

AMERICAN NEAR EAST REFUGEE AID

Financial Statements
For the Years Ended May 31, 2007 and 2006
and
Report Thereon

Independent Auditor's Report

To the Board of Directors of
American Near East Refugee Aid

We have audited the accompanying statement of financial position of American Near East Refugee Aid (ANERA) as of May 31, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of ANERA's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of ANERA's Jerusalem, Beirut and Amman offices, which reflect total assets of \$1,781,640 and \$1,330,792 as of May 31, 2007 and 2006, respectively, and total expenses of \$12,994,316 and \$6,794,080 for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for ANERA's Jerusalem, Lebanon, and Jordan offices, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of American Near East Refugee Aid as of May 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements of ANERA as a whole. The accompanying Statement of Functional Expenses and Statement of Expenditures for the International Fund for Agricultural Development are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "P. + Company".

Washington, D.C., USA
August 27, 2007

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF FINANCIAL POSITION
May 31, 2007 and 2006

	<u>ASSETS</u>	
	<u>2007</u>	<u>2006</u>
Current Assets		
Cash and cash equivalents	\$ 5,054,618	\$ 4,838,487
Grants receivable	1,682,275	1,609,823
Accounts receivable	59,803	20,956
Prepaid expenses and other assets	<u>76,561</u>	<u>148,118</u>
Total Current Assets	6,873,257	6,617,384
 Furniture and equipment, net	 <u>44,166</u>	 <u>15,479</u>
 Total Assets	 <u>\$ 6,917,423</u>	 <u>\$ 6,632,863</u>

<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 96,902	\$ 422,964
Accrued benefits	739,142	609,862
Deferred revenue	--	27,272
Grant commitments	<u>204,750</u>	<u>334,700</u>
Total Current Liabilities	<u>1,040,794</u>	<u>1,394,798</u>
 Net Assets		
Unrestricted		
Undesignated	1,021,537	1,311,194
Board Designated Endowment	<u>510,453</u>	<u>485,917</u>
Total Unrestricted Net Assets	1,531,990	1,797,111
Temporarily Restricted	<u>4,344,639</u>	<u>3,440,954</u>
Total Net Assets	<u>5,876,629</u>	<u>5,238,065</u>
 Total Liabilities and Net Assets	 <u>\$ 6,917,423</u>	 <u>\$ 6,632,863</u>

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

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF ACTIVITIES
For the Years Ended May 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Change in unrestricted net assets		
Revenue		
Donor contributions and other grants	\$ 2,035,614	\$ 2,138,168
In-kind contributions	43,017,508	20,073,015
Interest	<u>49,106</u>	<u>41,456</u>
Total	45,102,228	22,252,639
Net assets released from restrictions		
Satisfaction of program restrictions	<u>15,546,537</u>	<u>9,106,935</u>
Total unrestricted revenue	<u>60,648,765</u>	<u>31,359,574</u>
Expenses		
Program Services		
Community and economic development	9,537,191	2,556,197
Education	2,973,179	4,564,740
Health services	46,296,000	22,504,566
Public education	<u>53,084</u>	<u>69,849</u>
Total Program Services	<u>58,859,454</u>	<u>29,695,352</u>
Supporting Services		
Fund-raising	320,019	283,513
Management and general	<u>1,734,413</u>	<u>1,212,700</u>
Total Supporting Services	<u>2,054,432</u>	<u>1,496,213</u>
Total Expenses	<u>60,913,886</u>	<u>31,191,565</u>
Change in unrestricted net assets	<u>(265,121)</u>	<u>168,009</u>
Change in temporarily restricted net assets		
United States Government grants	11,771,456	4,682,098
Private sector grants and contributions	3,973,407	3,175,299
United Nations grants	360,544	570,405
Canadian Government grant	344,815	--
Net assets released from restrictions	<u>(15,546,537)</u>	<u>(9,106,935)</u>
Change in temporarily restricted net assets	<u>903,685</u>	<u>(679,133)</u>
Change in net assets	638,564	(511,124)
Net assets, beginning of year	<u>5,238,065</u>	<u>5,749,189</u>
Net assets, end of year	<u>\$ 5,876,629</u>	<u>\$ 5,238,065</u>

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

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF CASH FLOWS
For the Years Ended May 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 638,564	\$ (511,124)
Adjustment to reconcile change in net assets to net cash provided by/(used in) operating activities		
Depreciation	12,636	8,125
Changes in assets and liabilities		
Change in grants receivable	(72,452)	(365,288)
Change in accounts receivable	(38,847)	(17,011)
Change in prepaid expenses and other assets	71,557	(60,938)
Change in accounts payable and other accrued expenses	(326,062)	47,494
Change in accrued benefits	129,280	62,926
Change in deferred revenue	(27,272)	--
Change in grant commitments	<u>(129,950)</u>	<u>244,575</u>
Net Cash Provided by/(Used in) Operating Activities	257,454	(591,241)
Cash Flows Used in Investing Activities		
Purchase of fixed assets	<u>(41,323)</u>	<u>(5,498)</u>
Change in Cash and Cash Equivalents	216,131	(596,739)
Cash and Cash Equivalents, beginning of year	<u>4,838,487</u>	<u>5,435,226</u>
Cash and Cash Equivalents, end of year	<u>\$ 5,054,618</u>	<u>\$ 4,838,487</u>

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

AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

1. Organization

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

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

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

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AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Estimates

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

Cash and Cash Equivalents

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

Concentrations of Credit Risk

ANERA maintains accounts at a number of financial institutions in the United States and the Middle East. The United States bank accounts, consisting of checking accounts and short-term certificates of deposit, are insured by the Federal Deposit Insurance Corporation up to \$100,000. Deposits in the United States in excess of Federally insured limits were \$3,032,577 and \$3,317,450 at May 31, 2007 and 2006, respectively. Overseas accounts had a balance of \$1,860,575 and \$1,329,833 at May 31, 2007 and 2006, respectively.

Furniture and Equipment

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

Major additions and improvements purchased with unrestricted funds are capitalized as furniture and equipment while maintenance and repairs are expensed in the year incurred.

Assets purchased with temporarily restricted grant funds are expensed as office supplies and equipment, with title held by the grantor.

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AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Grant Commitments

Grant commitments represent funds to be expended in the Middle East for community development, education and health programs during the year ending May 31, 2007 and 2006. ANERA recognizes the commitment as an expense when the grant is approved by the ANERA projects committee.

Functional Allocation of Expenses

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

3. In-Kind Contributions

ANERA receives medical and other supplies from non-profit organizations and ships them to the Middle East. ANERA delivers these donated supplies to hospitals, clinics and charitable organizations serving families who cannot afford to pay for medical treatment.

ANERA has recognized on its statement of activities in-kind contributions and Health Services expense of \$43,017,508 during the year ended May 31, 2007 and \$20,073,015 during the year ended May 31, 2006.

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AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

4. Grants Receivable and Grant Commitments

Grants Receivable as of May 31, are as follows:

	<u>2007</u>	<u>2006</u>
U.S. Agency for International Development	\$ 1,275,982	\$ 1,147,195
International Fund for Agricultural Development	390,537	358,847
Other Grants Receivable	<u>15,756</u>	<u>103,781</u>
Total Grants Receivable	<u>\$ 1,682,275</u>	<u>\$ 1,609,823</u>

Grant commitments as of May 31, are as follows:

	<u>2007</u>	<u>2006</u>
Education	\$ 90,750	\$ 214,700
Health	94,000	90,000
Community Development	<u>20,000</u>	<u>30,000</u>
Total Grant Commitments	<u>\$ 204,750</u>	<u>\$ 334,700</u>

5. Pension Plan

ANERA has a defined contribution pension plan that covers substantially all of its employees. Contributions are based on annual salaries. Pension plan expense amounted to \$78,720 and \$66,386 for the years ended May 31, 2007 and 2006, respectively, and is included in fringe benefits on the statement of functional expenses.

6. Accrued Benefits

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

During the years ended May 31, 2007 and 2006, \$34,664 and \$85,380, respectively, of benefits were paid. The defined termination benefit at May 31, 2007 and 2006 was \$616,285 and \$515,256, respectively. The remaining balance of accrued benefits of \$122,857 and \$94,606, respectively, represents accrued benefits for Washington, D.C. employees.

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AMERICAN NEAR EAST REFUGEE AID
Notes to Financial Statements

7. Commitments

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

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

At May 31, 2007, the minimum future lease payments under these agreements are as follows:

2008	\$ 114,649
2009	117,515
2010	120,454
2011	<u>81,630</u>
Total	<u>\$ 434,248</u>

Rent expense for ANERA was \$443,808 and \$287,686 for the years ended May 31, 2007 and 2006, respectively, and has been classified as occupancy expense on the statement of functional expenses.

8. Taxes

Under Section 501 (c)(3) of the Internal Revenue Code, ANERA is exempt from Federal taxes on income other than unrelated business income. At May 31, 2007 and 2006 no provision was made as ANERA had no net unrelated business income.

9. Furniture and Equipment

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

	<u>2007</u>	<u>2006</u>
Furniture and office equipment	\$ 61,448	\$ 54,604
Software	53,756	44,776
Vehicle	<u>25,500</u>	<u>--</u>
Total Furniture and equipment	140,704	99,380
Less: accumulated depreciation	<u>(96,538)</u>	<u>(83,901)</u>
Furniture and Equipment, net	<u>\$ 44,166</u>	<u>\$ 15,479</u>

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SUPPLEMENTARY INFORMATION

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2007
With Comparative Totals
For the Year Ended May 31, 2006

	Program Services				Total Program Services	Supporting Services			Total Supporting Services	Total Expenses	2006 Totals
	Overseas	Domestic				Fund- raising	Management and General				
	Community and Economic Development	Education	Health Services	Public Education							
Salaries	\$ 736,186	\$ 94,898	\$ 613,875	\$ 13,656	\$ 1,458,615	\$ 31,780	\$ 713,879	\$ 745,659	\$ 2,204,274	\$ 1,967,840	
Payroll taxes	36,720	6,139	32,456	592	75,907	2,584	54,303	56,887	132,794	116,140	
Fringe benefits	114,083	10,500	117,689	4,123	246,395	10,674	189,958	200,632	447,027	423,500	
Total salaries and fringe benefits	886,989	111,537	764,020	18,371	1,780,917	45,038	958,140	1,003,178	2,784,095	2,507,480	
Professional and contract services	103,627	13,105	117,969	6,690	241,391	116,923	198,028	314,951	556,342	270,477	
Occupancy	103,240	15,414	107,564	2,603	228,821	5,290	209,696	214,986	443,807	287,636	
Office supplies & equipment	19,019	5,890	16,439	523	41,871	1,630	23,687	25,317	67,188	100,121	
Telephone & telegraph	19,960	4,928	17,323	344	42,555	1,338	22,708	24,046	66,601	72,262	
Postage & shipping	7,882	836	162,404	1,016	172,138	59,592	35,935	95,527	267,665	159,827	
Printing & Lettershop	15,930	2,635	14,164	17,780	50,509	60,404	90,187	150,591	201,100	192,584	
Travel	85,381	39,399	60,682	2,134	187,596	12,487	78,175	90,662	278,258	297,560	
Memberships & meetings	7,503	2,069	7,043	1,257	17,872	13,401	79,055	92,456	110,328	110,689	
Technical assistance	21,245	103,083	6,175	--	130,503	--	3,433	3,433	133,936	200,285	
Grants	8,032,597	2,672,196	2,001,452	--	12,706,245	--	4,838	4,838	12,711,083	6,610,943	
Grants in-kind	--	--	43,017,508	--	43,017,508	--	--	--	43,017,508	20,073,015	
Miscellaneous	2,818	2,087	3,257	2,366	10,528	3,916	6,054	9,970	20,498	21,561	
Loan guarantee	231,000	--	--	--	231,000	--	--	--	231,000	154,000	
Bad debt expense	--	--	--	--	--	--	11,841	11,841	11,841	125,000	
Depreciation	--	--	--	--	--	--	12,636	12,636	12,636	8,125	
Totals	\$ 9,537,191	\$ 2,973,179	\$ 46,296,000	\$ 53,084	\$ 58,859,454	\$ 320,019	\$ 1,734,413	\$ 2,054,432	\$ 60,913,886		
2006 Totals	\$ 2,556,197	\$ 4,564,740	\$ 22,504,566	\$ 69,849	\$ 29,695,352	\$ 283,513	\$ 1,212,700	\$ 1,496,213		\$ 31,191,565	

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF EXPENDITURES
IFAD T.A. GRANTS NO. 610-ANERA and NO. 265-ANERA
For the Year Ended May 31, 2007

	Grant 610 <u>RDP II</u>	Grant 265 <u>RDP I</u>
(I) Civil Works	\$ --	\$ --
(II) Credit	231,000	--
(III) Institutional Development	241,378	51,275
(IV) Incremental Operating Costs	3,005	115
(V) Unallocated	<u>1,470</u>	<u>--</u>
 Total	 <u>\$ 476,853</u>	 <u>\$ 51,390</u>