

# **American Near East Refugee Aid**

Financial Report  
May 31, 2020

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## Independent Auditor's Report

RSM US LLP

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, 2020 and 2019, 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. 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, 2020 and 2019, 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.

*RSM US LLP*

Washington, D.C.  
September 2, 2020

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**American Near East Refugee Aid**

**Statements of Financial Position  
May 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Cash and cash equivalents (Note 3):		
Unrestricted	\$ 5,806,401	\$ 8,654,489
Restricted	7,697,157	7,368,994
Total cash and cash equivalents	<u>13,503,558</u>	<u>16,023,483</u>
Accounts receivable	219,739	222,974
Grants and contributions receivable (Note 4)	913,762	733,354
Advances to subrecipients	441,171	167,113
Prepaid expenses and other assets	1,020,903	217,523
Inventory (Note 8)	5,752,968	2,984,763
Short-term investments (Note 3)	41,464	-
Long-term investments (Note 3)	943,009	42,423
Property and equipment, net (Note 5)	141,780	154,433
	<u>\$ 22,978,354</u>	<u>\$ 20,546,066</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 299,766	\$ 392,798
Accrued benefits (Note 6)	1,278,412	1,202,368
Deferred exchange gain	136,992	-
Deferred rent abatement	242,647	-
Deferred revenue (Note 7)	4,438,858	4,479,372
Total liabilities	<u>6,396,675</u>	<u>6,074,538</u>
Commitments and contingencies (Notes 10 and 12)		
Net assets:		
Without donor restrictions:		
Undesignated	4,854,945	5,877,636
Board designated reserves	3,350,493	3,215,493
Designated for inventory	5,752,968	2,984,763
Invested in property and equipment	141,780	154,433
Total net assets without donor restrictions	<u>14,100,186</u>	<u>12,232,325</u>
With donor restrictions (Note 11):		
Purpose restricted	2,377,790	2,135,500
Perpetual in nature	103,703	103,703
Total net assets with donor restrictions	<u>2,481,493</u>	<u>2,239,203</u>
Total net assets	<u>16,581,679</u>	<u>14,471,528</u>
	<u>\$ 22,978,354</u>	<u>\$ 20,546,066</u>

See notes to financial statements.

## American Near East Refugee Aid

### Statements of Activities Years Ended May 31, 2020 and 2019

	2020					2019				
	Without Donor Restrictions	With Donor Restrictions			Total	Without Donor Restrictions	With Donor Restrictions			Total
		Purpose Restricted	Perpetual in Nature	Subtotal			Purpose Restricted	Perpetual in Nature	Subtotal	
<b>Support and revenue:</b>										
Non-financial contributions (Note 8)	\$ 84,820,650	\$ -	\$ -	\$ -	\$ 84,820,650	\$ 30,850,680	\$ -	\$ -	\$ -	\$ 30,850,680
Governmental grant revenue	171,198	-	-	-	171,198	11,839,067	-	-	-	11,839,067
Non-governmental grant revenue	9,563,442	-	-	-	9,563,442	7,694,884	-	-	-	7,694,884
Contributions	3,196,196	2,438,986	-	2,438,986	5,635,182	3,449,271	2,160,551	-	2,160,551	5,609,822
Investment income, net	186,790	1,100	-	1,100	187,890	195,326	2,054	-	2,054	197,380
Other income	29,967	-	-	-	29,967	4,808	-	-	-	4,808
Net assets released from restrictions (Note 11)	2,197,796	(2,197,796)	-	(2,197,796)	-	1,552,748	(1,552,748)	-	(1,552,748)	-
<b>Total support and revenue</b>	<b>100,166,039</b>	<b>242,290</b>	<b>-</b>	<b>242,290</b>	<b>100,408,329</b>	<b>55,586,784</b>	<b>609,857</b>	<b>-</b>	<b>609,857</b>	<b>56,196,641</b>
<b>Expenses:</b>										
<b>Program services:</b>										
Medical donations and health services (Note 8)	83,709,078	-	-	-	83,709,078	29,991,418	-	-	-	29,991,418
Community and economic development	3,904,993	-	-	-	3,904,993	13,986,069	-	-	-	13,986,069
Education	6,571,548	-	-	-	6,571,548	4,879,808	-	-	-	4,879,808
<b>Total program services</b>	<b>94,185,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,185,619</b>	<b>48,857,295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,857,295</b>
<b>Supporting services:</b>										
Management and general	2,896,260	-	-	-	2,896,260	2,592,090	-	-	-	2,592,090
Fundraising	1,216,299	-	-	-	1,216,299	1,609,931	-	-	-	1,609,931
<b>Total supporting services</b>	<b>4,112,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,112,559</b>	<b>4,202,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,202,021</b>
<b>Total expenses</b>	<b>98,298,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,298,178</b>	<b>53,059,316</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,059,316</b>
<b>Change in net assets</b>	<b>1,867,861</b>	<b>242,290</b>	<b>-</b>	<b>242,290</b>	<b>2,110,151</b>	<b>2,527,468</b>	<b>609,857</b>	<b>-</b>	<b>609,857</b>	<b>3,137,325</b>
<b>Net Assets:</b>										
Beginning	12,232,325	2,135,500	103,703	2,239,203	14,471,528	9,704,857	1,525,643	103,703	1,629,346	11,334,203
Ending	\$ 14,100,186	\$ 2,377,790	\$ 103,703	\$ 2,481,493	\$ 16,581,679	\$ 12,232,325	\$ 2,135,500	\$ 103,703	\$ 2,239,203	\$ 14,471,528

See notes to financial statements.

## American Near East Refugee Aid

### Statement of Functional Expenses Year Ended May 31, 2020

	Program Services			Supporting Services				Total
	Medical Donations and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 550,689	\$ 649,101	\$ 770,901	\$ 1,970,691	\$ 1,197,927	\$ 521,734	\$ 1,719,661	\$ 3,690,352
Fringe benefits	296,986	241,845	289,056	827,887	581,404	260,656	842,060	1,669,947
Total salaries and fringe benefits	847,675	890,946	1,059,957	2,798,578	1,779,331	782,390	2,561,721	5,360,299
Grants-non-financial (Note 8)	80,962,217	47,979	759,858	81,770,054	-	-	-	81,770,054
Grants - financial	1,270,880	2,509,736	4,212,101	7,992,717	-	-	-	7,992,717
Occupancy	62,378	70,339	115,086	247,803	272,281	-	272,281	520,084
Professional services	40,182	72,105	80,597	192,884	521,529	220,101	741,630	934,514
Travel	26,371	18,264	41,915	86,550	58,706	53,468	112,174	198,724
Office supplies and equipment	4,669	16,821	23,062	44,552	37,877	5,089	42,966	87,518
Vehicle expense	41,747	65,277	46,112	153,136	2,914	-	2,914	156,050
Printing and lettershop	(539)	24,021	17,159	40,641	13,503	43,111	56,614	97,255
Telephone and communications	19,704	21,373	24,520	65,597	49,911	25,511	75,422	141,019
Postage and shipping	1,538	102	244	1,884	10,624	31,439	42,063	43,947
Technical assistance	4,632	145,642	146,192	296,466	9,601	-	9,601	306,067
Repairs and maintenance	801	2,363	2,325	5,489	7,848	-	7,848	13,337
Conferences and memberships	7,452	6,272	12,191	25,915	20,779	8,057	28,836	54,751
Banking fees	3,032	11,567	13,595	28,194	20,853	44,027	64,880	93,074
In-kind shipping and storage	358,234	600	9,351	368,185	-	-	-	368,185
Advertising and marketing	202	105	3,111	3,418	26,365	2,600	28,965	32,383
Risk management	-	-	-	-	41,134	-	41,134	41,134
Bad debts	5,600	-	1,998	7,598	-	-	-	7,598
Board and committee meetings	146	136	99	381	98	506	604	985
Miscellaneous	3,470	300	5	3,775	(8,164)	-	(8,164)	(4,389)
Total expenses before depreciation	83,660,391	3,903,948	6,569,478	94,133,817	2,865,190	1,216,299	4,081,489	98,215,306
Depreciation	48,687	1,045	2,070	51,802	31,070	-	31,070	82,872
Total expenses before allocations	83,709,078	3,904,993	6,571,548	94,185,619	2,896,260	1,216,299	4,112,559	98,298,178
Allocation of indirect costs	634,310	537,412	648,724	1,820,446	(2,364,343)	543,897	(1,820,446)	-
Total expenses after allocations	\$ 84,343,388	\$ 4,442,405	\$ 7,220,272	\$ 96,006,065	\$ 531,917	\$ 1,760,196	\$ 2,292,113	\$ 98,298,178

See notes to financial statements.

## American Near East Refugee Aid

### Statement of Functional Expenses Year Ended May 31, 2019

	Program Services			Supporting Services			Total	
	Medical Donations and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 444,624	\$ 1,979,962	\$ 755,740	\$ 3,180,326	\$ 1,141,028	\$ 572,235	\$ 1,713,263	\$ 4,893,589
Fringe benefits	229,349	1,151,522	289,906	1,670,777	526,586	226,594	753,180	2,423,957
Total salaries and fringe benefits	673,973	3,131,484	1,045,646	4,851,103	1,667,614	798,829	2,466,443	7,317,546
Grants-non-financial (Note 8)	28,162,998	61,520	368,604	28,593,122	3,166	-	3,166	28,596,288
Grants - financial	838,297	9,697,156	3,008,957	13,544,410	-	-	-	13,544,410
Occupancy	51,137	309,128	105,235	465,500	264,825	30	264,855	730,355
Professional services	7,386	161,188	32,266	200,840	324,936	373,372	698,308	899,148
Travel	14,980	59,925	69,591	144,496	81,469	117,817	199,286	343,782
Office supplies and equipment	7,738	53,191	14,694	75,623	29,891	14,766	44,657	120,280
Vehicle expense	38,537	164,891	20,127	223,555	609	2	611	224,166
Printing and lettershop	4,300	30,799	26,430	61,529	21,599	84,897	106,496	168,025
Telephone and communications	14,804	56,370	24,526	95,700	28,974	18,812	47,786	143,486
Postage and shipping	271	11,185	398	11,854	26,716	43,456	70,172	82,026
Technical assistance	4,199	182,577	109,314	296,090	700	2,892	3,592	299,682
Repairs and maintenance	1,506	6,149	6,803	14,458	7,825	-	7,825	22,283
Conferences and memberships	3,335	8,812	5,428	17,575	32,499	29,287	61,786	79,361
Banking fees	2,198	11,775	6,872	20,845	24,755	36,714	61,469	82,314
In-kind shipping and storage	154,932	2,597	5,087	162,616	-	-	-	162,616
Advertising and marketing	151	1,578	520	2,249	8,188	84,857	93,045	95,294
Risk management	-	-	-	-	39,058	-	39,058	39,058
Board and committee meetings	-	-	-	-	2,123	4,200	6,323	6,323
Miscellaneous	1,451	1,664	4,977	8,092	6,266	-	6,266	14,358
Total expenses before depreciation	29,982,193	13,951,989	4,855,475	48,789,657	2,571,213	1,609,931	4,181,144	52,970,801
Depreciation	9,225	34,080	24,333	67,638	20,877	-	20,877	88,515
Total expenses before allocation	29,991,418	13,986,069	4,879,808	48,857,295	2,592,090	1,609,931	4,202,021	53,059,316
Allocation of indirect costs	320,929	1,317,872	449,703	2,088,504	(2,616,088)	527,584	(2,088,504)	-
Total expenses after allocation	\$ 30,312,347	\$ 15,303,941	\$ 5,329,511	\$ 50,945,799	\$ (23,998)	\$ 2,137,515	\$ 2,113,517	\$ 53,059,316

See notes to financial statements.

## American Near East Refugee Aid

### Statements of Cash Flows Years Ended May 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from grants	\$ 9,495,937	\$ 21,887,460
Receipts from donations	5,746,915	5,388,001
Interest and dividends received	187,198	198,857
Total receipts	<u>15,430,050</u>	27,474,318
Miscellaneous payments:	43,783	(141,798)
Payments for personnel costs	(5,264,613)	(9,229,662)
Payments for other support costs	(3,065,456)	(3,122,324)
Payments for program costs	(8,665,632)	(13,746,810)
Total payments	<u>(16,951,918)</u>	(26,240,594)
<b>Net cash (used in) provided by operating activities</b>	<u>(1,521,868)</u>	1,233,724
Cash flows from in investing activities:		
Purchases of property and equipment	(70,220)	(92,061)
Purchases of investments	(951,816)	-
Sale of investments	23,979	(6,537)
<b>Net cash used in investing activities</b>	<u>(998,057)</u>	(98,598)
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(2,519,925)</u>	1,135,126
Cash and cash equivalents:		
Beginning	<u>16,023,483</u>	14,888,357
Ending (Note 2)	<u>\$ 13,503,558</u>	<u>\$ 16,023,483</u>

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, contributions and gifts-in-kind. Consistent with this purpose is Anera's support of infrastructure, agriculture, 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, Lebanon and Jordan.

**Basis of accounting:** The accompanying financial statements include the accounts of Anera's Washington, D.C., Jerusalem, West Bank, Gaza, Lebanon and Jordan 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 (the 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 net assets:** As of May 31, 2020 and 2019, board-designated net assets were \$3,350,493 and \$3,215,493, respectively. As of May 31, 2020, \$2,500,000 was designated as a reserve for emergencies and contingencies, \$225,657 was designated as a Disaster Preparedness Fund and \$624,836 was designated as a Board Endowment Fund. As of May 31, 2019, \$2,500,000 was designated as a reserve for emergencies and contingencies, \$250,000 was designated as a Disaster Preparedness Fund and \$465,493 was designated as a Board Endowment Fund.

**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.

## American Near East Refugee Aid

### Notes to Financial Statements

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

**Cash, cash equivalents and investments:** 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, 2020 and 2019, were \$4,990,953 and \$7,355,564, respectively.

Investments with readily determinable fair value are reflected at fair market value. Unrealized gains and losses on investments are reported net in the statements of activities as part of investment income. Investment advisor and trading fees related to the portfolio are presented net within investment income.

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, 2020. This credit facility is renewed annually and currently expires November 30, 2020.

**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, 2020 and 2019, restricted cash was \$7,697,157 and \$7,368,994, 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 \$1,121,495 and \$2,343,892 in foreign accounts, which are not insured as of May 31, 2020 and 2019, respectively. Anera has not experienced any losses in such accounts.

**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. There was no allowance for doubtful accounts at May 31, 2020 and 2019.

**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, such as clothing and blankets, donated by other organizations that have not been distributed at May 31, 2020 and 2019. 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 10-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.

## American Near East Refugee Aid

### Notes to Financial Statements

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

**Deferred revenue:** Deferred revenue consists of cash received for grant advances and contributions to support events in future periods, which have not yet been expended.

The deferred revenue balance includes \$249,010 that was received as part of the Payroll Protection Plan (PPP) funds received from the U.S. Small Business Administration (SBA) in April 2020 to support U.S. based salaries. During the year ended May 31, 2020, ANERA received a total of \$384,280 and the amount was recognized as conditional revenue, where the amount received was recognized as a liability until conditions were met. \$135,270 is included as unrestricted revenue for the year ended May 31, 2020 in the statements of activities as all conditions were met and funds are expected to be forgiven.

**Deferred rent abatement:** Deferred rent liability consists of accumulated deferred amounts for abatements earned on Anera's renewed operating lease effective June 1, 2019. Rent expense is recognized on a straight-line basis over the term of the lease, including any period during which rent payments were abated. The difference between rental payments made and straight-line rent expense is charged against or credited to deferred rent.

**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 normally valued at the exchange rate in effect at year-end, with gains and losses included within other income on the accompanying statements of activities.

**Deferred exchange gain:** Due to recent significant exchange rate fluctuations in Lebanon, along with an unwavering official government rate, a deferred currency exchange gain of \$136,992 has been recorded as of May 31, 2020 for which revenue will be recognized as the funds are expended for the purpose of the grant.

**Use of estimates:** The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Functional allocation of expenses:** The costs of providing Anera's various programs and supporting services have been summarized on a functional basis. Certain direct administrative charges have been allocated to programs and supporting services based on salaries 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.

## American Near East Refugee Aid

### Notes to Financial Statements

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

**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.

**Non-financial contributions and grants expenses:** Anera receives medical and other supplies from both for-profit and nonprofit organizations and ships these supplies 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.

**Non-financial contributions and grants expenses (continued):** Non-financial contributions 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 non-financial contributions revenue is limited to circumstances in which Anera takes constructive possession of the non-financial assets, and Anera is the recipient of the contribution, rather than an agent or intermediary (as defined by the Codification).

Anera obtains United States Food and Drug Administration (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. 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 contributions of non-financial assets 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. Two donors, International Health Partners and Americares, also use the Monthly Index of Medical Specialties (MIMS), a British publication, as the basis for valuation. It is similar to the Red Book mentioned above. Anera receives donations of computers and software licenses for participants in educational programs where equipment and software are valued by the donor based on a fair market value. Anera receives donations 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.

The expense for grants of non-financial assets is recorded when the non-financial contributions are distributed for program use. While it is Anera's policy to distribute the non-financial contributions as promptly as possible, undistributed non-financial 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.

## American Near East Refugee Aid

### Notes to Financial Statements

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

**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, 2020 and 2019, Anera paid \$5,644 and \$6,264 in unrelated business income taxes, respectively. During the fiscal year 2020 the IRS repealed the related tax on transportation benefits. Anera has recognized a reimbursement of the expense and recorded a receivable for \$9,907 as of May 31, 2020. No additional provision for income taxes was required in the accompanying financial statements.

Anera follows the 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 2016.

**Foreign assets:** Assets (excluding foreign cash) held in foreign countries, consisting primarily of in-kind inventory, were \$7,372,572 and \$3,565,946 as of May 31, 2020 and 2019, respectively.

**Reclassifications:** Certain 2019 amounts previously reported have been reclassified to be consistent with the 2020 presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

**Adopted accounting pronouncement:** In June 2018, the FASB issued Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. Where Anera is the resource recipient, the ASU is applicable to contributions received for the fiscal year beginning January 1, 2019.

Where Anera is a resource recipient, the ASU was adopted for the year ended May 31, 2020. Based on Anera's review of its contributions and grants received, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. The adoption had no impact on the statements of financial position or the statements of activities.

Where Anera is a resource provider, the ASU is effective for the fiscal year beginning June 1, 2020. Anera is currently evaluating the impact of the adoption of this guidance as a resource provider on the 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)

**Upcoming accounting pronouncements:** In February 2016, the FASB issued ASU 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, 2021 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 August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU results in the removal, modification and addition of certain disclosure requirements related to transfers between levels within the fair value hierarchy, valuation processes and unrealized gains/losses presentation for Level 3 measurements, and liquidation timing for investments held at net asset value. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied except for the changes related to Level 3 measurements which should be applied prospectively. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Anera is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

#### 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 net assets, 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 as of May 31:

## American Near East Refugee Aid

### Notes to Financial Statements

#### Note 2. Liquidity (Continued)

	2020	2019
Financial assets, at year-end:		
Cash and cash equivalents	\$ 13,503,558	\$ 16,023,483
Short-term investments	41,464	-
Long-term investments	943,009	42,423
Accounts receivable	219,739	222,974
Grants and contributions receivable	913,762	733,354
Total financial assets, at year-end	<u>15,621,532</u>	<u>17,022,234</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Deferred grant advances	(4,438,858)	(4,479,372)
Donor-imposed purpose restriction	(2,377,790)	(2,135,500)
Donor-restricted deferred exchange gain	(136,992)	-
Donor-imposed restrictions perpetual in nature	(103,703)	(103,703)
Cash or cash equivalents held in trust	(58,923)	(57,624)
Designated for specific purposes:		
Amounts set aside for board designated reserve fund, net of board approved appropriation	(2,500,000)	(2,500,000)
Board endowment fund	(624,836)	(465,493)
Disaster preparedness fund	(225,657)	(250,000)
Amounts set aside for end-of-service indemnity retirement benefits	(1,012,838)	(958,408)
Liability for accrued vacation	(265,574)	(243,960)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,876,361</u>	<u>\$ 5,828,174</u>

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, board endowment and disaster preparedness funds, which for the years ended May 31, 2020 and 2019, totaled \$273,239 and \$388,033, respectively. Certain of these reserves have 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.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 3. Cash, Cash Equivalents and Investments

A summary of cash and cash equivalents, with a categorization of investments follows. Cash and cash equivalents represent cash on hand or held in bank deposit accounts and mutual funds with a liquidity of 90 days or less. Short-term investments have an original maturity of over 90 days but less or equal to one year. Long-term investments have an original maturity greater than one year.

Cash, cash equivalents and investments as of May 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents:		
Bank deposits	\$ 8,512,605	\$ 8,667,829
Money market funds	4,990,953	7,355,654
Total cash and cash equivalents	<u>13,503,558</u>	<u>16,023,483</u>
Short-term investments:		
U.S. treasury and agency securities	30,365	-
Corporate securities	11,099	-
Total cash and cash equivalents	<u>41,464</u>	<u>-</u>
Long-term investments:		
U.S. treasury and agency securities	253,675	-
Corporate securities	244,746	-
Municipal securities	41,417	-
Preferred stocks and securities	145,076	-
Equity securities	258,095	42,423
Total long-term investments	<u>943,009</u>	<u>42,423</u>
Total investments	<u>984,473</u>	<u>42,423</u>
Total cash, cash equivalents and investments	<u>\$ 14,488,031</u>	<u>\$ 16,065,906</u>

Investment income for the fiscal years ended May 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 190,676	\$ 198,857
Realized and unrealized losses	(1,405)	(1,143)
Investment fees charged	(1,381)	(334)
Total investment income, net	<u>\$ 187,890</u>	<u>\$ 197,380</u>

Interest income of \$190,676 includes \$3,478 reported as accounts receivable at May 31, 2020. There is no accrued interest receivable as of May 31, 2019.



## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 4. Grants and Contributions Receivable

Grants and contributions receivable at May 31 consist of the following:

	2020		
	Grants	Contributions	Total
International organizations	\$ 186,090	\$ -	\$ 186,090
Individuals and other	8,607	719,065	727,672
Total	<u>\$ 194,697</u>	<u>\$ 719,065</u>	<u>\$ 913,762</u>

  

	2019		
	Grants	Contributions	Total
International organizations	\$ 120,510	\$ 8,605	\$ 129,115
Individuals and other	-	604,239	604,239
Total	<u>\$ 120,510</u>	<u>\$ 612,844</u>	<u>\$ 733,354</u>

At May 31, 2020 and 2019, there was no allowance for doubtful accounts.

#### Note 5. Property and Equipment

Property and equipment at May 31 consist of the following:

	2020	2019
Vehicles	\$ 243,243	\$ 261,279
Furniture and office equipment	150,397	190,671
Computer equipment and design	199,100	250,991
Website design	67,900	67,900
Subtotal	660,640	770,841
Less accumulated depreciation	(518,860)	(616,408)
Total	<u>\$ 141,780</u>	<u>\$ 154,433</u>

Depreciation expense was \$82,872 and \$88,515 for the years ended May 31, 2020 and 2019, respectively. There was property and equipment with a net book value of \$78,825 and \$96,561 held in foreign field offices at May 31, 2020 and 2019, respectively.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 6. Accrued Benefits

Accrued benefits at May 31, 2020 and 2019 consist of the following:

	2020	2019
Accrued severance*	\$ 915,661	\$ 873,983
Accrued vacation	265,574	243,960
Other benefits	97,177	84,425
Total	<u>\$ 1,278,412</u>	<u>\$ 1,202,368</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 \$915,661 and \$873,893 at May 31, 2020 and 2019, respectively. Of that, \$915,661 and \$873,893 was funded via money market funds included with cash and cash equivalents at May 31, 2020 and 2019, respectively.

During the years ended May 31, 2020 and 2019, termination benefits of \$111,538 and \$2,303,823, respectively, were paid.

#### Note 7. Deferred Revenue

Deferred revenue, including grant advances and contributions received to support events in future periods, at May 31, 2020 and 2019 consist of the following:

	2020	2019
International organizations	\$ 2,614,299	\$ 2,381,399
U.S. government	1,458,142	1,370,925
Foundations and individuals	366,417	727,048
Total	<u>\$ 4,438,858</u>	<u>\$ 4,479,372</u>

#### Note 8. Non-Financial Contributions

For the years ended May 31, 2020 and 2019, Anera recognized non-financial contributions of \$84,820,650 and \$30,850,680, respectively, and grants of non-financial assets of \$81,770,054 and \$28,596,288, respectively. These expenses are included primarily in the medical in-kind and health services expense line on the statements of activities. Non-financial contributions are recognized when the goods are received in Anera's warehouse. The expenses for grants of non-financial assets are recognized when the goods are distributed. The inventory balance at May 31, 2020 and 2019, was \$5,752,968 and \$2,984,763, respectively. All inventory is located in foreign field offices.

As of May 31, 2020 and 2019, Anera had \$92,561 and \$735,332, respectively, of 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.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 9. Pension Plan

Effective January 1, 2017 Anera converted its 401(a) plan to a 401(k) Plan. Effective December 31, 2016, Anera terminated its 403(b) plan. Anera's 401(k) plan covers substantially all of its headquarter employees. Anera contributions are made to this 401(k) plan up to the legal limits defined by the IRS. Pension plan expenses amounted to \$183,908 and \$184,625 for the years ended May 31, 2020 and 2019, respectively.

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 \$57,239 and \$37,363 at May 31, 2020 and 2019, respectively.

#### Note 10. 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.

In 2019, a suit was filed against Anera in a foreign court. In the opinion of Anera management it will not have any significant effect on the Anera's financial position or results of operations.

#### Note 11. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions in 2020 were as follows:

	Balance May 31, 2019	Apportionments	Additions	Released From Restrictions	Balance May 31, 2020
Purpose restricted:					
Specific community or location	\$ 9,873	\$ (30,436)	\$ 31,540	\$ -	\$ 10,977
Community and economic development	1,237,315	(353,990)	759,272	(688,699)	953,898
Education	849,898	349,000	1,206,774	(1,295,563)	1,110,109
Medical donations and health services	38,414	35,426	442,500	(213,534)	302,806
	<u>2,135,500</u>	<u>-</u>	<u>2,440,086</u>	<u>(2,197,796)</u>	<u>2,377,790</u>
Perpetual in nature:					
Specific community or location	103,703	-	-	-	103,703
	<u>103,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,703</u>
Total	<u>\$ 2,239,203</u>	<u>\$ -</u>	<u>\$ 2,440,086</u>	<u>\$ (2,197,796)</u>	<u>\$ 2,481,493</u>

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 11. Net Assets With Donor Restrictions (Continued)

Changes in net assets with donor restrictions in 2019 were as follows:

	Balance May 31, 2018	Apportionments	Additions	Released From Restrictions	Balance May 31, 2019
Purpose restricted:					
Specific community or location	\$ 125,649	\$ (189,939)	\$ 72,175	\$ 1,988	\$ 9,873
Community and economic development	456,284	213,337	889,190	(321,496)	1,237,315
Education	604,329	-	733,613	(488,044)	849,898
Medical donations and health services	339,381	(23,398)	467,627	(745,196)	38,414
	<u>1,525,643</u>	<u>-</u>	<u>2,162,605</u>	<u>(1,552,748)</u>	<u>2,135,500</u>
Perpetual in nature:					
Specific community or location	103,703	-	-	-	103,703
	<u>103,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,703</u>
Total	<u>\$ 1,629,346</u>	<u>\$ -</u>	<u>\$ 2,162,605</u>	<u>\$ (1,552,748)</u>	<u>\$ 2,239,203</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.

#### Note 12. Commitments

Anera entered into a lease for the headquarters office with an effective date of April 1, 2010. Effective June 1, 2019, Anera renewed the aforementioned lease through January 2031. 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, 2020, the minimum future lease payments under the long-term agreements are as follows:

Years ending May 31:	
2021	\$ 222,466
2022	228,055
2023	233,752
2024	239,558
2025	245,581
Thereafter	<u>1,512,914</u>
	<u>\$ 2,682,326</u>

Total rent expense for all Anera offices was \$520,084 and \$730,355 for the years ended May 31, 2020 and 2019, respectively.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 13. 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 accounting standards generally accepted in the United States of America 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, 2020.

The table below presents the balances of assets and liabilities at May 31, 2020, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2
Financial assets:			
Included with cash and cash equivalents:			
Money market funds	\$ 4,990,953	\$ 4,990,953	\$ -
Short-term investments:			
U.S. treasury and agency securities	30,365	30,365	-
Corporate securities	11,099	11,099	-
Total short-term investments	41,464	41,464	-
Long-term investments:			
U.S. treasury and agency securities	253,675	253,675	-
Corporate securities	244,746	244,746	-
Municipal securities	41,417	41,417	-
Preferred stocks and securities	145,076	145,076	-
Equity securities	258,095	258,095	-
Total long-term investments	943,009	943,009	-
Total financial assets	\$ 5,975,426	\$ 5,975,426	\$ -
Financial liabilities:			
Included with accrued benefits:			
Deferred compensation	\$ 57,239	\$ -	\$ 57,239

## American Near East Refugee Aid

### Notes to Financial Statements

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#### Note 13. Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities at May 31, 2019, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2
Financial assets:			
Included with cash and cash equivalents:			
Money market funds	\$ 7,355,654	\$ 7,355,654	\$ -
Long-term investments:			
Equity securities	42,423	42,423	-
Total financial assets	<u>\$ 7,398,077</u>	<u>\$ 7,398,077</u>	<u>\$ -</u>
Financial liabilities:			
Included with accrued benefits:			
Deferred compensation	<u>\$ 37,363</u>	<u>\$ -</u>	<u>\$ 37,363</u>

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.

#### Note 14. Subsequent Events

Anera evaluated subsequent events for potential required disclosure through September 2, 2020, which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets, including the geographical area and sectors in which Anera operates. Management is continually monitoring the potential impact of the pandemic on Anera. Management will review and adjust planned expenditures should it be determined the outbreak will significantly impact the financial position and activities of Anera.

## American Near East Refugee Aid

### Notes to Financial Statements

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#### **Note 14. Subsequent Events (Continued)**

On August 4, 2020 two significant explosions occurred at the Port of Beirut in Lebanon. The second explosion was one of the largest non-nuclear explosions in history. Emergency rooms are over capacity with badly injured people, and medical supplies are quickly being depleted with no restock available. A large swath of the city has been destroyed or damaged, leaving families unable to return home in the middle of a pandemic and financial crisis. With the port inoperable, expensive air shipments are currently the only way to get humanitarian relief into the country. Anera has 60 staff in Lebanon helping to rebuild after this tragedy by responding to the emergency with increased and valuable assistance provided by governments, international organizations, foundations, corporations and individuals. Anera has raised over \$15 million to support these relief efforts, including \$12 million in non-cash contributions of medicines and supplies delivered August 24, 2020. The damage to Anera offices and shipments waiting in port at the time of the explosions was not material, which has allowed Anera to continue responding quickly to the extreme needs of the people in Lebanon.