American Near East Refugee Aid

Financial Report
May 31, 2021

Contents

Independent Auditor's Report

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, 2021 and 2020, 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, 2021 and 2020, 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.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, Anera retrospectively adopted the Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)*.This adoption resulted in Anera recording a right of use asset and liability for long term operating leases and additional footnote disclosures. Our opinion was not modified with respect to this matter.

RSM US LLP

Washington, D.C.
August 31, 2021

American Near East Refugee Aid

Statements of Financial Position
May 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents (Note 3):	**$ 9,650,623**	$ 13,503,558
Accounts receivable	**321,682**	219,739
Grants and contributions receivable (Note 4)	**287,756**	913,762
Advances to subrecipients	**177,066**	441,171
Prepaid expenses and other assets	**270,048**	944,530
Inventory (Note 9)	**10,092,903**	5,752,968
Right of use assets (Note 8)	**2,261,961**	2,299,352
Investments (Note 3)	**6,133,543**	984,473
Property and equipment, net (Note 5)	**171,452**	141,780
	$ 29,367,034	$ 25,201,333
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 540,672**	$ 299,766
Accrued benefits (Note 6)	**1,506,505**	1,278,412
Lease obligations (Note 8)	**2,431,930**	2,461,457
Deferred exchange gain	**56,038**	136,992
Deferred revenue (Note 7)	**2,635,187**	4,438,858
Total liabilities	**7,170,332**	8,615,485
Commitments and contingencies (Notes 11 and 13)		
Net assets:		
Without donor restrictions:		
Undesignated	**4,651,933**	4,859,114
Board designated reserves	**3,733,163**	3,350,493
Designated for inventory	**10,092,903**	5,752,968
Invested in property and equipment	**171,452**	141,780
Total net assets without donor restrictions	**18,649,451**	14,104,355
With donor restrictions (Note 12):		
Purpose restricted	**3,443,548**	2,377,790
Perpetual in nature	**103,703**	103,703
Total net assets with donor restrictions	**3,547,251**	2,481,493
Total net assets	**22,196,702**	16,585,848
	$ 29,367,034	$ 25,201,333

See notes to financial statements.

American Near East Refugee Aid

Statements of Activities
Years Ended May 31, 2021 and 2020

	2021					2020				
	Without	With Donor Restrictions				Without	With Donor Restrictions			
	Donor Restrictions	Purpose Restricted	Perpetual in Nature	Subtotal	Total	Donor Restrictions	Purpose Restricted	Perpetual in Nature	Subtotal	Total
Support and revenue:										
Non-financial contributions (Note 9)	**$ 91,360,710**	**$ -**	**$ -**	**$ -**	**$ 91,360,710**	$ 84,820,650	$ -	$ -	$ -	$ 84,820,650
Governmental grant revenue	**188,579**	**-**	**-**	**-**	**188,579**	171,198	-	-	-	171,198
Non-governmental grant revenue	**12,968,338**	**-**	**-**	**-**	**12,968,338**	9,563,442	-	-	-	9,563,442
Contributions	**4,158,863**	**3,682,009**	**-**	**3,682,009**	**7,840,872**	3,196,196	2,438,986	-	2,438,986	5,635,182
Investment earnings	**382,001**	**7,137**	**-**	**7,137**	**389,138**	203,788	1,100	-	1,100	204,888
Other income	**6,341**	**-**	**-**	**-**	**6,341**	12,969	-	-	-	12,969
Net assets released from restrictions (Note 12)	**2,623,388**	**(2,623,388)**	**-**	**(2,623,388)**	**-**	2,197,796	(2,197,796)	-	(2,197,796)	-
Total support and revenue	**111,688,220**	**1,065,758**	**-**	**1,065,758**	**112,753,978**	100,166,039	242,290	-	242,290	100,408,329
Expenses:										
Program services:										
Medical donations and health services (Note 9)	**89,658,653**	**-**	**-**	**-**	**89,658,653**	83,709,717	-	-	-	83,709,717
Community and economic development	**5,328,146**	**-**	**-**	**-**	**5,328,146**	3,905,255	-	-	-	3,905,255
Education	**8,158,690**	**-**	**-**	**-**	**8,158,690**	6,572,018	-	-	-	6,572,018
Total program services	**103,145,489**	**-**	**-**	**-**	**103,145,489**	94,186,990	-	-	-	94,186,990
Supporting services:										
Management and general	**2,906,598**	**-**	**-**	**-**	**2,906,598**	2,885,620	-	-	-	2,885,620
Fundraising	**1,091,037**	**-**	**-**	**-**	**1,091,037**	1,221,399	-	-	-	1,221,399
Total supporting services	**3,997,635**	**-**	**-**	**-**	**3,997,635**	4,107,019	-	-	-	4,107,019
Total expenses	**107,143,124**	**-**	**-**	**-**	**107,143,124**	98,294,009	-	-	-	98,294,009
Change in net assets	**4,545,096**	**1,065,758**	**-**	**1,065,758**	**5,610,854**	1,872,030	242,290	-	242,290	2,114,320
Net assets:										
Beginning	**14,104,355**	**2,377,790**	**103,703**	**2,481,493**	**16,585,848**	12,232,325	2,135,500	103,703	2,239,203	14,471,528
Ending	**$ 18,649,451**	**$ 3,443,548**	**$ 103,703**	**$ 3,547,251**	**$ 22,196,702**	$ 14,104,355	$ 2,377,790	$ 103,703	$ 2,481,493	$ 16,585,848

See notes to financial statements.

American Near East Refugee Aid

Statement of Functional Expenses
Year Ended May 31, 2021

	Program Services				Supporting Services			
	Medical Donations and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 698,855	$ 543,147	$ 951,109	$ 2,193,111	$ 1,329,139	$ 492,969	$1,822,108	$ 4,015,219
Fringe benefits	355,156	201,251	403,825	960,232	663,280	270,477	933,757	1,893,989
Total salaries and fringe benefits	1,054,011	744,398	1,354,934	3,153,343	1,992,419	763,446	2,755,865	5,909,208
Grants-non-financial (Note 9)	84,593,002	172,901	2,187,120	86,953,023	-	-	-	86,953,023
Grants – financial	3,253,213	3,843,790	3,247,515	10,344,518	-	-	-	10,344,518
Occupancy	147,762	57,762	154,449	359,973	249,529	-	249,529	609,502
Professional services	87,341	48,011	66,456	201,808	402,979	134,312	537,291	739,099
Travel	10,955	15,230	27,118	53,303	7,562	3,427	10,989	64,292
Office supplies and equipment	20,384	24,489	58,503	103,376	27,483	11,719	39,202	142,578
Vehicle expense	71,124	57,692	37,320	166,136	3,239	-	3,239	169,375
Printing and lettershop	3,359	33,867	20,674	57,900	18,148	34,481	52,629	110,529
Telephone and communications	15,287	11,428	36,584	63,299	25,234	-	25,234	88,533
Postage and shipping	2,117	180	609	2,906	12,838	27,404	40,242	43,148
Technical assistance	9,055	291,269	904,428	1,204,752	16,905	-	16,905	1,221,657
Repairs and maintenance	228	374	1,799	2,401	8,169	-	8,169	10,570
Conferences and memberships	6,053	5,640	12,684	24,377	24,712	11,046	35,758	60,135
Banking fees	4,375	8,543	23,020	35,938	27,814	68,043	95,857	131,795
Medical donations shipping and storage	370,519	59	3,739	374,317	-	-	-	374,317
Advertising and marketing	141	101	524	766	21,977	37,159	59,136	59,902
Risk management	-	-	-	-	45,149	-	45,149	45,149
Bad debts	-	-	-	-	-	-	-	-
Board and committee meetings	-	-	-	-	-	-	-	-
Miscellaneous	32	66	111	209	2,360	-	2,360	2,569
Total expenses before depreciation	89,648,958	5,315,800	8,137,587	103,102,345	2,886,517	1,091,037	3,977,554	107,079,899
Depreciation	9,695	12,346	21,103	43,144	20,081	-	20,081	63,225
Total expenses before allocations	89,658,653	5,328,146	8,158,690	103,145,489	2,906,598	1,091,037	3,997,635	107,143,124
Allocation of indirect costs	733,455	425,680	759,641	1,918,776	(2,378,876)	460,100	(1,918,776)	-
Total expenses after allocations	$ 90,392,108	$ 5,753,826	$8,918,331	$105,064,265	$ 527,722	$1,551,137	$2,078,859	$107,143,124

See notes to financial statements.

American Near East Refugee Aid

Statement of Functional Expenses
Year Ended May 31, 2020

	Program Services				Supporting Services			
	Medical Donations and Health Services	Community and Economic Development	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
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 9)	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	63,017	70,601	115,556	249,174	250,066	-	250,066	499,240
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	54,552	5,089	59,641	104,193
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	44,811	11	44,822	110,419
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
Medical donations shipping and storage	358,234	600	9,351	368,185	-	-	-	368,185
Advertising and marketing	202	105	3,111	3,418	26,365	33,200	59,565	62,983
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	83,661,030	3,904,210	6,569,948	94,135,188	2,854,550	1,221,399	4,075,949	98,211,137
Depreciation	48,687	1,045	2,070	51,802	31,070	-	31,070	82,872
Total expenses before allocations	83,709,717	3,905,255	6,572,018	94,186,990	2,885,620	1,221,399	4,107,019	98,294,009
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	$ 84,344,027	$ 4,442,667	$ 7,220,742	$ 96,007,436	$ 521,277	$ 1,765,296	$ 2,286,573	$ 98,294,009

See notes to financial statements.

American Near East Refugee Aid

Statements of Cash Flows
Years Ended May 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from grants	**$ 11,661,694**	$ 9,495,937
Receipts from donations	**8,252,902**	5,504,268
Interest and dividends received	**90,355**	187,198
Total receipts	**20,004,951**	15,187,403
Miscellaneous payments:	**(6,832)**	43,783
Payments for personnel costs	**(5,603,632)**	(5,264,613)
Payments for other support costs	**(1,912,971)**	(2,811,642)
Payments for program costs	**(11,369,556)**	(8,665,632)
Total payments	**(18,892,991)**	(16,698,104)
Net cash provided by (used in) operating activities	**1,111,960**	(1,510,701)
Cash flows from investing activities:		
Purchases of property and equipment	**(92,897)**	(70,220)
Loss on disposal of asset	**(1,122)**	-
Purchases of investments	**(6,317,695)**	(1,013,104)
Sales of investments	**1,458,446**	85,267
Net cash used in investing activities	**(4,953,268)**	(998,057)
Cash flows from financing activities:		
Principal payments on financing-type leases	**(11,627)**	(11,167)
Net cash used in financing activities	**(11,627)**	(11,167)
Net decrease in cash and cash equivalents	**(3,852,935)**	(2,519,925)
Cash and cash equivalents:		
Beginning	**13,503,558**	16,023,483
Ending (Note 2)	**$ 9,650,623**	$ 13,503,558

See notes to financial statements.

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, financial contributions and non-financial contributions. 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 or ASC). 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, 2021 and 2020, board designated net assets were $3,733,163 and $3,350,493, respectively. As of May 31, 2021, $2,500,000 was designated as a reserve for emergencies and contingencies, $234,877 was designated as a Disaster Preparedness Fund and $998,286 was designated as a Board Endowment Fund. 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.

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, cash equivalents and investments: Cash and cash equivalents consist of cash and money market accounts and mutual funds. Total money market mutual funds included in cash and cash equivalents as of May 31, 2021 and 2020, were $48,689 and $4,990,953, 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.

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

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, 2021. This credit facility is renewed annually and currently expires November 30, 2021.

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, 2021 and 2020, restricted cash was $7,635,607 and $7,697,157, 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 $692,937 and $1,121,495 in foreign accounts, which are not insured as of May 31, 2021 and 2020, 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, 2021 and 2020.

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, 2021 and 2020. The inventory is valued at fair value at the time of donation and this becomes the carrying cost. Ongoing, inventory is valued at the lower of cost or net realizable value.

Property and equipment: Property and equipment, including software with a cost in excess of $5,000 per unit, are capitalized at cost and are depreciated using the straight-line method over a five- to 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.

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 at May 31, 2020 includes $249,010 that was received as part of the Paycheck Protection Program (PPP) funds received from the U.S. Small Business Administration (SBA) in May 2020 to support U.S.-based salaries. During the years ended May 31, 2021 and 2020, Anera received $0 and $384,280 of PPP funds, respectively. These funds were recorded as deferred revenue until the condition was met and revenue was recognized. During the years ended May 31, 2021 and 2020, $249,010 and $135,270, respectively, was recognized as unrestricted revenue in the statements of activities as all conditions were met. Subsequent to May 31, 2021, Anera's PPP loan was forgiven in full.

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

Leases: Anera leases certain office space, warehouses, housing, equipment, and vehicles. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Right of use (ROU) assets represent Anera's right to use an underlying asset for the lease term, and lease obligations represent our liability to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. To determine the present value of lease payments, management uses either the lease implicit discount if known or if no implicit rate in lease Anera's secured incremental borrowing rate based on the information available at lease commencement. ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Anera's lease terms may include options to extend or terminate the lease when it is reasonably certain that Anera will exercise the option.

Leases with an initial term of 12 months or less are not recorded on the statements of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Anera has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

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 $56,038 has been recorded as of May 31, 2021, for which revenue will be recognized as the funds are expended for the purpose of the grant.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

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. Conditional contributions are not recorded as support until the condition(s) are probable of being met.

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.

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 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 clothing and shoes, for which some donors do not provide a value; Anera conservatively estimates the price to value these clothing and shoes based on the value 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. During the years ended May 31, 2021 and 2020, Anera paid $0 and $5,644 in unrelated business income taxes, respectively.

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 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 inventory, were $11,229,580 and $7,372,572 as of May 31, 2021 and 2020, respectively.

Reclassifications: Certain 2020 amounts previously reported have been reclassified to be consistent with the 2021 presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Accounting pronouncements adopted: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 statement of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

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

Anera early adopted the new standard during the year ended May 31, 2021. The following table shows the summary of the effect of the adoption of ASU 2016-02 on the statement of financial position as of May 31, 2020:

	Before Adoption	Adjustment for Adoption	As Reported
Prepaid expenses and other assets	$ 1,020,903	$ (76,373)	$ 944,530
Right of use assets	-	2,299,352	2,299,352
Total assets	22,978,354	2,222,979	25,201,333
Lease obligations	-	2,461,457	2,461,457
Deferred rent abatement	242,647	(242,647)	-
Total liabilities	6,396,675	2,218,810	8,615,485
Net assets without donor restrictions	14,100,186	4,169	14,104,355
Total net assets	16,581,679	4,169	16,585,848

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*. 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, 2020.

Where Anera is a resource provider, the ASU was adopted for the year ended May 31, 2021. Based on Anera's review of its contributions and grants made, the timing and amount of contribution or grant expense recognized previously is consistent with how the expense is recognized under the new standard. The adoption had no impact on the statements of financial position or the statements of activities.

Upcoming accounting pronouncement: In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities with contributed nonfinancial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. Anera is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

Subsequent events: Anera evaluated subsequent events for potential required disclosure through August 31, 2021, which is the date the financial statements were available to be issued.

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:

	2021	2020
Financial assets, at year-end:		
Cash and cash equivalents	$ 9,650,623	$ 13,503,558
Investments	6,133,543	984,473
Accounts receivable	321,682	219,739
Grants and contributions receivable	287,756	913,762
Total financial assets, at year-end	16,393,604	15,621,532
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Deferred grant advances	(2,635,187)	(4,438,858)
Donor-imposed purpose restriction	(3,443,548)	(2,377,790)
Donor-restricted deferred exchange gain	(56,038)	(136,992)
Donor-imposed restrictions perpetual in nature	(103,703)	(103,703)
Cash or cash equivalents held in trust	(71,677)	(58,923)
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	(998,286)	(624,836)
Disaster Preparedness Fund	(234,877)	(225,657)
Amounts set aside for end-of-service indemnity retirement benefits	(1,182,094)	(1,012,838)
Liability for accrued vacation	(324,411)	(265,574)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,843,783	$ 3,876,361

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, 2021 and 2020, totaled $545,193 and $273,239, 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.

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 than or equal to one year. Long-term investments have an original maturity of greater than one year.

Cash, cash equivalents and investments as of May 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents:		
Bank deposits	$ 9,601,934	$ 8,512,605
Mutual funds	48,689	4,990,953
Total cash and cash equivalents	9,650,623	13,503,558
Short-term investments:		
U.S. Treasury and agency securities	384,864	30,365
Corporate securities	26,639	11,099
Municipal securities	10,000	-
Total short-term investments	421,503	41,464
Long-term investments:		
U.S. Treasury and agency securities	730,593	253,675
Corporate securities	846,426	244,746
Municipal securities	287,252	41,417
Preferred stocks and securities	397,301	145,076
Equity securities	3,145,532	258,095
Alternative real estate investments	304,936	-
Total long-term investments	5,712,040	943,009
Total investments	6,133,543	984,473
Total cash, cash equivalents and investments	$ 15,784,166	$ 14,488,031

Investment income for the years ended May 31, 2021 and 2020, is as follows:

	2021	2020
Interest and dividends	$ 99,317	$ 190,676
Realized and unrealized gains, net of losses	340,978	15,593
Investment fees charged	(51,157)	(1,381)
Total investment earnings	$ 389,138	$ 204,888

Interest income of $99,317 includes $8,962 reported as accounts receivable at May 31, 2021. There was $3,478 accrued interest receivable as of May 31, 2020.

Note 4. Grants and Contributions Receivable

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

	2021		
	Grants	Contributions	Total
International organizations	$ 129,149	$ -	$ 129,149
Individuals and other	8,607	150,000	158,607
Total	$ 137,756	$ 150,000	$ 287,756

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

At May 31, 2021 and 2020, there was no allowance for doubtful accounts.

Note 5. Property and Equipment

Property and equipment at May 31 consist of the following:

	2021	2020
Vehicles	$ 196,927	$ 243,243
Furniture and office equipment	157,957	150,397
Computer equipment and design	283,812	199,100
Website design	67,900	67,900
Subtotal	706,596	660,640
Less accumulated depreciation	(535,144)	(518,860)
Total	$ 171,452	$ 141,780

Depreciation expense was $63,225 and $82,872 for the years ended May 31, 2021 and 2020, respectively. There was property and equipment with a net book value of $83,330 and $78,825 held in foreign field offices at May 31, 2021 and 2020, respectively.

Note 6. Accrued Benefits

Accrued benefits at May 31, 2021 and 2020 consist of the following:

	2021	2020
Accrued severance*	$ 1,074,538	$ 915,661
Accrued vacation	324,411	265,574
Other benefits	107,556	97,177
Total	$ 1,506,505	$ 1,278,412

* 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. At May 31, 2021 and 2020, accrued severance was fully funded.

During the years ended May 31, 2021 and 2020, termination benefits of $100,805 and $111,538, respectively, were paid.

Note 7. Conditional Grants

Conditional grants are recognized as earned in the year in which Anera incurred qualified expenses which also meet the conditions. Conditional grant funds received in excess of costs incurred are recorded as deferred revenue until earned. Grant costs incurred in excess of funds received are recorded as grants receivable.

As of May 31, 2021 and 2020, the following are conditional grants by funder:

	2021			
Funder	Total Conditional Grant	Amount Earned Through FY2021	Amount of Conditional Grant Left to Earn	Amount Included in Deferred Revenue
Governmental agencies	$ 78,454,946	$ 72,853,468	$ 5,601,478	$ 1,267,554
International organizations	48,180,098	38,389,197	9,790,901	1,172,781
Foundations and individuals	4,253,176	4,038,538	214,638	194,852
Total	$ 130,888,220	$ 115,281,203	$ 15,607,017	$ 2,635,187

	2020			
Funder	Total Conditional Grant	Amount Earned Through FY2020	Amount of Condition Grant Left to Earn	Amount Included in Deferred Revenue
Governmental agencies	$ 78,454,946	$ 72,855,477	$ 5,599,469	$ 1,458,142
International organizations	35,913,664	26,201,213	9,712,451	2,614,299
Foundations and individuals	3,649,953	3,163,935	486,018	366,417
Total	$ 118,018,563	$ 102,220,625	$ 15,797,938	$ 4,438,858

Note 8. Right of Use Lease Arrangements

Anera leases certain office space, warehouses, housing, equipment, and vehicles in Washington, D.C. and certain locations overseas with remaining lease terms of one year to 10 years. All leases are operating leases except two equipment leases, which are finance leases.

Some leases include one or more options to renew, with renewal terms that can extend the lease term from one year to 10 years. Only lease options that Anera believes are reasonably certain to exercise, the renewal option rests with the lessor or the renewal automatically renews per local law are included in the measurement of the lease assets and liabilities. Some leases contain various termination clauses. These termination options are not expected to be exercised. The leases do not include variable payments, options to purchase or residual value guarantees. The leases contain general restrictions regarding subleasing and maintenance and care of property. Anera has not committed to any leases which have not commenced.

Required disclosures for lease costs and cash flows as of May 31, 2021 and 2020, are summarized as follows:

	2021	2020
Operating:		
Operating leases, included in operating expenses	$ 424,648	$ 420,073
Short-term leases, included in operating expenses	73,206	32,802
Finance:		
Amortization of assets, included in depreciation and amortization	12,107	11,214
Interest, included in interest expense	1,842	2,068
Net lease cost	$ 511,803	$ 466,157
Cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 17,899	$ 68,794
Operating cash flows from finance leases	1,842	2,068
Financing cash flows from finance leases	11,627	10,384
Lease assets obtained in exchange for lease liabilities:		
Operating leases	212,606	1,911,849
Finance leases	-	17,855
Lease term (in years) and discount rate:		
Weighted average remaining lease term—operating leases	8.4	9.8
Weighted average remaining lease term—finance leases	2.5	3.4
Weighted average discount rate—operating leases	5.34%	5.50%
Weighted average discount rate—finance leases	5.39%	5.40%

Note 8. Right of Use Lease Arrangements (Continued)

The lease liability and its maturity analysis are summarized as follows:

	Finance Leases	Operating Leases	Total
Years ending May 31:			
2022	$ 13,469	$ 433,651	$ 447,120
2023	11,119	416,548	427,667
2024	4,068	344,954	349,022
2025	1,017	284,677	285,694
2026	-	280,308	280,308
Thereafter	-	1,261,201	1,261,201
Total minimum payments required	29,673	3,021,339	3,051,012
Less amounts representing interest	(1,892)	(617,190)	(619,082)
Present value of lease liabilities	$ 27,781	$ 2,404,149	$ 2,431,930

Note 9. Non-Financial Contributions

For the years ended May 31, 2021 and 2020, Anera recognized non-financial contributions of $91,360,710 and $84,820,650, respectively, and grants of non-financial assets of $86,953,023 and $81,770,054, respectively. These expenses are included primarily in the medical donations 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, 2021 and 2020, was $10,092,903 and $5,752,968, respectively. All inventory is located in foreign field offices.

As of May 31, 2021 and 2020, Anera had $3,898,587 and $92,561, 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.

Note 10. 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 $206,569 and $183,908 for the years ended May 31, 2021 and 2020, 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 $103,309 and $57,239 at May 31, 2021 and 2020, respectively.

Note 11. 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.

Management is continually monitoring the potential impact of the coronavirus (COVID-19) pandemic on Anera. Management will review and adjust planned operations should it be determined the outbreak will significantly impact the financial position and activities of Anera.

From time to time, Anera may be subject to various legal proceedings, which are incidental to the ordinary course of business. In the opinion of the management of Anera, there are no material liabilities for Anera for any of these proceedings.

Note 12. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions in 2021, were as follows:

	Balance May 31, 2020	Apportionments	Additions	Released From Restrictions	Balance May 31, 2021
Purpose restricted:					
Specific community or location	$ 10,977	$ (1,482)	$ 19,369	$ -	$ 28,864
Community and economic development	953,898	(611,208)	1,474,199	(699,923)	1,116,966
Education	1,110,109	257,406	895,203	(1,192,713)	1,070,005
Medical donations and health services	302,806	355,284	1,300,375	(730,752)	1,227,713
	2,377,790	-	3,689,146	(2,623,388)	3,443,548
Perpetual in nature:					
Specific community or location	103,703	-	-	-	103,703
	103,703	-	-	-	103,703
Total	$ 2,481,493	$ -	$ 3,689,146	$ (2,623,388)	$ 3,547,251

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
	2,135,500	-	2,440,086	(2,197,796)	2,377,790
Perpetual in nature:					
Specific community or location	103,703	-	-	-	103,703
	103,703	-	-	-	103,703
Total	$ 2,239,203	$ -	$ 2,440,086	$ (2,197,796)	$ 2,481,493

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 13. Fair Value Measurements

Anera uses fair value measurement to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurement Topic of the FASB ASC, fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives. As required, Anera does not adjust the quoted price for these investments, even in situations where Anera holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include certain corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Anera's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Investments in the equities, U.S. Treasury and agency securities, corporate securities, municipal securities and mutual funds disclosed in Note 3 are classified as Level 1 assets as of May 31, 2021 and 2020. Cash held in the investment portfolio is recorded at cost.

The fair values 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.

Alternative investments are less liquid than Anera's other investments. The fair value of Anera's alternative real estate investments is estimated using net asset value (NAV) per share (or its equivalent) as of May 31, 2021. Anera invests in two non-exchange traded, perpetual life real estate investment trusts (REITs). The fair value of the alternative real estate investments was $304,936 as of May 31, 2021, with no unfunded commitments. The redemption frequency and notice period of these investments is monthly and three days, respectively.

Note 13. Fair Value Measurements (Continued)

The REITs' investment strategy targets at least 80% of real estate property investments and up to 20% in real estate security or debt investments and cash and/or cash equivalents. Repurchases will be made at the transaction price, generally NAV per share, in effect on the repurchase date, except that shares that have not been outstanding for at least one year will be repurchased at 95% of the transaction price. Total repurchases are limited to 2% of aggregate NAV per month and 5% of aggregate NAV per calendar quarter, as defined. The REITs are not obligated to repurchase the shares.

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.