b>Total liabilities and net assets</b>	<b>\$ 19,319,862</b>	<b>\$ 16,500,721</b>

See notes to financial statements.

**American Near East Refugee Aid, Inc.**

**Statements of Activities  
Years Ended May 31, 2016 and 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
In-kind contributions (Note 6)	\$ 34,048,155	\$ -	\$ -	\$ 34,048,155	\$ 29,846,810	\$ -	\$ -	\$ 29,846,810
Governmental grant revenue	15,646,997	-	-	15,646,997	17,297,727	-	-	17,297,727
Non-governmental grant revenue	3,988,608	-	-	3,988,608	3,634,996	-	-	3,634,996
Contributions	2,646,149	1,471,046	-	4,117,195	4,459,399	2,884,319	10,000	7,353,718
Other income	103,698	-	-	103,698	14,142	-	-	14,142
Net assets released from restrictions (Note 9)	1,886,003	(1,886,003)	-	-	3,075,153	(3,075,153)	-	-
<b>Total support and revenue</b>	<b>58,319,610</b>	<b>(414,957)</b>	<b>-</b>	<b>57,904,653</b>	<b>58,328,227</b>	<b>(190,834)</b>	<b>10,000</b>	<b>58,147,393</b>
Expenses:								
Program services:								
Medical in-kind and health services (Note 6)	32,921,878	-	-	32,921,878	29,399,722	-	-	29,399,722
Community and economic development	16,267,932	-	-	16,267,932	18,360,325	-	-	18,360,325
Education	3,296,990	-	-	3,296,990	2,967,401	-	-	2,967,401
<b>Total program services</b>	<b>52,486,800</b>	<b>-</b>	<b>-</b>	<b>52,486,800</b>	<b>50,727,448</b>	<b>-</b>	<b>-</b>	<b>50,727,448</b>
Supporting services:								
Management and general	2,511,278	-	-	2,511,278	2,235,120	-	-	2,235,120
Fundraising	810,440	-	-	810,440	632,197	-	-	632,197
<b>Total supporting services</b>	<b>3,321,718</b>	<b>-</b>	<b>-</b>	<b>3,321,718</b>	<b>2,867,317</b>	<b>-</b>	<b>-</b>	<b>2,867,317</b>
<b>Total expenses</b>	<b>55,808,518</b>	<b>-</b>	<b>-</b>	<b>55,808,518</b>	<b>53,594,765</b>	<b>-</b>	<b>-</b>	<b>53,594,765</b>
<b>Change in net assets</b>	<b>2,511,092</b>	<b>(414,957)</b>	<b>-</b>	<b>2,096,135</b>	<b>4,733,462</b>	<b>(190,834)</b>	<b>10,000</b>	<b>4,552,628</b>
Net assets:								
Beginning	8,146,445	2,769,972	73,203	10,989,620	3,412,983	2,960,806	63,203	6,436,992
Ending	<b>\$ 10,657,537</b>	<b>\$ 2,355,015</b>	<b>\$ 73,203</b>	<b>\$ 13,085,755</b>	<b>\$ 8,146,445</b>	<b>\$ 2,769,972</b>	<b>\$ 73,203</b>	<b>\$ 10,989,620</b>

See notes to financial statements.

**American Near East Refugee Aid, Inc.**

**Statements of Cash Flows**  
**Years Ended May 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Receipts from grants	\$ 19,415,267	\$ 23,134,588
Receipts from donations	4,102,306	8,365,991
Interest and dividends received	2,260	979
Miscellaneous receipts	99,830	15,429
Payments for personnel costs	(5,493,945)	(5,078,198)
Payments for other support costs	(2,073,417)	(2,233,549)
Payments for program costs	(15,420,853)	(18,118,379)
<b>Net cash provided by operating activities</b>	<b>631,448</b>	<b>6,086,861</b>
Cash flows from in investing activities:		
Purchase of property and equipment	(49,421)	(51,598)
<b>Net cash used in investing activities</b>	<b>(49,421)</b>	<b>(51,598)</b>
Cash flows from financing activities:		
Receipts from permanently restricted donations	-	10,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>10,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>582,027</b>	<b>6,045,263</b>
Cash and cash equivalents:		
Beginning of fiscal year	13,212,974	7,167,711
End of fiscal year	<b>\$ 13,795,001</b>	<b>\$ 13,212,974</b>

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

	2016	2015
Change in net assets:	\$ 2,096,135	\$ 4,552,628
Adjustments to reconcile change:		
Depreciation	95,665	131,145
Bad debt expense	59,400	92,527
Permanently restricted contribution	-	(10,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(229,757)	876,688
Accounts receivable	(181,294)	41,194
Prepaid expenses and other assets	(53,032)	14,328
Inventory	(1,878,675)	(2,152,978)
Increase (decrease) in:		
Accounts payable and accrued expenses	446,406	(117,120)
Accrued benefits	297,188	337,870
Deferred grant advances	(20,588)	2,320,579
<b>Net cash provided by operating activities</b>	<b>\$ 631,448</b>	<b>\$ 6,086,861</b>

See notes to financial statements.

## American Near East Refugee Aid, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** American Near East Refugee Aid, Inc. (ANERA) is a nonprofit 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, D.C. 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, West Bank, Gaza and Lebanon locations. 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 reports 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, as follows.

**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 unrestricted net assets:** As of May 31, 2016 and 2015, board designated unrestricted net assets that are to be used for emergencies and contingencies were \$2,699,307 and \$2,590,094, 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.

ANERA entered into a guidance line of credit in December 2015 for \$750,000. A guidance line of credit provides for the opportunity to draw funds on a short-term basis and is not considered a committed line of credit. ANERA has not drawn funds from this letter of credit as of May 31, 2016. This credit facility may be renewed annually and expires November 30, 2016.

**Restricted cash:** Restricted cash consists of cash received with donor-imposed restrictions for its use, advances from donors for restricted purposes and amounts set aside to meet future obligations, including accrued benefits. At May 31, 2016 and 2015, restricted cash was \$7,851,133 and \$7,886,842, respectively.



## American Near East Refugee Aid, Inc.

### Notes to Financial Statements

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

**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 \$999,724 and \$1,144,103 in foreign accounts which are not insured as of May 31, 2016 and 2015, 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.

**Grants, contributions and accounts receivable:** Grants, contributions and accounts receivable are carried at original unbilled, promised or invoiced 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, 2016 and 2015, respectively, was \$121,927 and \$92,527.

**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, 2016 and 2015. 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's 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 exchange rate on the statement of financial position date. 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.

## American Near East Refugee Aid, Inc.

### Notes to Financial Statements

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

**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

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 nonprofit 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 where 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, 2016 and 2015, 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

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#### Note 1. Nature of Activities and Significant Accounting Policies (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 2012.

**Foreign assets:** Assets (excluding foreign cash) held in foreign countries, consisting primarily of in-kind inventory, were \$5,043,658 and \$3,000,733 as of May 31, 2016 and 2015, respectively.

**Upcoming accounting pronouncements:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. ANERA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017. ANERA has not yet selected a transition method and is currently evaluating the effect that the Update will have on the financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments in this ASU are intended to improve the guidance on principal versus agent considerations. The effective date for this ASU is the same as the effective date for ASU No. 2014-09, *Revenue from Contracts with Customers*. ANERA is currently assessing the potential impact of this ASU on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

## American Near East Refugee Aid, Inc.

### Notes to Financial Statements

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

**Subsequent events:** ANERA evaluated subsequent events for potential required disclosure through August 30, 2016, which is the date the financial statements were available to be issued.

#### Note 2. Grants and Contributions Receivable

Grants receivable at May 31 consist of the following:

	2016	2015
U.S. government	\$ 387,926	\$ 122,527
Non-U.S. government	-	18,306
International organizations	86,646	133,982
Other	4,568	4,568
	<u>479,140</u>	<u>279,383</u>
Less allowance for doubtful accounts	(121,927)	(92,527)
Total	<u>\$ 357,213</u>	<u>\$ 186,856</u>

#### Note 3. Property and Equipment

Property and equipment at May 31 consist of the following:

	2016	2015
Vehicles	\$ 618,703	\$ 579,022
Furniture and office equipment	266,346	262,409
Computer equipment and design	132,581	126,777
Website design	25,900	25,900
Subtotal	<u>1,043,530</u>	<u>994,108</u>
Less accumulated depreciation	(893,723)	(798,057)
Total	<u>\$ 149,807</u>	<u>\$ 196,051</u>

Depreciation expense was \$95,666 and \$131,145 for the years ended May 31, 2016 and 2015, respectively. There was property and equipment with a net book value of \$136,342 and \$165,188 held in foreign field offices at May 31, 2016 and 2015, respectively.

#### Note 4. Accrued Benefits

Accrued benefits at May 31 consist of the following:

	2016	2015
Accrued severance*	\$ 2,087,677	\$ 1,816,092
Accrued vacation	285,282	269,587
Other benefits	47,998	38,090
Total	<u>\$ 2,420,957</u>	<u>\$ 2,123,769</u>

## American Near East Refugee Aid, Inc.

### Notes to Financial Statements

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#### Note 4. Accrued Benefits (Continued)

\*The law operative in Jerusalem, West Bank, Gaza and Lebanon dictates that upon retirement, an employee shall receive a defined end-of-service indemnity 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 years of service. Accrued severance was \$2,087,677 and \$1,816,092 at May 31, 2016 and 2015, respectively.

Of that, \$2,085,210 and \$1,778,182 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, 2016 and 2015, termination benefits of \$31,683 and \$42,172, respectively, were paid.

#### Note 5. Deferred Grant Advances

Deferred grant advances at May 31 consist of the following:

	2016	2015
Foundations	\$ 2,028,249	\$ 1,935,043
International organizations	923,233	497,445
U.S. government	172,682	712,264
Total	<u>\$ 3,124,164</u>	<u>\$ 3,144,752</u>

#### Note 6. In-Kind Contributions

For the years ended May 31, 2016 and 2015, ANERA recognized in-kind contributions of \$34,048,155 and \$29,846,810, respectively, and in-kind grant expenses of \$32,171,413 and \$27,679,500, respectively. These expenses 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, 2016 and 2015, was \$4,513,797 and \$2,635,122, respectively. All inventory is located in foreign field offices.

As of May 31, 2016, ANERA had in-kind inventory of \$1,040,939, 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. As of May 31, 2015, there was none.

#### 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 \$181,652 and \$185,222 for the years ended May 31, 2016 and 2015, 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.

**American Near East Refugee Aid, Inc.**

**Notes to Financial Statements**

**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.

**Note 9. Temporarily Restricted Net Assets**

Changes in temporarily restricted net assets in 2016 were as follows:

	Balance May 31, 2015	Apportionments	Additions	Released From Restrictions	Balance May 31, 2016
Specific community or location	\$ 2,222,075	\$ (999,382)	\$ 39,608	\$ -	\$ 1,262,301
Community and economic development	175,625	574,309	365,404	(755,131)	360,207
Education	266,117	45,360	615,841	(442,984)	484,334
Medical in-kind and health services	106,155	379,713	450,193	(687,888)	248,173
Total	<u>\$ 2,769,972</u>	<u>\$ -</u>	<u>\$ 1,471,046</u>	<u>\$ (1,886,003)</u>	<u>\$ 2,355,015</u>

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	<u>\$ 2,960,806</u>	<u>\$ -</u>	<u>\$ 2,884,319</u>	<u>\$ (3,075,153)</u>	<u>\$ 2,769,972</u>

Apportionments represent transfers of funding to support projects within the restriction categories or for programs operating in specific locations as permitted by the donors.

**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, 2016, the minimum future lease payments under the long term agreements are as follows:

Years ending May 31:	
2017	\$ 221,155
2018	226,684
2019	232,351
2020	197,643
Total	<u>\$ 877,833</u>

Rent expense for ANERA was \$607,984 and \$570,096 for the years ended May 31, 2016 and 2015, respectively.

## American Near East Refugee Aid, Inc.

### Notes to Financial Statements

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#### 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, 2016, 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	\$ 4,778,956	\$ 4,778,956	\$ -	\$ -
Total	<u>\$ 4,778,956</u>	<u>\$ 4,778,956</u>	<u>\$ -</u>	<u>\$ -</u>

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 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.



RSM US LLP

## 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, 2016 and 2015, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1 to 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.

*RSM US LLP*

Washington, D.C.  
August 30, 2016



American Near East Refugee Aid, Inc.

Schedule of Functional Expenses  
Year Ended May 31, 2016  
(With Comparative Totals for 2015)

	Program Services			Supporting Services			2016 Total	2015 Total	
	Medical In-kind and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 300,556	\$ 1,747,709	\$ 384,784	\$ 2,433,049	\$ 995,606	\$ 307,060	\$ 1,302,666	\$ 3,735,715	\$ 3,568,993
Fringe benefits	163,214	979,484	219,460	1,362,158	588,744	153,012	741,756	2,103,914	1,861,967
<b>Total salaries and fringe benefits</b>	<b>463,770</b>	<b>2,727,193</b>	<b>604,244</b>	<b>3,795,207</b>	<b>1,584,350</b>	<b>460,072</b>	<b>2,044,422</b>	<b>5,839,629</b>	<b>5,430,960</b>
Grants in-kind	31,964,900	-	206,513	32,171,413	-	-	-	32,171,413	27,679,500
Grants	309,923	12,791,299	1,815,008	14,916,230	-	-	-	14,916,230	17,880,988
Professional services	4,758	42,950	183,093	230,801	318,667	105,177	423,844	654,645	453,194
Occupancy	31,772	246,551	68,423	346,746	261,238	-	261,238	607,984	570,096
Technical assistance	2,964	63,965	287,876	354,805	339	-	339	355,144	240,245
Travel	15,987	68,138	44,657	128,782	86,632	83,057	169,689	298,471	206,419
Vehicle expense	19,955	112,138	24,038	156,131	1,472	-	1,472	157,603	187,743
Telephone and communications	10,607	57,766	16,630	85,003	28,124	253	28,377	113,380	112,448
Office supplies and equipment	11,061	47,052	24,359	82,472	28,550	938	29,488	111,960	98,015
Printing and lettershop	1,027	2,548	1,874	5,449	31,342	68,525	99,867	105,316	110,274
In-kind shipping and storage	69,994	-	1,018	71,012	-	-	-	71,012	119,931
Conferences and memberships	2,958	27,321	1,581	31,860	22,490	9,782	32,272	64,132	64,779
Bad debt expense	-	-	-	-	59,400	-	59,400	59,400	92,527
Banking fees	1,091	8,862	2,466	12,419	7,959	37,433	45,392	57,811	82,537
Postage and shipping	187	1,010	609	1,806	17,404	22,365	39,769	41,575	48,019
Risk management	-	-	-	-	28,587	-	28,587	28,587	26,963
Advertising and marketing	511	3,909	190	4,610	2,736	18,324	21,060	25,670	28,772
Repairs and maintenance	3,418	2,367	5,447	11,232	6,872	-	6,872	18,104	12,422
Miscellaneous	977	188	1,858	3,023	2,131	4,514	6,645	9,668	12,910
Board and committee meetings	-	-	-	-	5,119	-	5,119	5,119	4,878
<b>Total expenses before depreciation</b>	<b>32,915,860</b>	<b>16,203,257</b>	<b>3,289,884</b>	<b>52,409,001</b>	<b>2,493,412</b>	<b>810,440</b>	<b>3,303,852</b>	<b>55,712,853</b>	<b>53,463,620</b>
Depreciation	6,018	64,675	7,106	77,799	17,866	-	17,866	95,665	131,145
<b>Total expenses before allocation of indirect costs</b>	<b>32,921,878</b>	<b>16,267,932</b>	<b>3,296,990</b>	<b>52,486,800</b>	<b>2,511,278</b>	<b>810,440</b>	<b>3,321,718</b>	<b>55,808,518</b>	<b>53,594,765</b>
Allocation of indirect costs	261,445	1,372,547	401,962	2,035,954	(2,368,203)	332,249	(2,035,954)	-	-
<b>Total expenses</b>	<b>\$ 33,183,323</b>	<b>\$ 17,640,479</b>	<b>\$ 3,698,952</b>	<b>\$ 54,522,754</b>	<b>\$ 143,075</b>	<b>\$ 1,142,689</b>	<b>\$ 1,285,764</b>	<b>\$ 55,808,518</b>	<b>\$ 53,594,765</b>