

American Near East Refugee Aid, Inc.

Financial Report
May 31, 2012

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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of American Near East Refugee Aid, Inc. (ANERA) as of May 31, 2012, and the related statements of activities, functional expenses and cash flows for the year 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 audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ANERA's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, ANERA has restated its 2011 financial statements to properly reflect unrestricted net assets in accordance with accounting principles generally accepted in the United States of America. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, on our consideration of ANERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey LLP

Vienna, Virginia
November 7, 2012

American Near East Refugee Aid, Inc.

**Statement Of Financial Position
May 31, 2012**

Assets

Cash And Cash Equivalents	
Unrestricted	\$ 1,532,220
Restricted	2,827,055
Total cash and cash equivalents	<u>4,359,275</u>
Accounts Receivable	31,331
Grants Receivable (Note 2)	70,883
Prepaid Expenses And Other Assets	158,303
Inventory	2,908,640
Property And Equipment, net (Note 3)	352,290
Total assets	<u><u>\$ 7,880,722</u></u>

Liabilities And Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 395,975
Accrued benefits (Note 4)	1,466,800
Deferred grant advances (Note 5)	217,906
Deferred program income (Note 11)	154,510
Total liabilities	<u>2,235,191</u>

Commitments And Contingencies (Notes 8 and 10)

Net Assets

Unrestricted	
Undesignated	2,787,541
Board designated	1,048,842
Total unrestricted net assets	<u>3,836,383</u>
Temporarily restricted (Note 9)	1,745,945
Permanently restricted	63,203
Total net assets	<u>5,645,531</u>

Total liabilities and net assets \$ 7,880,722

See Notes To Financial Statements.

American Near East Refugee Aid, Inc.

**Statement Of Activities
Year Ended May 31, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
In-kind contributions (Note 6)	\$ 20,003,604	\$ -	\$ -	\$ 20,003,604
Grant revenue	14,167,451	-	-	14,167,451
Non-governmental grant revenue	270,177	-	-	270,177
Contributions	2,726,439	2,194,510	-	4,920,949
Other income	51,140	-	-	51,140
Net assets released from restrictions	1,901,197	(1,901,197)	-	-
Total support and revenue	39,120,008	293,313	-	39,413,321
Expenses:				
Program services:				
Medical in-kind and health services	22,625,786	-	-	22,625,786
Community and economic development	14,048,353	-	-	14,048,353
Education	1,554,442	-	-	1,554,442
Total program services	38,228,581	-	-	38,228,581
Supporting services:				
Management and general	2,341,679	-	-	2,341,679
Fundraising	361,756	-	-	361,756
Total supporting services	2,703,435	-	-	2,703,435
Total expenses	40,932,016	-	-	40,932,016
Change in net assets	(1,812,008)	293,313	-	(1,518,695)
Net assets:				
Beginning (as restated Note 11)	5,648,391	1,452,632	63,203	7,164,226
Ending	\$ 3,836,383	\$ 1,745,945	\$ 63,203	\$ 5,645,531

See Notes To Financial Statements.

American Near East Refugee Aid, Inc.

Statement Of Functional Expenses
Year Ended May 31, 2012

	Program Services				Supporting Services			
	Medical In-kind and Health Services	Community and Economic Development	Education	Total Program Services	Management And General	Fundraising	Total Supporting Services	Total
Salaries	\$ 267,726	\$ 1,401,783	\$ 340,960	\$ 2,010,469	\$ 942,436	\$ 102,981	\$ 1,045,417	\$ 3,055,886
Fringe benefits	96,541	480,243	120,738	697,522	441,518	9,897	451,415	1,148,937
Total salaries and fringe benefits	364,267	1,882,026	461,698	2,707,991	1,383,954	112,878	1,496,832	4,204,823
Grants in-kind	21,845,509	-	-	21,845,509	-	-	-	21,845,509
Grants	204,057	11,494,580	867,302	12,565,939	-	3,500	3,500	12,569,439
Professional services	29,363	135,273	18,708	183,344	466,835	74,984	541,819	725,163
Vehicle expense	29,006	116,896	14,177	160,079	494	-	494	160,573
Repairs and maintenance	1,695	6,756	7,173	15,624	9,963	2,542	12,505	28,129
Occupancy	46,378	105,826	43,255	195,459	212,272	-	212,272	407,731
Office supplies and equipment	5,774	34,008	24,198	63,980	19,430	2,955	22,385	86,365
Telephone and communications	11,809	47,757	13,873	73,439	23,283	42	23,325	96,764
Postage and shipping	157	2,602	278	3,037	18,421	19,535	37,956	40,993
In-kind shipping and storage	43,186	-	-	43,186	-	-	-	43,186
Risk management	151	1,313	220	1,684	21,361	-	21,361	23,045
Advertising and marketing	96	1,890	475	2,461	7,679	2,600	10,279	12,740
Printing and lettershop	598	4,963	369	5,930	26,611	49,932	76,543	82,473
Travel	8,143	40,834	29,315	78,292	79,044	64,075	143,119	221,411
Conferences and memberships	5,905	3,192	3,418	12,515	36,549	2,655	39,204	51,719
Banking fees	814	7,085	1,470	9,369	6,631	25,365	31,996	41,365
Board and committee meetings	33	-	-	33	7,719	550	8,269	8,302
Technical assistance	15,875	76,329	49,831	142,035	675	-	675	142,710
Miscellaneous	1,835	2,979	2,348	7,162	7,642	143	7,785	14,947
Depreciation	11,135	84,044	16,334	111,513	13,116	-	13,116	124,629
Total	\$ 22,625,786	\$ 14,048,353	\$ 1,554,442	\$ 38,228,581	\$ 2,341,679	\$ 361,756	\$ 2,703,435	\$ 40,932,016

See Notes To Financial Statements

American Near East Refugee Aid, Inc.

Statement Of Cash Flows
Year Ended May 31, 2012

Cash Flows From Operating Activities	
Change in net assets	\$ (1,518,695)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	124,629
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable	964,213
Accounts receivable	93,453
Prepaid expenses and other assets	(19,562)
Inventory	1,843,570
Increase (decrease) in:	
Accounts payable and accrued expenses	(3,860)
Accrued benefits	(216,885)
Deferred grant advances	(187,083)
Deferred program income	26,350
Net cash provided by operating activities	<u>1,106,130</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	<u>(84,542)</u>
Net cash used in investing activities	<u>(84,542)</u>
Net increase in cash and cash equivalents	1,021,588
Cash And Cash Equivalents:	
Beginning	<u>3,337,687</u>
Ending	<u>\$ 4,359,275</u>

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 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.

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, 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 of presentation: The financial statements 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, 2012, board designated net assets that are to be used for emergencies and contingencies were \$1,048,842.

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, money market mutual funds, and certificates of deposit with an original maturity date of equal to or less than three months.

ANERA entered into a guidance line of credit in July 2011 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, 2012. This credit facility may be renewed annually and expires January 31, 2013.

Restricted cash: Restricted cash consists of advances from donors for restricted purposes and amounts set aside to meet future obligations, including accrued benefits. At May 31, 2012, restricted cash was \$2,827,055.

Financial 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. ANERA holds certain of its cash and cash equivalents in U.S. financial institutions, which, at times, may exceed federally insured limits. ANERA had \$732,386 in foreign accounts which are not insured. 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, 2012.

Inventory: Inventory consists of pharmaceuticals and medical supplies donated by other not-for-profit organizations that have not been distributed at May 31, 2012. 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 their estimated useful lives or the lease life, whichever is shorter. The cost of equipment funded by federal grants for use in projects is recorded as grant expense in the year of purchase. Assets purchased with temporarily restricted grant funds are expensed as office supplies and equipment, with title held by the grantor.

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 reproduces documents for contractors as a part of its construction projects. These receipts are recorded as deferred program income until expenses are incurred. Revenue is recognized when the funds are spent for program purposes. This deferred program income is available to support specific programs and as agreed to with specific donors.

Foreign currency 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 the relevant local currency. Where local currencies are used, assets and liabilities are re-measured at the balance sheet date at the exchange rate in effect at year-end. Gains and losses from foreign currency transactions are included in change in net assets.

Foreign currency transactions: Monthly expenses that are incurred by project field office operations in foreign countries are translated using the adjusted 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 recognized in the statement 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: Contributions received are recorded 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)

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 statement of activities as net assets released from restrictions.

Contributed materials: 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. Contributed equipment and supplies are also received by the field offices, and are 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 also 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.

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 year ended May 31, 2012, ANERA had no taxable unrelated business income and accordingly, no provision for income taxes was required in the accompanying financial statements.

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.

American Near East Refugee Aid, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

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 2009.

Subsequent events: ANERA evaluated subsequent events for potential required disclosure through November 7, 2012, which is the date the financial statements were available to be issued.

Note 2. Grants Receivable

Grants receivable of \$70,883, at May 31, 2012, consists of the amount due from U.S. Agency for International Development.

Note 3. Property And Equipment

At May 31, 2012, property and equipment consist of the following:

Vehicles	\$ 454,369
Furniture and office equipment	260,529
Software	72,768
Subtotal	<u>787,666</u>
Less accumulated depreciation	(435,376)
Total	<u><u>\$ 352,290</u></u>

Depreciation expense was \$124,629 for the year ended May 31, 2012.

Note 4. Accrued Benefits

Accrued benefits consist of the following at May 31, 2012:

Accrued severance*	\$ 1,272,341
Accrued vacation	194,459
Total	<u><u>\$ 1,466,800</u></u>

*The law operative in the West Bank, Gaza strip and Lebanon 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. At May 31, 2012, \$800,000 was funded of the \$1,272,341.

During the year ended May 31, 2012, termination benefits of \$253,881 were paid.

American Near East Refugee Aid, Inc.

Notes To Financial Statements

Note 5. Deferred Grant Advances

Deferred grant advances consist of the following at May 31, 2012:

Mercy Corp	\$ 121,938
Other grants	95,968
Total	<u><u>\$ 217,906</u></u>

Note 6. In-Kind Contributions

For the year ended May 31, 2012, ANERA recognized in-kind contributions of \$20,003,604 and in-kind grant expenses of \$21,845,509, which is included in the medical in-kind and health services line on the statement 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. Inventory balance at May 31, 2012, was \$2,908,640.

As of May 31, 2012, in-kind inventory valued at \$570,520 had landed in the Middle East, but not cleared customs. It is ANERA's policy to count inventory after it has been inspected and not count inventory that may be rejected during the process of clearing customs.

Note 7. Pension Plan

ANERA has a defined contribution pension plan, or 401(a) Money Purchase Pension Plan which covers substantially all of its headquarters' employees. Contributions are based on annual salaries. Pension plan expense amounted to \$93,772 for the year ended May 31, 2012, and is included in fringe benefits on the statement of functional expenses.

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.

American Near East Refugee Aid, Inc.

Notes To Financial Statements

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs at May 31, 2012:

	Balance May 31, 2011	Additions	Released From Restrictions	Balance May 31, 2012
Community and economic development	\$ 879,801	\$ 1,735,009	\$ (1,428,739)	\$ 1,186,071
Education	249,199	330,597	(263,098)	316,698
Medical in-kind and health services	323,632	128,904	(209,360)	243,176
Total	\$ 1,452,632	\$ 2,194,510	\$ (1,901,197)	\$ 1,745,945

Note 10. Commitments

ANERA entered into a new lease with an effective start 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, 2012, the minimum future lease payments under these agreements are as follows:

Years Ending December 31,	
2013	\$ 200,356
2014	205,364
2015	210,499
2016	210,499
2017	210,499
2018 - 2020	672,596
Total	\$ 1,709,813

Rent expense for ANERA was \$407,728 for the year ended May 31, 2012, and has been classified as occupancy expense on the statement of functional expenses.

American Near East Refugee Aid, Inc.

Notes To Financial Statements

Note 11. Prior Period Adjustments

During the years ended May 31, 2010 and 2011, a total \$256,717 of Jerusalem field office expenses were improperly allocated to the federal program EWAS II. As a result, for the years then ended there was an overstatement of revenue and unrestricted net assets in total of \$256,717.

Additionally, during the year ended May 31, 2011, employee vacation and severance that was earned, but not used had not been properly accrued for at year end. This resulted in an understatement of liabilities and overstatement of net assets of \$187,632.

Finally, during the years ended May 31, 2010 and 2011, ANERA collected cash receipts and recorded revenue for the sale of tender documents related to the federal program EWAS II. The amount for the years then ended totaled \$128,139. The revenue was incorrectly recorded and should have been deferred program income until the amounts were appropriated for expenditure for the EWAS II federal grant. As a result, liabilities were understated and revenue was overstated by \$128,139.

The effect is as follows:

	Net Assets			Total
	Unrestricted Net Assets	Temporarily Restricted	Permanently Restricted	
May 31, 2011, as originally reported	\$ 6,220,879	\$ 1,452,632	\$ 63,203	\$ 7,736,714
Prior period adjustments				
Improper allocation of field office expenses to federal programs	(256,717)	-	-	(256,717)
Unrecorded liability for earned vacation and severance	(187,632)	-	-	(187,632)
Deferral of unearned and unspent program income	(128,139)	-	-	(128,139)
May 31, 2011, as restated	<u>\$ 5,648,391</u>	<u>\$ 1,452,632</u>	<u>\$ 63,203</u>	<u>\$ 7,164,226</u>



Independent Auditor's Report On The Supplementary Information

To the Board of Directors
American Near East Refugee Aid, Inc,
Washington, DC

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended May 31, 2012, as a whole. The supplementary information as of and for the year ended May 31, 2012, 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 audit 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 as of and for the year ended May 31, 2012, is fairly stated in all material respects in relation to the financial statements as a whole.

The prior year's summarized comparative supplementary information has been derived from ANERA's 2011 financial statements and our report dated December 30, 2011, we expressed an unqualified opinion on such information in relation to the financial statements as a whole before the adjustments related to the restatement described in Note 11 to the financial statements (page 12) and our report thereon (page 1). The 2011 supplementary information on pages 14 and 15 have been restated for those adjustments.

McGladrey LLP

Vienna, Virginia
November 7, 2012

American Near East Refugee Aid, Inc.

Statement Of Financial Position

May 31, 2012

(With Comparative Totals For 2011)

Assets	2012	2011 Restated
Cash And Cash Equivalents		
Unrestricted	\$ 1,532,220	\$ 1,177,980
Restricted	2,827,055	2,159,707
Total cash and cash equivalents	4,359,275	3,337,687
Accounts Receivable	31,331	124,784
Grants Receivable	70,883	1,035,096
Prepaid Expenses And Other Assets	158,303	138,741
Inventory	2,908,640	4,752,210
Property And Equipment, net	352,290	392,377
Total assets	\$ 7,880,722	\$ 9,780,895
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 395,975	\$ 399,835
Accrued benefits	1,466,800	1,683,706
Deferred grant advances	217,906	404,989
Deferred program income	154,510	128,139
Total liabilities	2,235,191	2,616,669
Commitments And Contingencies		
Net Assets		
Unrestricted		
Undesignated	2,787,541	4,379,189
Board designated	1,048,842	1,269,202
Total unrestricted net assets	3,836,383	5,648,391
Temporarily restricted	1,745,945	1,452,632
Permanently restricted	63,203	63,203
Total net assets	5,645,531	7,164,226
Total liabilities and net assets	\$ 7,880,722	\$ 9,780,895

American Near East Refugee Aid, Inc.

Statement Of Activities
Year Ended May 31, 2012
(With Comparative Totals For 2011)

	2012			Total	2011 Restated
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
In-kind contributions	\$ 20,003,604	\$ -	\$ -	\$ 20,003,604	\$ 47,200,643
Grant revenue	14,167,451	-	-	14,167,451	22,115,137
Non-governmental grant revenue	270,177	-	-	270,177	-
Return of funds					(2,746,497)
Contributions	2,726,439	2,194,510	-	4,920,949	4,636,699
Other income	51,140	-	-	51,140	64,356
Net assets released from restrictions	1,901,197	(1,901,197)	-	-	-
Total support and revenue	39,120,008	293,313	-	39,413,321	71,270,338
Expenses:					
Program services:					
Medical In-kind and Health services	22,625,786	-	-	22,625,786	46,963,371
Community and economic development	14,048,353	-	-	14,048,353	20,869,380
Education	1,554,442	-	-	1,554,442	1,862,556
Public education					32,316
Total program services	38,228,581	-	-	38,228,581	69,727,623
Supporting services:					
Management and general	2,341,679	-	-	2,341,679	2,681,309
Fundraising	361,756	-	-	361,756	664,248
Total supporting services	2,703,435	-	-	2,703,435	3,345,557
Total expenses	40,932,016	-	-	40,932,016	73,073,180
Change in net assets	(1,812,008)	293,313	-	(1,518,695)	(1,802,842)
Net assets:					
Beginning (as restated)	5,648,391	1,452,632	63,203	7,164,226	8,967,068
Ending	\$ 3,836,383	\$ 1,745,945	\$ 63,203	\$ 5,645,531	\$ 7,164,226