

# **American Near East Refugee Aid**

Financial Report  
May 31, 2018

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## Independent Auditor's Report

To the Board of Directors  
American Near East Refugee Aid

### Report on the Financial Statements

We have audited the accompanying financial statements of American Near East Refugee Aid (Anera), which comprise the statements of financial position as of May 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 31, 2018, and August 29, 2017, on our consideration of Anera's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely 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 effectiveness of Anera's internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anera's internal control over financial reporting and compliance.

*RSM US LLP*

Washington, D.C.  
August 31, 2018

**American Near East Refugee Aid**

**Statements of Financial Position  
May 31, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Cash and cash equivalents (Note 12):		
Unrestricted	\$ 7,627,207	\$ 7,202,026
Restricted	7,261,150	6,390,664
<b>Total cash and cash equivalents</b>	<b>14,888,357</b>	<b>13,592,690</b>
Accounts receivable	93,198	66,103
Grants and contributions receivable, net (Note 3)	338,234	162,614
Advances to subrecipients	254,711	343,100
Prepaid expenses and other assets	404,213	348,242
Inventory (Note 7)	730,372	729,559
Property and equipment, net (Note 4)	150,887	207,583
	<b>\$ 16,859,972</b>	<b>\$ 15,449,891</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 464,261	\$ 734,088
Accrued benefits (Note 5)	3,110,450	2,754,031
Deferred grant advances (Note 6)	1,951,058	1,838,437
<b>Total liabilities</b>	<b>5,525,769</b>	<b>5,326,556</b>
Commitments and contingencies (Notes 9 and 11)		
Net assets:		
Without donor restrictions:		
Undesignated	5,715,147	4,269,296
Board designated reserves	3,108,451	2,955,929
Designated for inventory	730,372	729,559
Invested in property and equipment	150,887	207,583
<b>Total net assets without donor restrictions</b>	<b>9,704,857</b>	<b>8,162,367</b>
With donor restrictions (Note 10):		
Purpose restricted	1,525,643	1,887,765
Perpetual in nature	103,703	73,203
<b>Total net assets with donor restrictions</b>	<b>1,629,346</b>	<b>1,960,968</b>
<b>Total net assets</b>	<b>11,334,203</b>	<b>10,123,335</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,859,972</b>	<b>\$ 15,449,891</b>

See notes to financial statements.

## American Near East Refugee Aid

### Statements of Activities Years Ended May 31, 2018 and 2017

	2018				2017			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restricted	Perpetual in Nature			Purpose Restricted	Perpetual in Nature	
Support and revenue:								
Gifts-in-kind contributions (Note 7)	\$ 43,348,377	\$ -	\$ -	\$ 43,348,377	\$ 45,173,354	\$ -	\$ -	\$ 45,173,354
Governmental grant revenue	12,239,102	-	-	12,239,102	10,069,691	-	-	10,069,691
Non-governmental grant revenue	8,740,563	-	-	8,740,563	7,889,271	-	-	7,889,271
Contributions	3,618,647	1,784,358	30,500	5,433,505	2,969,847	1,527,718	-	4,497,565
Investment income	105,833	7,821	-	113,654	-	-	-	-
Other income	10,695	-	-	10,695	142,526	-	-	142,526
Net assets released from restrictions (Note 10)	2,154,301	(2,154,301)	-	-	1,994,968	(1,994,968)	-	-
<b>Total support and revenue</b>	<b>70,217,518</b>	<b>(362,122)</b>	<b>30,500</b>	<b>69,885,896</b>	<b>68,239,657</b>	<b>(467,250)</b>	<b>-</b>	<b>67,772,407</b>
Expenses:								
Program services:								
Medical in-kind and health services (Note 7)	44,312,138	-	-	44,312,138	49,635,007	-	-	49,635,007
Community and economic development	13,664,012	-	-	13,664,012	11,152,629	-	-	11,152,629
Education	6,805,300	-	-	6,805,300	6,508,017	-	-	6,508,017
<b>Total program services</b>	<b>64,781,450</b>	<b>-</b>	<b>-</b>	<b>64,781,450</b>	<b>67,295,653</b>	<b>-</b>	<b>-</b>	<b>67,295,653</b>
Supporting services:								
Management and general	2,481,915	-	-	2,481,915	2,395,131	-	-	2,395,131
Fundraising	1,411,663	-	-	1,411,663	1,044,043	-	-	1,044,043
<b>Total supporting services</b>	<b>3,893,578</b>	<b>-</b>	<b>-</b>	<b>3,893,578</b>	<b>3,439,174</b>	<b>-</b>	<b>-</b>	<b>3,439,174</b>
<b>Total expenses</b>	<b>68,675,028</b>	<b>-</b>	<b>-</b>	<b>68,675,028</b>	<b>70,734,827</b>	<b>-</b>	<b>-</b>	<b>70,734,827</b>
<b>Change in net assets</b>	<b>1,542,490</b>	<b>(362,122)</b>	<b>30,500</b>	<b>1,210,868</b>	<b>(2,495,170)</b>	<b>(467,250)</b>	<b>-</b>	<b>(2,962,420)</b>
Net assets:								
Beginning	8,162,367	1,887,765	73,203	10,123,335	10,657,537	2,355,015	73,203	13,085,755
Ending	\$ 9,704,857	\$ 1,525,643	\$ 103,703	\$ 11,334,203	\$ 8,162,367	\$ 1,887,765	\$ 73,203	\$ 10,123,335

See notes to financial statements.

## American Near East Refugee Aid

### Statement of Functional Expenses Year Ended May 31, 2018

	Program Services				Supporting Services			2018 Total
	Medical in-kind and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 368,130	\$ 2,100,041	\$ 759,587	\$ 3,227,758	\$ 1,031,858	\$ 461,126	\$ 1,492,984	\$ 4,720,742
Fringe benefits	195,284	1,047,550	371,041	1,613,875	460,111	180,432	640,543	2,254,418
<b>Total salaries and fringe benefits</b>	<b>563,414</b>	<b>3,147,591</b>	<b>1,130,628</b>	<b>4,841,633</b>	<b>1,491,969</b>	<b>641,558</b>	<b>2,133,527</b>	<b>6,975,160</b>
Grants-in-kind (Note 7)	42,973,252	95,127	252,349	43,320,728	26,336	500	26,836	43,347,564
Grants	534,985	9,477,254	4,222,488	14,234,727	-	-	-	14,234,727
Occupancy	39,308	267,164	139,374	445,846	247,328	400	247,728	693,574
Professional services	5,802	42,877	31,077	79,756	400,774	447,823	848,597	928,353
Travel	10,516	47,020	51,519	109,055	61,514	122,723	184,237	293,292
Office supplies and equipment	5,857	38,477	24,960	69,294	27,001	4,534	31,535	100,829
Vehicle expense	36,215	200,705	38,500	275,420	-	-	-	275,420
Printing and lettershop	4,299	20,714	9,973	34,986	20,849	78,369	99,218	134,204
Telephone and communications	14,121	70,683	28,562	113,366	27,980	394	28,374	141,740
Postage and shipping	260	1,395	1,507	3,162	13,710	20,844	34,554	37,716
Technical assistance	35,286	190,237	827,279	1,052,802	600	1,368	1,968	1,054,770
Repairs and maintenance	714	2,378	4,515	7,607	7,419	-	7,419	15,026
Conferences and memberships	3,667	16,559	2,155	22,381	29,404	29,977	59,381	81,762
Banking fees	2,024	9,446	8,613	20,083	35,966	31,013	66,979	87,062
In-kind shipping and storage	76,265	1,141	8,321	85,727	-	-	-	85,727
Advertising and marketing	46	1,800	281	2,127	6,296	28,191	34,487	36,614
Risk management	-	-	-	-	40,803	1,340	42,143	42,143
Board and committee meetings	-	-	-	-	5,367	-	5,367	5,367
Miscellaneous	-	-	-	-	17,544	2,629	20,173	20,173
<b>Total expenses before depreciation</b>	<b>44,306,031</b>	<b>13,630,568</b>	<b>6,782,101</b>	<b>64,718,700</b>	<b>2,460,860</b>	<b>1,411,663</b>	<b>3,872,523</b>	<b>68,591,223</b>
Depreciation	6,107	33,444	23,199	62,750	21,055	-	21,055	83,805
<b>Total expenses before allocations</b>	<b>44,312,138</b>	<b>13,664,012</b>	<b>6,805,300</b>	<b>64,781,450</b>	<b>2,481,915</b>	<b>1,411,663</b>	<b>3,893,578</b>	<b>68,675,028</b>
Allocation of indirect costs	246,792	1,251,895	479,009	1,977,696	(2,432,230)	454,534	(1,977,696)	-
<b>Total expenses after allocations</b>	<b>\$ 44,558,930</b>	<b>\$ 14,915,907</b>	<b>\$ 7,284,309</b>	<b>\$ 66,759,146</b>	<b>\$ 49,685</b>	<b>\$ 1,866,197</b>	<b>\$ 1,915,882</b>	<b>\$ 68,675,028</b>

See notes to financial statements.

## American Near East Refugee Aid

### Statement of Functional Expenses Year Ended May 31, 2017

	Program Services				Supporting Services			2017 Total
	Medical in-kind and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 286,998	\$ 1,904,536	\$ 523,021	\$ 2,714,555	\$ 1,055,264	\$ 317,097	\$ 1,372,361	\$ 4,086,916
Fringe benefits	174,022	1,289,480	334,040	1,797,542	523,324	149,432	672,756	2,470,298
<b>Total salaries and fringe benefits</b>	<b>461,020</b>	<b>3,194,016</b>	<b>857,061</b>	<b>4,512,097</b>	<b>1,578,588</b>	<b>466,529</b>	<b>2,045,117</b>	<b>6,557,214</b>
Grants-in-kind (Note 7)	48,404,397	54,120	499,076	48,957,593	-	-	-	48,957,593
Grants	509,234	6,949,834	3,927,784	11,386,852	13,912	-	13,912	11,400,764
Occupancy	36,751	261,390	117,139	415,280	271,321	-	271,321	686,601
Professional services	7,225	85,355	37,861	130,441	274,895	320,338	595,233	725,674
Travel	38,785	131,389	48,822	218,996	45,813	92,339	138,152	357,148
Office supplies and equipment	6,890	72,023	32,887	111,800	30,626	3,901	34,527	146,327
Vehicle expense	6,565	134,914	39,234	180,713	1,571	-	1,571	182,284
Printing and lettershop	2,712	5,823	14,467	23,002	23,084	70,603	93,687	116,689
Telephone and communications	11,306	58,325	22,146	91,777	27,789	53	27,842	119,619
Postage and shipping	215	1,056	202	1,473	14,125	27,951	42,076	43,549
Technical assistance	34,798	114,302	856,372	1,005,472	364	-	364	1,005,836
Repairs and maintenance	3,426	5,334	15,730	24,490	7,182	-	7,182	31,672
Conferences and memberships	18,175	36,138	3,702	58,015	22,789	14,325	37,114	95,129
Banking fees	1,586	10,503	5,598	17,687	1,353	30,319	31,672	49,359
In-kind shipping and storage	83,983	640	9,389	94,012	-	-	-	94,012
Advertising and marketing	7	4,805	114	4,926	8,863	9,891	18,754	23,680
Risk management	-	-	-	-	37,617	1,382	38,999	38,999
Board and committee meetings	-	-	-	-	8,958	-	8,958	8,958
Miscellaneous	710	320	2,562	3,592	14,568	6,412	20,980	24,572
<b>Total expenses before depreciation</b>	<b>49,627,785</b>	<b>11,120,287</b>	<b>6,490,146</b>	<b>67,238,218</b>	<b>2,383,418</b>	<b>1,044,043</b>	<b>3,427,461</b>	<b>70,665,679</b>
Depreciation	7,222	32,342	17,871	57,435	11,713	-	11,713	69,148
<b>Total expenses before allocation</b>	<b>49,635,007</b>	<b>11,152,629</b>	<b>6,508,017</b>	<b>67,295,653</b>	<b>2,395,131</b>	<b>1,044,043</b>	<b>3,439,174</b>	<b>70,734,827</b>
Allocation of indirect costs	231,025	1,360,954	410,430	2,002,409	(2,357,453)	355,044	(2,002,409)	-
<b>Total expenses after allocation</b>	<b>\$ 49,866,032</b>	<b>\$ 12,513,583</b>	<b>\$ 6,918,447</b>	<b>\$ 69,298,062</b>	<b>\$ 37,678</b>	<b>\$ 1,399,087</b>	<b>\$ 1,436,765</b>	<b>\$ 70,734,827</b>

See notes to financial statements.



**American Near East Refugee Aid**

**Statements of Cash Flows**  
**Years Ended May 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Receipts from grants	\$ 21,181,693	\$ 16,985,194
Receipts from donations	5,161,441	4,512,252
Interest and dividends received	99,817	15,962
Miscellaneous receipts	(20,325)	38,448
Payments for personnel costs	(6,702,233)	(6,231,450)
Payments for other support costs	(3,124,254)	(2,958,454)
Payments for program costs	(15,272,078)	(12,437,339)
<b>Net cash provided by (used in) operating activities</b>	<b>1,324,061</b>	<b>(75,387)</b>
Cash flows from in investing activities:		
Net cash (to) from purchase/sale of assets	(27,109)	(126,924)
Net cash (to) from investment transactions	(1,285)	-
<b>Net cash used in investing activities</b>	<b>(28,394)</b>	<b>(126,924)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,295,667</b>	<b>(202,311)</b>
Cash and cash equivalents:		
Beginning of fiscal year	13,592,690	13,795,001
End of fiscal year (Note 2)	<b>\$ 14,888,357</b>	<b>\$ 13,592,690</b>

See notes to financial statements.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** American Near East Refugee Aid (Anera) is a nonprofit corporation organized in 1968 for the purpose of improving the lives of Palestinian and other needy communities in the Middle East through grants and gifts-in-kind. Consistent with this purpose is the support of infrastructure, education and health programs for relief and development goals.

Anera has its headquarters in Washington, D.C. Anera is incorporated in Washington, D.C. and registered as required by local laws in Jerusalem, West Bank, Gaza and Lebanon.

**Basis of accounting:** The accompanying financial statements include the accounts of Anera's Washington, D.C., Jerusalem, West Bank, Gaza and Lebanon locations. All significant transactions between these locations have been eliminated in the accompanying financial statements. Anera maintains its accounts on the accrual basis of accounting.

**Basis of presentation:** The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification). As required by the Non-Profit Entities topic of the Codification, Anera reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as follows.

**Net assets without donor restrictions:** Net assets without donor restrictions include unrestricted undesignated, board designated and certain amounts not available to support general operations.

**Undesignated net assets:** Undesignated net assets result from revenue and other inflows of assets whose use by Anera is not limited by donor-imposed restrictions.

**Board-designated reserves:** As of May 31, 2018 and 2017, board designated reserves that are to be used for emergencies and contingencies were \$3,108,451 and \$2,955,929, respectively.

**Net assets with donor restrictions:** Net assets with donor restrictions include purpose restricted net assets and net assets that are perpetual in nature.

**Purpose restricted net assets:** Purpose 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.

**Perpetual-in-nature net assets:** Perpetual-in-nature restricted net assets result from contributions and other inflows of assets whose use is subject to donor-imposed stipulations that the principal must be maintained in perpetuity by Anera.

**Cash and cash equivalents:** Cash and cash equivalents consist of cash and money market accounts and funds. Total money market funds included in cash and cash equivalents as of May 31, 2018 and 2017, were \$6,848,732 and \$5,385,416, respectively.

Anera entered into a guidance line of credit in December 2015 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, 2018. This credit facility is renewed annually and currently expires November 30, 2018.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Restricted cash:** Restricted cash consists of cash received with donor-imposed restrictions for its use, advances from donors for restricted purposes and amounts set aside to meet future obligations, including accrued benefits. At May 31, 2018 and 2017, restricted cash was \$7,261,150 and \$6,390,664, respectively.

**Financial risk:** Anera maintains accounts at a number of financial institutions in the United States and the Middle East. The United States bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depository bank. Anera holds certain of its cash and cash equivalents in U.S. financial institutions which, at times, may exceed federally-insured limits. Anera had \$1,582,958 and \$1,189,548 in foreign accounts, which are not insured as of May 31, 2018 and 2017, respectively. 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.

**Grants, contributions and accounts receivable:** Grants, contributions and accounts receivable are carried at original unbilled, promised or invoiced 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. The allowance for doubtful accounts at May 31, 2018 and 2017, was \$0.

**Advances to sub-recipients:** Advances to sub-recipients represent funds that were provided to sub-recipients for services to be provided at a later date. Once the services are complete, Anera recognizes the expense.

**Inventory:** Inventory consists of pharmaceuticals, medical supplies and dry-goods, for example, clothing and blankets, donated by other organizations that have not been distributed at May 31, 2018 and 2017. Donated inventory is carried at its fair market value on the date of the donation.

**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. Equipment purchased with federal funds and temporarily restricted funds are billed to donors when purchased and capitalized in accordance with Anera's capitalization policy as previously stated.

**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.

**Foreign currency transactions and 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 U.S. Dollars. Where local currencies are used, assets and liabilities are re-measured at the exchange rate on the statements of financial position date. Monthly expenses that are incurred by project field office operations in foreign countries are translated using a 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 included within other income on the accompanying statements 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.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**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 or use of space. This basis is consistently applied. Allocated expenses include depreciation, occupancy, vehicle expenses and office expenses, which are allocated on a use-of-space basis, as well as fringe benefits, which are allocated based on salaries.

**Support and revenue:** Unconditional contributions are recorded when received as without donor restrictions or with donor restrictions. Contributions with donor restrictions can be either purpose restricted or perpetual-in-nature, depending on the existence and/or nature of any donor restrictions

All donor restricted revenue and support is reported as an increase in purpose restricted or perpetual-in-nature 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), purpose restricted net assets are reclassified to without donor restrictions net assets and reported in the statements of activities as net assets released from restrictions. Conditional contributions are not recorded as support until the condition(s) are probable of being met.

**Gifts-in-kind contributions and grants-in-kind expenses:** Anera receives medical and other supplies from both for-profit and nonprofit organizations and ships them to the Middle East. Anera delivers these donated supplies to hospitals, clinics and charitable organizations. Contributed equipment and supplies received by the field offices are also recorded as support and expenses.

Gifts-in-kind revenue is recognized as revenue in circumstances where 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 at estimated fair 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 fair 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. One donor, International Health Partners, uses the Monthly Index of Medical Specialties (MIMS), a British publication, as the basis for their valuation. It is similar to the Red Book mentioned above. Anera also receives donation of shoes for which the donor does not provide a value; Anera conservatively estimates the price to value the shoes based on the value of the shoe per various retail stores in the beneficiary locale.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Grants-in-kind expense is recorded when the gifts-in-kind contributions are distributed for program use. While it is Anera's policy to distribute the gifts-in-kind contributions as promptly as possible, undistributed gifts-in-kind contributions are recorded as inventory. The inventory is valued at fair value estimated by Anera. Anera believes that this approximates the lower of cost or net realizable value.

**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 (IRS). During the years ended May 31, 2018 and 2017, Anera paid \$2,650 and \$0 in unrelated business income taxes, respectively. No additional 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.

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 2014.

**Foreign assets:** Assets (excluding foreign cash) held in foreign countries, consisting primarily of in-kind inventory, were \$1,409,503 and \$1,516,635 as of May 31, 2018 and 2017, respectively.

**Reclassifications:** Certain 2017 amounts previously reported have been reclassified to be consistent with the 2018 presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

**Early adoption of new accounting pronouncements:** In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. Earlier applicable was permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management early adopted this standard during the year ended May 31, 2017. The adoption of this new standard impacted the presentation of the classification net assets. The total net assets and change in net assets were not impacted.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### **Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption was permitted. Management early adopted this standard during the year ended May 31, 2017. The adoption of this new standard impacted only the presentation of the cash flows statements. The total net assets and change in net assets were not impacted.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statements of cash flows. These amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018. Management early adopted this standard during the year ended May 31, 2017. The adoption of this new standard impacted the presentation of the classification net assets. The total net assets and change in net assets were not impacted.

**Upcoming accounting pronouncements:** In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Anera is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2017. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Anera has not yet selected a transition method and is currently evaluating the effect that the update will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018 for resource recipients and a year later for resource providers. Management is currently evaluating the effect on its financial statements.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Subsequent events:** Anera evaluated subsequent events for potential required disclosure through August 31, 2018, which is the date the financial statements were available to be issued.

Subsequent to May 31, 2018, the U.S. Agency for International Development (USAID) notified Anera of their determination that a contractor became ineligible to receive payment. Anera has submitted a formal dispute to USAID in the matter.

#### Note 2. Liquidity

The following reflects Anera's financial assets as of the statements of financial position date, reduced by certain amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date. Amounts not available include amounts set aside for long-term investing in the board designated reserves, which can be drawn upon if the governing board approves that action. However, amounts already appropriated from either donor-restricted net assets or board designated reserves for general expenditure within one year of the statements of financial position date have not been subtracted as unavailable as follows:

	2018	2017
Financial assets, at year-end:		
Cash and cash equivalents	\$ 14,888,357	\$ 13,592,690
Accounts receivable	93,198	66,103
Grants and contributions receivable	338,234	162,614
Total financial assets, at year end	<u>15,319,789</u>	<u>13,821,407</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Deferred grant advances	(1,951,058)	(1,838,437)
Donor-imposed purpose restriction	(1,525,643)	(1,887,765)
Donor-imposed restrictions perpetual in nature	(103,703)	(73,203)
Cash or cash equivalents held in trust	(42,118)	(161,775)
Designated for specific purposes:		
Amounts set aside for board designated reserve fund, net of board approved appropriation	(2,858,451)	(2,705,929)
Amounts set aside for end-of-service indemnity retirement benefits	(2,765,632)	(2,504,649)
Liability for accrued vacation	(344,818)	(301,068)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,728,366</u>	<u>\$ 4,348,581</u>

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 2. Liquidity (Continued)

Anera is substantially supported by restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Anera must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Anera's liquidity management, it has a policy to structure its financial assets to be available when its general expenditures, liabilities and other obligations are due. In addition, Anera invests cash in excess of daily requirements in short-term financial instruments. The board designates a portion of bequests received to its board designated reserve fund, which for the years ended May 31, 2018 and 2017, was \$402,522 and \$256,622, respectively. This reserve is a fund that has been established by the governing board to draw upon in the event of financial need resulting from planned or unforeseen events outside of normal operations or the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, Anera may also draw upon a \$750,000 guidance line of credit.

#### Note 3. Grants and Contributions Receivable

Grants receivable at May 31 consist of the following:

	2018	2017
International organizations	\$ 93,234	\$ 162,614
Individuals and other	245,000	-
Total	<u>\$ 338,234</u>	<u>\$ 162,614</u>

The allowance for doubtful accounts at May 31, 2018 and 2017, was \$0.

#### Note 4. Property and Equipment

Property and equipment at May 31 consist of the following:

	2018	2017
Vehicles	\$ 645,703	\$ 645,703
Furniture and office equipment	294,488	290,392
Computer equipment and design	189,472	166,459
Website design	67,900	67,900
Subtotal	1,197,563	1,170,454
Less accumulated depreciation	(1,046,676)	(962,871)
Total	<u>\$ 150,887</u>	<u>\$ 207,583</u>

Depreciation expense was \$83,805 and \$69,148 for the years ended May 31, 2018 and 2017, respectively. There was property and equipment with a net book value of \$116,337 and \$157,966 held in foreign field offices at May 31, 2018 and 2017, respectively.



## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 5. Accrued Benefits

Accrued benefits at May 31 consist of the following:

	2018	2017
Accrued severance*	\$ 2,693,539	\$ 2,392,740
Accrued vacation	347,656	301,068
Other benefits	69,255	60,223
Total	<u>\$ 3,110,450</u>	<u>\$ 2,754,031</u>

\*The law operative in Jerusalem, West Bank, Gaza and Lebanon dictates that upon retirement, an employee shall receive a defined end-of-service indemnity benefit. The benefit is calculated based on one month of the employee's salary rate as of the end-of-service and multiplied by the number of years of service. Accrued severance was \$2,693,539 and \$2,392,740 at May 31, 2018 and 2017, respectively. Of that, \$2,693,539 and \$2,392,740 was funded via money market funds included with cash and cash equivalents at May 31, 2018 and 2017, respectively.

During the years ended May 31, 2018 and 2017, termination benefits of \$38,646 and \$359,333, respectively, were paid.

#### Note 6. Deferred Grant Advances

Deferred grant advances at May 31 consist of the following:

	2018	2017
International organizations	\$ 1,039,769	\$ 1,293,016
U.S. Government	495,388	356,201
Foundations	415,901	189,220
Total	<u>\$ 1,951,058</u>	<u>\$ 1,838,437</u>

#### Note 7. Gifts-in-Kind Contributions

For the years ended May 31, 2018 and 2017, Anera recognized gifts-in-kind contributions of \$43,348,377 and \$45,173,354, respectively, and grants-in-kind expenses of \$43,347,564 and \$48,957,593, respectively. These expenses are included primarily in the medical in-kind and health services expense line on the statements of activities. Gifts-in-kind contributions are recognized when the goods are received in Anera's warehouse. Grants-in-kind expense is recognized when the goods are distributed. The inventory balance at May 31, 2018 and 2017, was \$730,372 and \$729,559, respectively. All inventory is located in foreign field offices.

As of May 31, 2018, Anera had \$19,485 gifts-in-kind inventory that had landed 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. As of May 31, 2017, there were no amounts landed that had not cleared customs.

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### Notes to Financial Statements

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#### Note 8. 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 \$187,816 and \$205,860 for the years ended May 31, 2018 and 2017, respectively.

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.

In January 2017, Anera established a 457(b) plan for certain members of management to defer a limited portion of their compensation on a pre-tax basis. Eligible employees may contribute to this 457(b) plan up to the legal limits defined by the IRS. The employer does not contribute to this 457(b) plan. The value of assets held and the deferred compensation liability was \$58,351 and \$51,761 at May 31, 2018 and 2017, respectively.

#### Note 9. 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 audits. Management does not anticipate any significant adjustments as a result of such audits.

#### Note 10. Net Assets With Donor Restrictions

Changes in purpose restricted net assets in 2018 were as follows:

	Balance May 31, 2017	Apportionments	Additions	Released From Restrictions	Balance May 31, 2018
Specific community or location	\$ 768,732	\$ (974,523)	\$ 331,440	\$ -	\$ 125,649
Community and economic development	635,573	348,134	175,617	(703,040)	456,284
Education	304,173	-	600,676	(300,520)	604,329
Medical in-kind and health services	179,287	626,389	684,446	(1,150,741)	339,381
Total	<u>\$ 1,887,765</u>	<u>\$ -</u>	<u>\$ 1,792,179</u>	<u>\$ (2,154,301)</u>	<u>\$ 1,525,643</u>

Changes in purpose restricted net assets in 2017 were as follows:

	Balance May 31, 2016	Apportionments	Additions	Released From Restrictions	Balance May 31, 2017
Specific community or location	\$ 1,262,301	\$ (511,794)	\$ 18,225	\$ -	\$ 768,732
Community and economic development	360,207	270,944	523,401	(518,979)	635,573
Education	484,334	12,652	431,456	(624,269)	304,173
Medical in-kind and health services	248,173	228,198	554,636	(851,720)	179,287
Total	<u>\$ 2,355,015</u>	<u>\$ -</u>	<u>\$ 1,527,718</u>	<u>\$ (1,994,968)</u>	<u>\$ 1,887,765</u>

Apportionments represent transfers of funding to support projects within the restriction categories or for programs operating in specific locations as permitted by the donors.

Net assets that are perpetual in nature were \$103,703 and \$73,203 as of May 31, 2018 and 2017, respectively.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 11. Commitments

Anera entered into a lease for the headquarters office with an effective 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, 2018, the minimum future lease payments under the long-term agreements are as follows:

Years ending May 31:	
2019	\$ 232,351
2020	197,643
Total	<u>\$ 429,994</u>

Total rent expense for all Anera offices was \$673,618 and \$676,760 for the years ended May 31, 2018 and 2017, respectively.

#### Note 12. Fair Value Measurements

The Fair Value Measurement Topic of the FASB Codification establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This Topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The Topic establishes a framework for measuring fair value in GAAP and a hierarchy for ranking the quality and reliability of the information used to determine fair values. This Topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities.

**Level 2:** Observable market-based inputs or unobservable inputs corroborated by market data.

**Level 3:** Unobservable inputs not corroborated by market data.

To determine the appropriate levels, Anera performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by Anera at May 31, 2018.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 12. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities at May 31, 2018, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Financial assets:				
Included with cash and cash equivalents:				
Money market funds	\$ 6,848,732	\$ 6,848,732	\$ -	\$ -
Included with prepaid expenses and other assets:				
Deferred compensation:				
Mutual fund:				
World large stock	\$ 4,098	\$ 4,098	\$ -	\$ -
Diversified emerging mkts	5,822	5,822	-	-
Large value	9,664	9,664	-	-
Real estate	1,801	1,801	-	-
Foreign large blend	1,782	1,782	-	-
Mid-cap growth	4,200	4,200	-	-
Large blend	1,835	1,835	-	-
High yield bond	10,950	10,950	-	-
Mid-cap blend	1,862	1,862	-	-
Foreign large growth	1,806	1,806	-	-
Small growth	1,919	1,919	-	-
Large growth	10,871	10,871	-	-
Foreign large value	1,741	1,741	-	-
	\$ 58,351	\$ 58,351	\$ -	\$ -
Financial liabilities:				
Included with accrued benefits:				
Deferred compensation	\$ 58,351	\$ -	\$ 58,351	\$ -

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 12. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities at May 31, 2017, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Financial assets:				
Included with cash and cash equivalents:				
Money market funds	\$ 5,385,416	\$ 5,385,416	\$ -	\$ -
Included with prepaid expenses and other assets:				
Deferred compensation:				
Mutual fund:				
Emerging markets	\$ 1,841	\$ 1,841	\$ -	\$ -
World large stock	1,839	1,839	-	-
High yield bond	5,136	5,136	-	-
Mid-cap value	16,811	16,811	-	-
Large growth	3,707	3,707	-	-
Mid-cap growth	1,783	1,783	-	-
Large value	20,644	20,644	-	-
	<u>\$ 51,761</u>	<u>\$ 51,761</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities:				
Included with accrued benefits:				
Deferred compensation	\$ 51,761	\$ -	\$ 51,761	\$ -

The fair value of Anera's money market funds and mutual funds are determined based on quoted prices in active markets; thus, they are categorized as a Level 1 input.

The deferred compensation liability is not traded in an open market, and thus, does not qualify for Level 1 classification. However, the fair value is derived from the fair value of the underlying assets in the deferred compensation plan and based on this comparable information is classified as a Level 2 item.