

AMERICAN NEAR EAST REFUGEE AID

Financial Statements
For the Years Ended May 31, 2008 and 2007
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, 2008 and 2007 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 \$7,722,400 and \$1,781,640 as of May 31, 2008 and 2007, respectively, and total expenses of \$38,030,880 and \$12,994,316 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, 2008 and 2007, 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 "P. + Company". The signature is written in a cursive, flowing style with a plus sign between the two parts.

Washington, D.C., USA
August 15, 2008

AMERICAN NEAR EAST REFUGEE AID
STATEMENT OF FINANCIAL POSITION
May 31, 2008 and 2007

<u>ASSETS</u>		
	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and cash equivalents	\$ 10,146,720	\$ 5,054,618
Grants receivable	474,330	1,682,275
Accounts receivable	57,642	59,803
Inventory	546,200	--
Prepaid expenses and other assets	<u>165,642</u>	<u>76,561</u>
Total Current Assets	11,390,534	6,873,257
Furniture and equipment, net	<u>144,376</u>	<u>44,166</u>
Total Assets	<u>\$ 11,534,910</u>	<u>\$ 6,917,423</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 400,893	\$ 96,902
Accrued benefits	874,735	739,142
Grant commitments	<u>140,302</u>	<u>204,750</u>
Total Current Liabilities	<u>1,415,930</u>	<u>1,040,794</u>
Net Assets		
Unrestricted		
Undesignated	3,072,314	1,021,537
Board Designated Endowment	<u>532,883</u>	<u>510,453</u>
Total Unrestricted Net Assets	3,605,197	1,531,990
Temporarily Restricted	<u>6,513,783</u>	<u>4,344,639</u>
Total Net Assets	<u>10,118,980</u>	<u>5,876,629</u>
Total Liabilities and Net Assets	<u>\$ 11,534,910</u>	<u>\$ 6,917,423</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Change in unrestricted net assets		
Revenue		
Donor contributions and other grants	\$ 2,929,643	\$ 2,035,614
In-kind contributions	57,593,085	43,017,508
Other income	44,371	49,106
Total	<u>60,567,099</u>	<u>45,102,228</u>
Net assets released from restrictions		
Satisfaction of program restrictions	<u>15,252,693</u>	<u>15,546,537</u>
Total unrestricted revenue	<u>75,819,792</u>	<u>60,648,765</u>
Expenses		
Program Services		
Community and economic development	9,107,699	9,537,191
Education	2,060,008	2,973,179
Health services	60,093,099	46,296,000
Public education	5,762	53,084
Total Program Services	<u>71,266,568</u>	<u>58,859,454</u>
Supporting Services		
Fund-raising	327,986	320,019
Management and general	2,152,031	1,734,413
Total Supporting Services	<u>2,480,017</u>	<u>2,054,432</u>
Total Expenses	<u>73,746,585</u>	<u>60,913,886</u>
Change in unrestricted net assets	<u>2,073,207</u>	<u>(265,121)</u>
Change in temporarily restricted net assets		
United States Government grants	9,800,637	11,771,456
Private sector grants and contributions	2,636,329	3,973,407
United Nations grants	4,249,851	360,544
Canadian Government grant	735,020	344,815
Net assets released from restrictions	<u>(15,252,693)</u>	<u>(15,546,537)</u>
Change in temporarily restricted net assets	<u>2,169,144</u>	<u>903,685</u>
Change in net assets	4,242,351	638,564
Net assets, beginning of year	<u>5,876,629</u>	<u>5,238,065</u>
Net assets, end of year	<u>\$ 10,118,980</u>	<u>\$ 5,876,629</u>

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

AMERICAN NEAR EAST REFUGEE AID
STATEMENT CASH FLOWS
For the Years Ended May 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 4,242,351	\$ 638,564
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	27,188	12,636
Changes in assets and liabilities		
Grants receivable	1,207,945	(72,452)
Accounts receivable	2,161	(38,847)
Inventory	(546,200)	--
Prepaid expenses and other assets	(89,081)	71,557
Accounts payable and other accrued expenses	303,991	(326,062)
Accrued benefits	135,593	129,280
Deferred revenue	--	(27,272)
Grant commitments	(64,448)	(129,950)
Net Cash Provided by Operating Activities	5,219,500	257,454
Cash Flows Used in Investing Activities		
Purchase of fixed assets	(127,398)	(41,323)
Change in Cash and Cash Equivalents	5,092,102	216,131
Cash and Cash Equivalents, beginning of year	5,054,618	4,838,487
Cash and Cash Equivalents, end of year	<u>\$ 10,146,720</u>	<u>\$ 5,054,618</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, 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

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 \$2,958,577 and \$3,032,577 at May 31, 2008 and 2007, respectively. Overseas accounts had a balance of \$6,988,720 and \$1,860,575 at May 31, 2008 and 2007, 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, 2008 and 2007. 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 of \$57,593,085 and \$43,017,508 for the years ended May 31, 2008 and 2007, respectively. Health Services expense of \$57,046,885 and \$43,017,508 has been recognized for the years ended May 31, 2008 and May 31, 2007, respectively. Contributions are valued at cost as defined by the supplier.

Inventory at May 31, 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>2008</u>	<u>2007</u>
U.S. Agency for International Development	\$ 234,474	\$ 1,275,982
U.S. Department of State	220,997	
International Fund for Agricultural Development	--	390,537
Other Grants Receivable	<u>18,859</u>	<u>15,756</u>
Total Grants Receivable	<u>\$ 474,330</u>	<u>\$ 1,682,275</u>

Grant commitments as of May 31, are as follows:

	<u>2008</u>	<u>2007</u>
Education	\$ 113,302	\$ 90,750
Health	7,000	94,000
Community Development	<u>20,000</u>	<u>20,000</u>
Total Grant Commitments	<u>\$ 140,302</u>	<u>\$ 204,750</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 \$56,781 and \$78,720 for the years ended May 31, 2008 and 2007, 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, 2008 and 2007, \$45,832 and \$34,664, respectively, of benefits were paid. The defined termination benefit at May 31, 2008 and 2007 was \$728,887 and \$616,285, respectively. The remaining balance of accrued benefits of \$145,848 and \$122,857, 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, 2008, the minimum future lease payments under these agreements are as follows:

2009	\$ 117,515
2010	120,454
2011	<u>81,630</u>
 Total	 <u>\$ 319,599</u>

Rent expense for ANERA was \$368,357 and \$443,808 for the years ended May 31, 2008 and 2007, 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, 2008 and 2007 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>2008</u>	<u>2007</u>
Furniture and office equipment	\$138,862	\$ 61,448
Software	57,424	53,756
Vehicle	<u>71,816</u>	<u>25,500</u>
 Total Furniture and equipment	 268,102	 140,704
Less: accumulated depreciation	<u>(123,726)</u>	<u>(96,538)</u>
 Furniture and Equipment, net	 <u>\$144,376</u>	 <u>\$ 44,166</u>

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SUPPLEMENTARY INFORMATION

AMERICAN NEAR EAST REFUGEE AID
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2008
(With Comparative Totals
For the Year Ended May 31, 2007)

	Program Services				Total Program Services	Supporting Services			Total Expenses	2007 Totals
	Overseas	Domestic				Fund- raising	Management and General	Supporting Services		
	Community and Economic Development	Education	Health Services	Public Education						
Salaries	\$ 1,060,119	\$ 118,000	\$ 745,732	\$ 2,697	\$ 1,926,548	\$ 92,435	\$ 870,241	\$ 962,676	\$ 2,889,224	\$ 2,204,274
Payroll taxes	27,976	2,442	6,848	168	37,434	5,974	79,491	85,465	122,899	132,794
Fringe benefits	<u>166,203</u>	<u>27,186</u>	<u>108,369</u>	<u>633</u>	<u>302,391</u>	<u>21,721</u>	<u>208,698</u>	<u>230,419</u>	<u>532,810</u>	<u>447,027</u>
Total salaries and fringe benefits	1,254,298	147,628	860,949	3,498	2,266,373	120,130	1,158,430	1,278,560	3,544,933	2,784,095
Professional services	84,658	5,047	218,371	643	308,719	84,295	173,156	257,451	566,170	556,342
Occupancy	71,531	1,270	46,251	432	119,484	14,852	234,022	248,874	368,358	443,807
Office supplies & equipment	35,532	36,456	23,978	100	96,066	3,464	46,866	50,330	146,396	67,188
Telephone & telegraph	23,796	1,197	17,870	150	43,013	7,082	60,798	67,880	110,893	66,601
Postage & shipping	4,496	894	139,773	296	145,459	37,554	81,724	119,278	264,737	267,665
Printing & Lettershop	10,482	495	3,078	223	14,278	35,679	62,996	98,675	112,953	201,100
Travel	72,756	4,841	43,004	214	120,815	10,573	185,426	195,999	316,814	278,258
Memberships & meetings	9,020	352	6,232	115	15,719	10,216	112,614	122,830	138,549	110,328
Technical assistance	47,483	74,169	15,903	-	137,555	-	178	178	137,733	133,936
Grants	7,488,715	1,787,515	1,670,017	-	10,946,247	1,000	14	1,014	10,947,261	12,711,083
Grants in-kind	-	-	57,046,885	-	57,046,885	-	-	-	57,046,885	43,017,508
Miscellaneous	4,932	144	788	91	5,955	3,141	8,619	11,760	17,715	20,498
Loan guarantee	-	-	-	-	-	-	-	-	-	231,000
Bad debt expense	-	-	-	-	-	-	-	-	-	11,841
Depreciation	-	-	-	-	-	-	27,188	27,188	27,188	12,636
	<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>	
2007 Totals	<u>\$ 9,537,191</u>	<u>\$ 2,973,179</u>	<u>\$ 46,296,000</u>	<u>\$ 53,084</u>	<u>\$ 58,859,454</u>	<u>\$ 320,019</u>	<u>\$ 1,734,413</u>	<u>\$ 2,054,432</u>		<u>\$ 60,913,886</u>

See the Independent Auditor's Report