

AMERICAN NEAR EAST REFUGEE AID

Financial Statements
For the Years Ended May 31, 2009 and 2008
and
Report Thereon

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

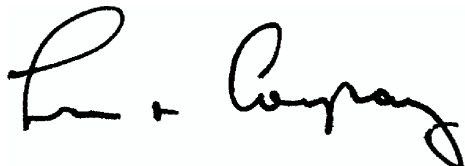
To the Board of Directors of
American Near East Refugee Aid

We have audited the accompanying statement of financial position of American Near East Refugee Aid (ANERA) as of May 31, 2009 and 2008 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 \$5,870,895 and \$7,722,400 as of May 31, 2009 and 2008, respectively, and total expenses of \$34,223,675 and \$38,030,880 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, Beirut, and Amman 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, 2009 and 2008, 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 Schedule of Functional Expenses is presented for the purposes of additional analysis and is 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 black ink, appearing to read "L. + Company". The signature is written in a cursive, flowing style.

Washington, D.C., USA
September 30, 2009

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF FINANCIAL POSITION
May 31, 2009 and 2008

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 9,478,487	\$ 10,146,720
Grants receivable	932,332	474,330
Accounts receivable	31,462	57,642
Inventory	155,313	546,200
Prepaid expenses and other assets	163,131	165,642
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Total Current Assets	10,760,725	11,390,534
Furniture and equipment, net	145,734	144,376
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Total Assets	\$ 10,906,459	\$ 11,534,910

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 200,171	\$ 400,893
Accrued benefits	1,006,383	874,735
Grant commitments	--	140,302
	<hr/>	<hr/>
Total Current Liabilities	1,206,554	1,415,930
Net Assets		
Unrestricted		
Undesignated	3,487,118	3,072,314
Board designated endowment	1,537,638	532,883
	<hr/>	<hr/>
Total Unrestricted Net Assets	5,024,756	3,605,197
Temporarily Restricted	4,675,149	6,513,783
	<hr/>	<hr/>
Total Net Assets	9,699,905	10,118,980
Total Liabilities and Net Assets	\$ 10,906,459	\$ 11,534,910

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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Change in unrestricted net assets		
Revenue		
Donor contributions and other grants	\$ 4,326,001	\$ 2,929,643
In-kind contributions	29,367,127	57,593,085
Other income	6,356	44,371
Total	<u>33,699,484</u>	<u>60,567,099</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>16,326,146</u>	<u>15,252,693</u>
Total unrestricted revenue	<u>50,025,630</u>	<u>75,819,792</u>
Expenses		
Program Services		
Community and economic development	11,889,932	9,107,699
Education	1,597,945	2,060,008
Health services	32,881,550	60,093,099
Public education	10,750	5,762
Total Program Services	<u>46,380,177</u>	<u>71,266,568</u>
Supporting Services		
Fund-raising	212,815	327,986
Management and general	2,013,079	2,152,031
Total Supporting Services	<u>2,225,894</u>	<u>2,480,017</u>
Total Expenses	<u>48,606,071</u>	<u>73,746,585</u>
Change in unrestricted net assets	<u>1,419,559</u>	<u>2,073,207</u>
Change in temporarily restricted net assets		
United States Government grants	10,981,235	9,800,637
Private sector grants and contributions	3,160,990	2,636,329
United Nations grants	35,321	4,249,851
Canadian Government grant	309,966	735,020
Net assets released from restrictions	<u>(16,326,146)</u>	<u>(15,252,693)</u>
Change in temporarily restricted net assets	<u>(1,838,634)</u>	<u>2,169,144</u>
Change in net assets	(419,075)	4,242,351
Net assets, beginning of year	<u>10,118,980</u>	<u>5,876,629</u>
Net assets, end of year	<u>\$ 9,699,905</u>	<u>\$ 10,118,980</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (419,075)	\$ 4,242,351
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	43,985	27,188
Changes in assets and liabilities		
Grants receivable	(458,002)	1,207,945
Accounts receivable	26,180	2,161
Inventory	390,887	(546,200)
Prepaid expenses and other assets	2,511	(89,081)
Accounts payable and other accrued expenses	(200,722)	303,991
Accrued benefits	131,648	135,593
Grant commitments	(140,302)	(64,448)
Net Cash Provided by Operating Activities	(622,890)	5,219,500
Cash Flows Used in Investing Activities		
Purchase of fixed assets	(45,343)	(127,398)
Change in Cash and Cash Equivalents	(668,233)	5,092,102
Cash and Cash Equivalents, Beginning of Year	<u>10,146,720</u>	<u>5,054,618</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,478,487</u>	<u>\$ 10,146,720</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 not-for-profit 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, Beirut, and Amman 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 for Presentation

ANERA follows *Statement of Financial Accounting Standard No. 117*, Financial Statements for Not-for-Profit organizations which prescribes standards for external financial statements for all not-for-profit organizations. The Statement requires the classification of an organization's net assets, its revenues and expenses, and gains and losses 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 \$250,000. Deposits in the United States in excess of Federally insured limits were \$3,444,517 and \$2,958,577 at May 31, 2009 and 2008, respectively. Overseas accounts had a balance of \$5,533,225 and \$6,988,720 at May 31, 2009 and 2008, 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 represented funds to be expended in the Middle East for community development, education and health programs. ANERA recognized the commitment as an expense when the grants were approved by the ANERA projects committee. Beginning in the current year, ANERA discontinued making grant commitments.

Contributions

ANERA follows Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*.

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 not-for-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 of \$29,367,127 and \$57,593,085 for the years ended May 31, 2009 and 2008, respectively. Health Services expense of \$29,758,014 and \$57,046,885 has been recognized for the years ended May 31, 2009 and 2008, respectively. Contributions are valued at cost.

Inventory at May 31, 2009 and 2008 consists of in-kind medical supplies that are maintained in ANERA's warehouses and are valued at cost.

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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>2009</u>	<u>2008</u>
U.S. Agency for International Development	\$ 932,332	\$ 234,474
U.S. Department of State	--	220,997
Other Grants Receivable	<u>--</u>	<u>18,859</u>
Total Grants Receivable	<u>\$ 932,332</u>	<u>\$ 474,330</u>

Grant commitments as of May 31, are as follows:

	<u>2009</u>	<u>2008</u>
Education	\$ --	\$ 113,302
Health	--	7,000
Community Development	<u>--</u>	<u>20,000</u>
Total Grant Commitments	<u>\$ --</u>	<u>\$ 140,302</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 \$74,220 and \$56,781 for the years ended May 31, 2009 and 2008, respectively, and is included in fringe benefits on the schedule 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, 2009 and 2008, \$25,547 and \$45,832, respectively, of benefits were paid. The defined termination benefit at May 31, 2009 and 2008 was \$857,998 and \$728,887, respectively. The remaining balance of accrued benefits of \$148,385 and \$145,848, 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, 2009, the minimum future lease payments under these agreements are as follows:

2010	\$ 144,453
2011	<u>97,894</u>
Total	<u>\$ 242,347</u>

Rent expense for ANERA was \$365,514 and \$368,358 for the years ended May 31, 2009 and 2008, respectively, and has been classified as occupancy expense on the schedule of functional expenses.

8. Income Taxes

ANERA has received a ruling from the Internal Revenue Service exempting it from federal income taxes under section 501 (c) (3) of the U.S. Internal Revenue Code and has been classified as an organization other than a private foundation under Section 509 (a).

9. Furniture and Equipment

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

	<u>2009</u>	<u>2008</u>
Furniture and office equipment	\$ 166,173	\$ 138,862
Software	57,424	57,424
Vehicle	<u>89,852</u>	<u>71,816</u>
Total Furniture and equipment	313,449	268,102
Less: accumulated depreciation	<u>(167,715)</u>	<u>(123,726)</u>
Furniture and Equipment, net	<u>\$ 145,734</u>	<u>\$ 144,376</u>

SUPPLEMENTARY INFORMATION

AMERICAN NEAR EAST REFUGEE AID
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2009
(With Comparative Totals
For the Year Ended May 31, 2008)

	Program Services				Total Program Services	Supporting Services			Total Expenses	2008 Totals
	Overseas	Domestic				Fund- raising	Management and General	Supporting Services		
	Community and Economic Development	Education	Health Services	Public Education						
Salaries	\$ 1,137,459	\$ 61,143	\$ 530,301	\$ 7,210	\$ 1,736,113	\$ 92,125	\$ 1,005,201	\$ 1,097,326	\$ 2,833,439	\$ 2,889,224
Payroll taxes	13,213	1,186	4,349	356	19,104	6,773	99,969	106,742	125,846	122,899
Fringe benefits	<u>227,769</u>	<u>12,404</u>	<u>153,576</u>	<u>544</u>	<u>394,293</u>	<u>7,107</u>	<u>170,161</u>	<u>177,268</u>	<u>571,561</u>	<u>532,810</u>
Total salaries and fringe benefits	1,378,441	74,733	688,226	8,110	2,149,510	106,005	1,275,331	1,381,336	3,530,846	3,544,933
Professional services	218,986	8,781	121,904	1,066	350,737	13,933	155,382	169,315	520,052	566,170
Occupancy	147,938	3,097	49,678	708	201,421	9,184	154,909	164,093	365,514	368,358
Office supplies & equipment	70,131	1,309	18,046	--	89,486	5,240	21,029	26,269	115,755	146,396
Telephone & telegraph	33,963	1,074	11,790	366	47,193	4,181	24,321	28,502	75,695	110,893
Postage & shipping	11,856	2,053	200,494	478	214,881	6,110	58,346	64,456	279,337	264,737
Printing & Lettershop	53,242	3,254	19,419	--	75,915	65,289	8,644	73,933	149,848	112,953
Travel	115,996	8,758	53,946	--	178,700	2,165	97,716	99,881	278,581	316,814
Memberships & meetings	24,470	20,416	10,764	--	55,650	425	80,242	80,667	136,317	138,549
Technical assistance	5,183	100,735	37,418	--	143,336	--	28,623	28,623	171,959	137,733
Grants	9,826,432	1,373,164	1,909,321	--	13,108,917	--	--	--	13,108,917	10,947,261
Grants in-kind	--	--	29,758,014	--	29,758,014	--	--	--	29,758,014	57,046,885
Miscellaneous	3,294	571	2,530	22	6,417	283	5,158	5,441	11,858	17,715
Bad debt expense	--	--	--	--	--	--	59,393	59,393	59,393	--
Depreciation	--	--	--	--	--	--	43,985	43,985	43,985	27,188
2009 Totals	<u>\$11,889,932</u>	<u>\$1,597,945</u>	<u>\$32,881,550</u>	<u>\$ 10,750</u>	<u>\$46,380,177</u>	<u>\$212,815</u>	<u>\$2,013,079</u>	<u>\$2,225,894</u>	<u>\$ 48,606,071</u>	
2008 Totals	<u>\$ 9,107,699</u>	<u>\$2,060,008</u>	<u>\$60,093,099</u>	<u>\$ 5,762</u>	<u>\$71,266,568</u>	<u>\$327,986</u>	<u>\$2,152,031</u>	<u>\$2,480,017</u>		<u>\$73,746,585</u>

See the Independent Auditor's Report