

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

Financial Report  
May 31, 2011

## Contents

---

<b>Independent Auditor's Report</b>	1
-------------------------------------	---

---

<b>Financial Statements</b>	
Statement Of Financial Position	2
Statement Of Activities	3
Statement Of Functional Expenses	4
Statement Of Cash Flows	5
<b>Notes To Financial Statements</b>	6 – 10

---



## 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, 2011, 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. The prior year's summarized comparative information has been derived from the 2010 financial statements and, in our report, dated December 13, 2010, we expressed an unqualified opinion on those statements.

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 2011 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, 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 & Pullen, LLP*

Vienna, Virginia  
December 30, 2011

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

**Statement of Financial Position**

**May 31, 2011**

**(With Comparative Totals For 2010)**

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash And Cash Equivalents		
Unrestricted	\$ 1,177,980	\$ 3,431,519
Restricted	2,159,707	5,457,870
	<u>3,337,687</u>	<u>8,889,389</u>
Grants Receivable (Note 2)	1,035,096	589,278
Accounts Receivable	124,784	72,330
Prepaid Expenses And Other Assets	138,741	162,879
Inventory (Note 1)	4,752,210	1,891,760
Property And Equipment, net (Note 3)	392,377	273,097
	<u>\$ 9,780,895</u>	<u>\$ 11,878,733</u>

**Liabilities And Net Assets**

Liabilities		
Accounts payable and accrued expenses	\$ 399,835	\$ 208,996
Accrued benefits (Note 4)	1,496,074	1,257,727
Refundable grant advances (Note 5)	148,272	1,057,672
	<u>2,044,181</u>	<u>2,524,395</u>

Commitments And Contingencies (Notes 7 and 9)

**Net Assets**

Unrestricted		
Undesignated	4,951,677	3,094,693
Board designated	1,269,202	1,835,177
	<u>6,220,879</u>	<u>4,929,870</u>
Temporarily restricted (Note 8)	1,452,632	4,361,265
Permanently restricted	63,203	63,203
	<u>7,736,714</u>	<u>9,354,338</u>
	<u>\$ 9,780,895</u>	<u>\$ 11,878,733</u>

See Notes To Financial Statements.

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

**Statement Of Activities  
Year Ended May 31, 2011  
(With Comparative Totals For 2010)**

	2011			Total	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
In-kind contributions (Note 1)	\$ 47,200,643	\$ -	\$ -	\$ 47,200,643	\$ 31,494,924
Grant revenue	20,958,800	1,260,253	-	22,219,053	14,175,708
Contributions	3,121,075	1,515,624	-	4,636,699	4,855,008
Return of funds	-	(2,746,497)	-	(2,746,497)	-
Other income	112,494	7,917	-	120,411	129,370
Net assets released from restrictions	2,945,930	(2,945,930)	-	-	-
<b>Total support and revenue</b>	<b>74,338,942</b>	<b>(2,908,633)</b>	<b>-</b>	<b>71,430,309</b>	<b>50,655,010</b>
Expenses:					
Program services:					
Health services	46,963,371	-	-	46,963,371	32,032,314
Community and economic development	20,869,380	-	-	20,869,380	14,046,900
Education	1,862,556	-	-	1,862,556	2,074,531
Public education	32,318	-	-	32,318	25,594
<b>Total program services</b>	<b>69,727,625</b>	<b>-</b>	<b>-</b>	<b>69,727,625</b>	<b>48,179,339</b>
Supporting services:					
Management and general	2,656,060	-	-	2,656,060	2,295,677
Fundraising	664,248	-	-	664,248	525,561
<b>Total supporting services</b>	<b>3,320,308</b>	<b>-</b>	<b>-</b>	<b>3,320,308</b>	<b>2,821,238</b>
<b>Total expenses</b>	<b>73,047,933</b>	<b>-</b>	<b>-</b>	<b>73,047,933</b>	<b>51,000,577</b>
<b>Change in net assets</b>	<b>1,291,009</b>	<b>(2,908,633)</b>	<b>-</b>	<b>(1,617,624)</b>	<b>(345,567)</b>
Net assets:					
Beginning	4,929,870	4,361,265	63,203	9,354,338	9,699,905
Ending	\$ 6,220,879	\$ 1,452,632	\$ 63,203	\$ 7,736,714	\$ 9,354,338

See Notes To Financial Statements.

American Near East Refugee Aid, Inc.

Statement Of Functional Expenses  
Year Ended May 31, 2011  
(With Comparative Totals For 2010)

	2011										2010 Total
	Program Services					Supporting Services					
	Overseas			Domestic		Total Program Services	Fundraising	Management And General	Total Supporting Services	Total	
	Health Services	Community And Economic Development	Education	Public Education							
Salaries	\$ 431,463	\$ 1,683,134	\$ 283,589	\$ 21,570	\$ 2,419,756	\$ 213,301	\$ 1,101,010	\$ 1,314,311	\$ 3,734,067	\$ 3,159,262	
Fringe benefits	69,253	350,011	32,815	5,061	457,140	71,515	405,934	477,449	934,589	810,427	
<b>Total salaries and fringe benefits</b>	<b>500,716</b>	<b>2,033,145</b>	<b>316,404</b>	<b>26,631</b>	<b>2,876,896</b>	<b>284,816</b>	<b>1,506,944</b>	<b>1,791,760</b>	<b>4,668,656</b>	<b>3,969,689</b>	
Grants in-kind	44,340,193	-	-	-	44,340,193	-	-	-	44,340,193	29,758,477	
Grants	1,547,909	18,100,883	1,329,418	-	20,978,210	-	-	-	20,978,210	14,720,044	
Professional services	133,653	135,180	3,653	2,010	274,496	111,652	261,326	372,978	647,474	593,066	
Occupancy	37,721	91,940	109	742	130,512	-	246,218	246,218	376,730	471,064	
Postage and shipping	211,134	12,107	2,534	187	225,962	46,159	36,010	82,169	308,131	176,269	
Technical assistance	56,458	75,847	149,049	-	281,354	-	711	711	282,065	242,571	
Conferences and memberships	10,992	23,611	12,719	1,130	48,452	73,541	104,188	177,729	226,181	142,221	
Printing and lettershop	22,868	9,162	1,369	542	33,941	130,198	55,848	186,046	219,987	191,914	
Travel	38,042	34,005	21,563	263	93,873	13,168	106,965	120,133	214,006	154,956	
Vehicle expense	28,087	92,828	8,429	-	129,344	67	39,333	39,400	168,744	153,974	
Office supplies and equipment	14,655	60,697	11,205	244	86,801	4,260	44,624	48,884	135,685	127,385	
Telephone and communications	13,734	37,658	2,404	143	53,939	30	46,603	46,633	100,572	74,394	
Depreciation	-	-	-	-	-	-	90,433	90,433	90,433	58,403	
Bank charges	571	5,951	1,474	220	8,216	24	35,481	35,505	43,721	36,699	
Repairs and maintenance	1,306	24,205	1,038	88	26,637	26	14,974	15,000	41,637	41,696	
Foreign taxes paid	-	40,812	-	-	40,812	-	-	-	40,812	-	
Intern expense	1,723	13,893	-	-	15,616	-	12,000	12,000	27,616	59,867	
Insurance	-	-	-	-	-	-	24,603	24,603	24,603	-	
Training	223	5,282	-	20	5,525	-	1,810	1,810	7,335	1,890	
Miscellaneous	3,386	72,174	1,188	98	76,846	307	27,989	28,296	105,142	25,998	
	<b>\$ 46,963,371</b>	<b>\$ 20,869,380</b>	<b>\$ 1,862,556</b>	<b>\$ 32,318</b>	<b>\$ 69,727,625</b>	<b>\$ 664,248</b>	<b>\$ 2,656,060</b>	<b>\$ 3,320,308</b>	<b>\$ 73,047,933</b>	<b>\$ 51,000,577</b>	

See Notes To Financial Statements.

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

**Statement Of Cash Flows**  
**Year Ended May 31, 2011**  
**(With Comparative Totals For 2010)**

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ (1,617,624)	\$ (345,567)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	90,433	58,403
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(445,818)	343,054
Accounts receivable	(52,454)	(40,868)
Prepaid expenses and other assets	24,138	252
Inventory	(2,860,450)	(1,736,447)
Increase (decrease) in:		
Accounts payable and accrued expenses	190,839	84,370
Accrued benefits	238,347	251,344
Refundable grant advances	(909,400)	982,127
<b>Net cash used in operating activities</b>	<b>(5,341,989)</b>	<b>(403,332)</b>
Cash Flows From Investing Activities		
Purchase of property and equipment	(209,713)	(185,766)
<b>Net cash used in investing activities</b>	<b>(209,713)</b>	<b>(185,766)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,551,702)</b>	<b>(589,098)</b>
Cash And Cash Equivalents		
Beginning	8,889,389	9,478,487
Ending	<b>\$ 3,337,687</b>	<b>\$ 8,889,389</b>

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 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, 2011, board designated net assets that are to be used for emergencies and contingencies were \$1,269,202.

*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.

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 maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. ANERA had \$662,552 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.

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, 2011.



## American Near East Refugee Aid, Inc.

### Notes To Financial Statements

---

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

Inventory: Inventory consists of medical supplies donated by other not-for-profit organizations that have not been distributed at May 31, 2011. Donated inventory is stated at fair market value and purchased inventory is stated at the lower of cost or market.

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.

Refundable grant advances: Refundable 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 translation: 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.

Foreign currency transactions: 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 remeasured 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.

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. Overhead costs which cannot be specifically identified with a program or supporting service are allocated to the 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.

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.

Revenue from grants is recognized as related reimbursable expenses are incurred. Allowable expenses incurred in excess of cumulative reimbursements are reported within grant receivables. Cash received in excess of allowable expenditures incurred is reported as refundable advances.

## American Near East Refugee Aid, Inc.

### Notes To Financial Statements

---

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

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.

For the year ended May 31, 2011, ANERA recognized on its statement of activities in-kind contributions of \$47,200,643 and health services expense of \$44,340,193. Inventory balance at May 31, 2011, was \$4,752,210.

Income taxes: ANERA is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, whose revenue is derived from contributions. ANERA is qualified, commencing July 1, 2003, as a public charity under Sections 509(a)(1) and 170(b)(1)(a)(vi) of the Code. ANERA is not subject to federal or state income taxes.

On June 1, 2009, ANERA adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. 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 May 31, 2008.

## American Near East Refugee Aid, Inc.

### Notes To Financial Statements

---

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

Reclassifications: Certain items in the May 31, 2010 financial statements have been reclassified to comply with the current year presentation. These reclassifications had no effect on previously reported change in net assets.

Subsequent events: ANERA evaluated subsequent events for potential required disclosure through December 30, 2011, which is the date the financial statements were available to be issued.

ANERA entered into a guidance line of credit facility with a bank 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 the date of this report. This credit facility may be renewed annually and expires July 13, 2012.

#### Note 2. Grants Receivable

Grants receivable as of May 31, 2011, are as follows:

---

Other grants	\$ 1,000,000
U.S. Agency for International Development	35,096
	<u>\$ 1,035,096</u>

#### Note 3. Property And Equipment

At May 31, 2011, property and equipment consist of the following:

---

Vehicles	\$ 403,669
Furniture and office equipment	237,565
Software	61,890
	<u>703,124</u>
Less accumulated depreciation	(310,747)
	<u>\$ 392,377</u>

Depreciation expense was \$90,433 for the year ended May 31, 2011.

#### Note 4. Accrued Benefits

The law operative in the West Bank and the Gaza strip and in 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.

During the year ended May 31, 2011, \$46,269 of benefits were paid. The defined termination benefit at May 31, 2011, was \$1,147,066 of which \$480,192 is funded. The remaining balance of accrued benefits of \$349,008 represents accrued benefits for Washington, D.C. employees.

#### Note 5. Refundable Grant Advances

Refundable grant advances of \$148,272 at May 31, 2011, consist of the amount due to U.S. Agency for International Development.

## American Near East Refugee Aid, Inc.

### Notes To Financial Statements

---

#### Note 6. Pension Plan

ANERA has a defined contribution pension plan that covers substantially all of its headquarters' employees. Contributions are based on annual salaries. Pension plan expense amounted to \$123,328 for the year ended May 31, 2011, and is included in fringe benefits on the statement of functional expenses.

#### Note 7. 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.

#### Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs at May 31, 2011:

	Balance May 31, 2010	Additions	Transfers	Return of Funds	Released From Restrictions	Balance May 31, 2011
Community and economic development	\$ 2,831,535	\$ 478,053	\$ (170,021)	\$ (2,746,497)	\$ (118,671)	\$ 274,399
Education	1,121,309	1,001,798	-	-	(1,262,220)	860,887
Health services	408,421	1,303,943	170,021	-	(1,565,039)	317,346
	<u>\$ 4,361,265</u>	<u>\$ 2,783,794</u>	<u>\$ -</u>	<u>\$ (2,746,497)</u>	<u>\$ (2,945,930)</u>	<u>\$ 1,452,632</u>

Transfers among the different programs were due to donors redirecting their original contributions. The return of funds represents amount returned to a donor that decided not to fund a project.

#### Note 9. Commitments

ANERA entered into a new lease with 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, 2011, the minimum future lease payments under these agreements are as follows:

Years Ending December 31,	
2012	\$ 195,469
2013	200,356
2014	205,364
2015	210,499
2016	210,499
Thereafter	883,095
	<u>\$ 1,905,282</u>

Rent expense for ANERA was \$376,730 for the year ended May 31, 2011, and has been classified as occupancy expense on the statement of functional expenses.