

American Near East Refugee Aid

Financial Report
May 31, 2022

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Independent Auditor's Report

Board of Directors
American Near East Refugee Aid

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of American Near East Refugee Aid (Anera), which comprise the statements of financial position as of May 31, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Anera as of May 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our 2022 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) and our 2021 audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Anera and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Anera's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Anera's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anera's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of Anera's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Anera's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anera's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
September 28, 2022

American Near East Refugee Aid

Statements of Financial Position May 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents (Note 3)	\$ 7,059,494	\$ 9,650,623
Accounts receivable	517,748	321,682
Grants and contributions receivable (Note 4)	955,566	287,756
Advances to subrecipients	259,005	177,066
Prepaid expenses and other assets	256,782	270,048
Inventory (Note 9)	4,192,583	10,092,903
Right of use assets (Note 8)	1,781,533	2,261,961
Investments (Note 3)	7,260,584	6,133,543
Property and equipment, net (Note 5)	264,708	171,452
	<u>\$ 22,548,003</u>	<u>\$ 29,367,034</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,149,756	\$ 540,672
Accrued benefits (Note 6)	1,583,164	1,506,505
Lease obligations (Note 8)	1,968,349	2,431,930
Deferred revenue	263,887	56,038
Refundable advances (Note 7)	2,599,826	2,635,187
Total liabilities	<u>7,564,982</u>	<u>7,170,332</u>
Commitments and contingencies (Notes 11 and 13)		
Net assets:		
Without donor restrictions:		
Undesignated	3,543,104	4,651,933
Board designated reserves	3,590,487	3,733,163
Designated for inventory	4,192,583	10,092,903
Invested in property and equipment	264,708	171,452
Total net assets without donor restrictions	<u>11,590,882</u>	<u>18,649,451</u>
With donor restrictions (Note 12):		
Purpose restricted	3,288,436	3,443,548
Perpetual in nature	103,703	103,703
Total net assets with donor restrictions	<u>3,392,139</u>	<u>3,547,251</u>
Total net assets	<u>14,983,021</u>	<u>22,196,702</u>
	<u>\$ 22,548,003</u>	<u>\$ 29,367,034</u>

See notes to financial statements.

American Near East Refugee Aid

Statements of Activities Years Ended May 31, 2022 and 2021

	2022					2021				
	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Subtotal	Total	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Subtotal	Total
Support and revenue:										
Non-financial contributions (Note 9)	\$ 76,275,056	\$ -	\$ -	\$ -	\$ 76,275,056	\$ 91,360,710	\$ -	\$ -	\$ -	\$ 91,360,710
Governmental grant revenue	3,928,970	-	-	-	3,928,970	188,579	-	-	-	188,579
Non-governmental grant revenue	12,748,482	-	-	-	12,748,482	12,968,338	-	-	-	12,968,338
Contributions	3,441,316	4,181,604	-	4,181,604	7,622,920	4,158,863	3,682,009	-	3,682,009	7,840,872
Investment (loss) gain	(35,426)	(1,308)	-	(1,308)	(36,734)	382,001	7,137	-	7,137	389,138
Other income	2,586	-	-	-	2,586	6,341	-	-	-	6,341
Net assets released from restrictions (Note 12)	4,335,408	(4,335,408)	-	(4,335,408)	-	2,623,388	(2,623,388)	-	(2,623,388)	-
Total support and revenue	100,696,392	(155,112)	-	(155,112)	100,541,280	111,688,220	1,065,758	-	1,065,758	112,753,978
Expenses:										
Program services:										
Medical donations and health services (Note 9)	86,549,892	-	-	-	86,549,892	89,658,653	-	-	-	89,658,653
Community and economic development	8,190,633	-	-	-	8,190,633	5,328,146	-	-	-	5,328,146
Education and livelihoods	8,412,078	-	-	-	8,412,078	8,158,690	-	-	-	8,158,690
Total program services	103,152,603	-	-	-	103,152,603	103,145,489	-	-	-	103,145,489
Supporting services:										
Management and general	3,383,915	-	-	-	3,383,915	2,906,598	-	-	-	2,906,598
Fundraising	1,218,443	-	-	-	1,218,443	1,091,037	-	-	-	1,091,037
Total supporting services	4,602,358	-	-	-	4,602,358	3,997,635	-	-	-	3,997,635
Total expenses	107,754,961	-	-	-	107,754,961	107,143,124	-	-	-	107,143,124
Change in net assets	(7,058,569)	(155,112)	-	(155,112)	(7,213,681)	4,545,096	1,065,758	-	1,065,758	5,610,854
Net assets:										
Beginning	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
Ending	\$ 11,590,882	\$ 3,288,436	\$ 103,703	\$ 3,392,139	\$ 14,983,021	\$ 18,649,451	\$ 3,443,548	\$ 103,703	\$ 3,547,251	\$ 22,196,702

See notes to financial statements.

American Near East Refugee Aid

Statement of Functional Expenses Year Ended May 31, 2022

	Program Services				Supporting Services			
	Medical Donations and Health Services	Community and Economic Development	Education and Livelihoods	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 702,532	\$ 967,149	\$ 1,096,621	\$ 2,766,302	\$ 1,416,223	\$ 470,291	\$ 1,886,514	\$ 4,652,816
Fringe benefits	331,698	413,408	452,462	1,197,568	583,422	224,449	807,871	2,005,439
Total salaries and fringe benefits	1,034,230	1,380,557	1,549,083	3,963,870	1,999,645	694,740	2,694,385	6,658,255
Grants—non-financial (Note 9)	80,795,217	360,850	1,009,820	82,165,887	-	-	-	82,165,887
Grants—financial	3,644,948	5,845,023	4,302,229	13,792,200	-	-	-	13,792,200
Occupancy	102,223	104,991	119,062	326,276	254,283	-	254,283	580,559
Professional services	47,934	42,975	167,045	257,954	693,164	291,599	984,763	1,242,717
Travel	56,034	32,609	51,221	139,864	125,496	26,595	152,091	291,955
Office supplies and equipment	18,699	29,107	63,848	111,654	24,622	3,794	28,416	140,070
Vehicle expense	40,490	83,630	29,595	153,715	1,080	-	1,080	154,795
Printing and lettershop	11,022	7,392	2,054	20,468	24,068	32,538	56,606	77,074
Telephone and communications	12,603	19,519	18,451	50,573	22,987	36,790	59,777	110,350
Postage and shipping	291	795	308	1,394	18,078	31,483	49,561	50,955
Technical assistance	301,402	248,773	997,642	1,547,817	5,334	-	5,334	1,553,151
Repairs and maintenance	897	223	886	2,006	8,673	-	8,673	10,679
Conferences and memberships	3,922	7,696	23,597	35,215	64,209	6,552	70,761	105,976
Banking fees	12,486	14,338	42,970	69,794	25,469	47,775	73,244	143,038
Medical donations shipping and storage	458,974	-	1,477	460,451	-	-	-	460,451
Advertising and marketing	768	215	124	1,107	22,154	44,913	67,067	68,174
Risk management	-	-	-	-	59,042	-	59,042	59,042
Board and committee meetings	-	-	-	-	471	-	471	471
Miscellaneous	1,058	1,517	4,881	7,456	1,932	1,664	3,596	11,052
Total expenses before depreciation	86,543,198	8,180,210	8,384,293	103,107,701	3,350,707	1,218,443	4,569,150	107,676,851
Depreciation	6,694	10,423	27,785	44,902	33,208	-	33,208	78,110
Total expenses before allocations	86,549,892	8,190,633	8,412,078	103,152,603	3,383,915	1,218,443	4,602,358	107,754,961
Allocation of indirect costs	789,284	756,970	910,066	2,456,320	(2,989,933)	533,613	(2,456,320)	-
Total expenses after allocations	\$ 87,339,176	\$ 8,947,603	\$ 9,322,144	\$ 105,608,923	\$ 393,982	\$ 1,752,056	\$ 2,146,038	\$ 107,754,961

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 and Livelihoods	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
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	<u>\$ 90,392,108</u>	<u>\$ 5,753,826</u>	<u>\$ 8,918,331</u>	<u>\$ 105,064,265</u>	<u>\$ 527,722</u>	<u>\$ 1,551,137</u>	<u>\$ 2,078,859</u>	<u>\$ 107,143,124</u>

See notes to financial statements.

American Near East Refugee Aid

Statements of Cash Flows Years Ended May 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from grants	\$ 16,044,283	\$ 11,661,694
Receipts from donations	7,750,590	8,252,902
Interest and dividends received	189,165	90,355
Total receipts	23,984,038	20,004,951
Miscellaneous payments:	(166,340)	(6,832)
Payments for personnel costs	(6,563,465)	(5,603,632)
Payments for other support costs	(3,042,340)	(1,912,971)
Payments for program costs	(15,266,442)	(11,369,556)
Total payments	(25,038,587)	(18,892,991)
Net cash (used in) provided by operating activities	(1,054,549)	1,111,960
Cash flows from investing activities:		
Purchases of property and equipment	(171,366)	(92,897)
Purchases of investments	12,377	(6,318,817)
Sales of investments	1,045,966	1,458,446
Net cash used in investing activities	886,977	(4,953,268)
Cash flows from financing activities:		
Principal payments on financing-type leases	(12,274)	(11,627)
Net cash used in financing activities	(12,274)	(11,627)
Net decrease in cash and cash equivalents	(179,846)	(3,852,935)
Cash and cash equivalents:		
Beginning	9,650,623	13,503,558
Ending (Note 2)	\$ 9,470,777	\$ 9,650,623

See notes to financial statements.

American Near East Refugee Aid

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, 2022 and 2021, board designated net assets were \$3,590,487 and \$3,733,163, respectively. As of May 31, 2022, \$2,500,000 was designated as a reserve for emergencies and contingencies, \$92,201 was designated as a Disaster Preparedness Fund and \$998,286 was designated as a Board Endowment Fund. 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.

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, 2022 and 2021, were \$51,659 and \$48,689, 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.

American Near East Refugee Aid

Notes to Financial Statements

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, 2022. This credit facility is renewed annually and currently expires February 1, 2023.

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, 2022 and 2021, restricted cash was \$7,418,578 and \$7,635,607, 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 \$2,167,648 and \$692,937 in foreign accounts, which are not insured as of May 31, 2022 and 2021, 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, 2022 and 2021.

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, and computer equipment donated by other organizations that have not been distributed at May 31, 2022 and 2021. 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.

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

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.

American Near East Refugee Aid

Notes to Financial Statements

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

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 revenue: Due to recent significant exchange rate fluctuations in Lebanon, along with an unwavering official government rate, a deferred currency exchange gain of \$263,887 and \$56,038 has been recorded as of May 31, 2022 and 2021, respectively, 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.

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.

American Near East Refugee Aid

Notes to Financial Statements

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

Any donor purpose restricted contributions received in excess of expenses incurred result in net assets with donor restrictions in the accompanying statements of financial position. Unconditional contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. 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. Restricted conditional gifts that become unconditional and where restrictions expire in the same reporting period are reported as increases in net assets without donor restrictions.

Anera receives funding under grants and contracts from the U.S. government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions which must be met through incurring qualifying expenses for particular programs. Such grants are considered conditional contributions due to these imposed barriers and right of return or release and are recorded as revenue without donor restrictions to the extent that related conditions are 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 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, 2022 and 2021, Anera had no unrelated business income tax.

American Near East Refugee Aid

Notes to Financial Statements

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. At May 31, 2022 and 2021, \$9,907 remains receivable.

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 2017.

Foreign assets: Assets (excluding foreign cash) held in foreign countries, consisting primarily of inventory, were \$5,247,619 and \$11,229,580 as of May 31, 2022 and 2021, respectively.

Reclassifications: Certain 2021 amounts previously reported have been reclassified to be consistent with the 2022 presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Upcoming accounting pronouncement: In September 2020, FASB issued Accounting Standards Update (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 September 28, 2022, which is the date the financial statements were available to be issued.

American Near East Refugee Aid

Notes to 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, 2022 and 2021:

	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	\$ 7,059,494	\$ 9,650,623
Investments	7,260,584	6,133,543
Accounts receivable	517,748	321,682
Grants and contributions receivable	955,566	287,756
Total financial assets, at year-end	15,793,392	16,393,604
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Deferred grant advances	(2,599,826)	(2,635,187)
Donor-imposed purpose restriction	(3,288,436)	(3,443,548)
Donor-restricted deferred revenue	(263,887)	(56,038)
Donor-imposed restrictions perpetual in nature	(103,703)	(103,703)
Cash or cash equivalents held in trust	(73,449)	(71,677)
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)	(998,286)
Disaster Preparedness Fund	(92,201)	(234,877)
Amounts set aside for end-of-service indemnity retirement benefits	(1,280,401)	(1,182,094)
Liability for accrued vacation	(302,763)	(324,411)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,290,440</u>	<u>\$ 4,843,783</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, 2022 and 2021, totaled \$32,120 and \$545,193, 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.

Effective October 2, 2021 Anera's Board of Directors voted to increase the board designated reserve fund from \$2,500,000 to \$3,000,000, and fund the increase with future bequests, after those bequests are used to bring the Disaster Preparedness Fund and any unfunded severance liability to 100% of their required balances.

American Near East Refugee Aid

Notes to Financial Statements

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, 2022 and 2021:

	2022	2021
Cash and cash equivalents:		
Bank deposits	\$ 7,007,835	\$ 9,601,934
Mutual funds	51,659	48,689
Total cash and cash equivalents	7,059,494	9,650,623
Short-term investments:		
U.S. Treasury and agency securities	324,661	384,864
Corporate securities	49,330	26,639
Municipal securities	9,907	10,000
Total short-term investments	383,898	421,503
Long-term investments:		
U.S. Treasury and agency securities	835,161	730,593
Corporate securities	840,629	846,426
Municipal securities	302,174	287,252
Preferred stocks and securities	406,307	397,301
Equity securities	3,814,079	3,145,532
Alternative real estate investments	678,336	304,936
Total long-term investments	6,876,686	5,712,040
Total investments	7,260,584	6,133,543
Total cash, cash equivalents and investments	\$ 14,320,078	\$ 15,784,166

Net investment (loss) income for the years ended May 31, 2022 and 2021, is as follows:

	2022	2021
Interest and dividends	\$ 189,165	\$ 99,317
Realized and unrealized gains (losses), net	(175,302)	340,978
Investment fees charged	(50,597)	(51,157)
Total investment earnings (loss)	\$ (36,734)	\$ 389,138

Interest income of \$189,165 includes \$10,168 reported as accounts receivable at May 31, 2022. There was \$8,962 accrued interest receivable as of May 31, 2021.

American Near East Refugee Aid

Notes to Financial Statements

Note 4. Grants and Contributions Receivable

Grants and contributions receivable at May 31, 2022 and 2021, consist of the following:

	2022		
	Grants	Contributions	Total
International organizations	\$ 716,959	\$ -	\$ 716,959
Individuals and other	8,607	230,000	238,607
Total	<u>\$ 725,566</u>	<u>\$ 230,000</u>	<u>\$ 955,566</u>
	2021		
	Grants	Contributions	Total
International organizations	\$ 129,149	\$ -	\$ 129,149
Individuals and other	8,607	150,000	158,607
Total	<u>\$ 137,756</u>	<u>\$ 150,000</u>	<u>\$ 287,756</u>

At May 31, 2022 and 2021, there was no allowance for doubtful accounts.

Note 5. Property and Equipment

Property and equipment at May 31, 2022 and 2021, consist of the following:

	2022	2021
Vehicles	\$ 196,927	\$ 196,927
Furniture and office equipment	167,502	157,957
Computer equipment and design	445,632	283,812
Website design	67,900	67,900
Subtotal	877,961	706,596
Less accumulated depreciation	(613,253)	(535,144)
Total	<u>\$ 264,708</u>	<u>\$ 171,452</u>

Depreciation expense was \$78,110 and \$63,225 for the years ended May 31, 2022 and 2021, respectively. There was property and equipment with a net book value of \$77,033 and \$83,330 held in foreign field offices at May 31, 2022 and 2021, respectively.

Note 6. Accrued Benefits

Accrued benefits at May 31, 2022 and 2021, consist of the following:

	2022	2021
Accrued severance*	\$ 1,163,191	\$ 1,074,538
Accrued vacation	302,763	324,411
Other benefits	117,210	107,556
Total	<u>\$ 1,583,164</u>	<u>\$ 1,506,505</u>

American Near East Refugee Aid

Notes to Financial Statements

Note 6. Accrued Benefits (Continued)

* 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, 2022 and 2021, accrued severance was fully funded.

During the years ended May 31, 2022 and 2021, termination benefits of \$22,549 and \$100,805, 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, 2022 and 2021, the following are conditional grants by funder:

Funder	2022			
	Total Conditional Grant	Amount Earned Through FY2022	Amount of Conditional Grant Left to Earn	Amount Included in Deferred Revenue
Governmental agencies	\$ 80,746,322	\$ 74,725,160	\$ 6,021,162	\$ 617,530
International organizations	60,641,562	50,407,559	10,234,003	1,678,390
Foundations and individuals	5,827,462	4,879,270	948,192	303,906
Total	<u>\$ 147,215,346</u>	<u>\$ 130,011,989</u>	<u>\$ 17,203,357</u>	<u>\$ 2,599,826</u>

Funder	2021			
	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	<u>\$ 130,888,220</u>	<u>\$ 115,281,203</u>	<u>\$ 15,607,017</u>	<u>\$ 2,635,187</u>

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.

American Near East Refugee Aid

Notes to Financial Statements

Note 8. Right of use Lease Arrangements (Continued)

Required disclosures for lease costs and cash flows as of May 31, 2022 and 2021, are summarized as follows:

	2022	2021
Operating:		
Operating leases, included in operating expenses	\$ 409,566	\$ 424,648
Short-term leases, included in operating expenses	75,224	73,206
Finance:		
Amortization of assets, included in depreciation and amortization	12,107	12,107
Interest, included in interest expense	1,195	1,842
Net lease cost	<u>\$ 498,092</u>	<u>\$ 511,803</u>

Cash flow information:

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases	\$ 239,487	\$ 17,899
Operating cash flows from finance leases	1,195	1,842
Financing cash flows from finance leases	12,274	11,627

Lease assets obtained in exchange for lease liabilities:

Operating leases	239,487	212,606
Finance leases	1,195	-

Lease term (in years) and discount rate:

Weighted average remaining lease term—operating leases	8.1	8.4
Weighted average remaining lease term—finance leases	1.6	2.5
Weighted average discount rate—operating leases	5.41%	5.34%
Weighted average discount rate—finance leases	5.36%	5.39%

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

	Finance Leases	Operating Leases	Total
Years ending May 31:			
2023	\$ 11,119	\$ 361,502	\$ 372,621
2024	4,068	283,158	287,226
2025	1,017	266,981	267,998
2026	-	265,962	265,962
2026	-	258,006	258,006
Thereafter	-	1,003,195	1,003,195
Total minimum payments required	16,204	2,438,804	2,455,008
Less amounts representing interest	(697)	(485,962)	(486,659)
Present value of lease liabilities	<u>\$ 15,507</u>	<u>\$ 1,952,842</u>	<u>\$ 1,968,349</u>

American Near East Refugee Aid

Notes to Financial Statements

Note 9. Non-Financial Contributions

For the years ended May 31, 2022 and 2021, Anera recognized non-financial contributions of \$76,275,056 and \$91,360,710, respectively, and grants of non-financial assets of \$82,165,887 and \$86,953,023, 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, 2022 and 2021, was \$4,192,583 and \$10,092,903, respectively. All inventory is located in foreign field offices.

As of May 31, 2022 and 2021, Anera had \$3,584,588 and \$3,898,587, 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 \$176,558 and \$206,569 for the years ended May 31, 2022 and 2021, 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 \$107,381 and \$103,309 at May 31, 2022 and 2021, 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.

American Near East Refugee Aid

Notes to Financial Statements

Note 12. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions in 2022, were as follows:

	Balance May 31, 2021	Apportionments	Additions	Released From Restrictions	Balance May 31, 2022
Purpose restricted:					
Specific community or location	\$ 28,864	\$ (11,818)	\$ 10,510	\$ -	\$ 27,556
Community and economic development	1,116,966	(90,357)	920,351	(804,062)	1,142,898
Education and livelihoods	1,070,005	-	981,144	(1,467,924)	583,225
Medical donations and health services	1,227,713	102,175	2,268,291	(2,063,422)	1,534,757
	<u>3,443,548</u>	<u>-</u>	<u>4,180,296</u>	<u>(4,335,408)</u>	<u>3,288,436</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>\$ 3,547,251</u>	<u>\$ -</u>	<u>\$ 4,180,296</u>	<u>\$ (4,335,408)</u>	<u>\$ 3,392,139</u>

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 and livelihoods	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
	<u>2,377,790</u>	<u>-</u>	<u>3,689,146</u>	<u>(2,623,388)</u>	<u>3,443,548</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>\$ 2,481,493</u>	<u>\$ -</u>	<u>\$ 3,689,146</u>	<u>\$ (2,623,388)</u>	<u>\$ 3,547,251</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.

American Near East Refugee Aid

Notes to Financial Statements

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, 2022 and 2021. 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 investments is estimated using net asset value (NAV) per share (or its equivalent) as of May 31, 2022. Anera invests in two non-exchange traded, perpetual life real estate investment trusts (REITs) and two perpetually non-traded business development companies (BDC).

The fair value of the alternative real estate investments was \$379,332 and \$304,936 as of May 31, 2022 and 2021, respectively, 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% to 98% 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 fair value of the alternative BDC investments was \$299,004 and \$0 as of May 31, 2022 and 2021, respectively, with no unfunded commitments. The redemption frequency of these investments is quarterly with up to 60 days' notice.

The BDCs' investment strategy targets U.S. based secured and/or unsecured loans, and making debt and equity investments in U.S. middle market and other companies. For one investment, quarterly repurchases will be made at NAV as of each quarter end, except that shares that have not been outstanding for at least one year will be repurchased at 98% of NAV. Quarterly repurchases are limited to 5% of aggregate shares outstanding (either by number of shares or aggregate NAV) as of the close of the previous calendar quarter, as defined. For the second investment, quarterly repurchases are limited to 5% of NAV, as defined.

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.