American Near East Refugee Aid

Financial Report
May 31, 2023

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RSM US LLP

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, 2023 and 2022, 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, 2023 and 2022, 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 (U.S. GAAP).

Basis for Opinion
We conducted our audits 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*). 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 U.S. GAAP 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 December 11, 2023, 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.
December 11, 2023

American Near East Refugee Aid

Statements of Financial Position
May 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents (Note 3)	**$ 5,393,283**	$ 7,059,494
Accounts receivable	**175,824**	517,748
Grants and contributions receivable (Note 4)	**948,966**	955,566
Advances to subrecipients	**694,013**	259,005
Prepaid expenses and other assets	**174,062**	256,782
Inventory (Note 9)	**9,034,283**	4,192,583
Right-of-use assets (Note 8)	**2,139,710**	1,781,533
Investments (Note 3)	**7,028,123**	7,260,584
Property and equipment, net (Note 5)	**317,294**	264,708
	$ 25,905,558	$ 22,548,003
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,025,287**	$ 1,149,756
Accrued benefits (Note 6)	**1,633,105**	1,583,164
Lease obligations, net (Note 8)	**2,277,294**	1,968,349
Deferred revenue	**321,951**	263,887
Refundable advances (Note 7)	**4,274,330**	2,599,826
Total liabilities	**9,531,967**	7,564,982
Commitments and contingencies (Notes 11 and 13)		
Net assets:		
Without donor restrictions:		
Undesignated	**1,065,798**	3,543,104
Board-designated reserves	**3,330,614**	3,590,487
Designated for inventory	**9,034,283**	4,192,583
Invested in property and equipment	**317,294**	264,708
Total net assets without donor restrictions	**13,747,989**	11,590,882
With donor restrictions (Note 12):		
Purpose-restricted	**2,521,899**	3,288,436
Perpetual in nature	**103,703**	103,703
Total net assets with donor restrictions	**2,625,602**	3,392,139
Total net assets	**16,373,591**	14,983,021
	$ 25,905,558	$ 22,548,003

See notes to financial statements.

American Near East Refugee Aid

Statements of Activities
Years Ended May 31, 2023 and 2022

	2023					2022				
	Without	With Donor Restrictions				Without	With Donor Restrictions			
	Donor	Purpose	Perpetual in			Donor	Purpose	Perpetual in		
	Restrictions	Restricted	Nature	Subtotal	Total	Restrictions	Restricted	Nature	Subtotal	Total
Support and revenue:										
Non-financial contributions (Note 9)	$ 148,642,985	$ -	$ -	$ -	$ 148,642,985	$ 76,275,056	$ -	$ -	$ -	$ 76,275,056
Governmental grant revenue	5,955,599	-	-	-	5,955,599	3,928,970	-	-	-	3,928,970
Non-governmental grant revenue	11,381,059	-	-	-	11,381,059	12,748,482	-	-	-	12,748,482
Contributions	3,806,290	3,484,373	-	3,484,373	7,290,663	3,441,316	4,181,604	-	4,181,604	7,622,920
Investment loss	(134,753)	-	-	-	(134,753)	(35,426)	(1,308)	-	(1,308)	(36,734)
Currency valuation loss	(7,591)	(757,093)	-	(757,093)	(764,684)	-	-	-	-	-
Other income	41,835	-	-	-	41,835	2,586	-	-	-	2,586
Net assets released from restrictions (Note 12)	3,493,817	(3,493,817)	-	(3,493,817)	-	4,335,408	(4,335,408)	-	(4,335,408)	-
Total support and revenue	173,179,241	(766,537)	-	(766,537)	172,412,704	100,696,392	(155,112)	-	(155,112)	100,541,280
Expenses:										
Program services:										
Medical donations and health services (Note 9)	150,822,675	-	-	-	150,822,675	86,549,892	-	-	-	86,549,892
Community and economic development	9,000,587	-	-	-	9,000,587	8,190,633	-	-	-	8,190,633
Education and livelihoods	5,014,176	-	-	-	5,014,176	8,412,078	-	-	-	8,412,078
Total program services	164,837,438	-	-	-	164,837,438	103,152,603	-	-	-	103,152,603
Supporting services:										
Management and general	4,584,586	-	-	-	4,584,586	3,383,915	-	-	-	3,383,915
Fundraising	1,600,110	-	-	-	1,600,110	1,218,443	-	-	-	1,218,443
Total supporting services	6,184,696	-	-	-	6,184,696	4,602,358	-	-	-	4,602,358
Total expenses	171,022,134	-	-	-	171,022,134	107,754,961	-	-	-	107,754,961
Change in net assets	2,157,107	(766,537)	-	(766,537)	1,390,570	(7,058,569)	(155,112)	-	(155,112)	(7,213,681)
Net assets:										
Beginning	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
Ending	$ 13,747,989	$ 2,521,899	$ 103,703	$ 2,625,602	$ 16,373,591	$ 11,590,882	$ 3,288,436	$ 103,703	$ 3,392,139	$ 14,983,021

See notes to financial statements.

American Near East Refugee Aid

Statement of Functional Expenses
Year Ended May 31, 2023

	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	$ 1,121,832	$ 865,980	$ 994,542	$ 2,982,354	$ 1,706,500	$ 655,576	$ 2,362,076	$ 5,344,430
Fringe benefits	413,156	328,971	351,973	1,094,100	777,484	304,346	1,081,830	2,175,930
Total salaries and fringe benefits	1,534,988	1,194,951	1,346,515	4,076,454	2,483,984	959,922	3,443,906	7,520,360
Grants—non-financial (Note 9)	143,398,893	-	643,471	144,042,364	-	-	-	144,042,364
Subcontractors	4,084,590	6,977,230	2,054,807	13,116,627	365,373	-	365,373	13,482,000
Occupancy	243,545	82,658	121,289	447,492	260,147	-	260,147	707,639
Professional services	179,897	156,765	304,089	640,751	600,279	275,937	876,216	1,516,967
Travel	161,251	135,289	89,992	386,532	140,051	143,356	283,407	669,939
Office supplies and equipment	37,046	20,965	27,499	85,510	9,853	4,998	14,851	100,361
Vehicle expense	64,835	74,564	23,269	162,668	3,647	-	3,647	166,315
Printing and lettershop	26,688	700	12,960	40,348	12,649	35,453	48,102	88,450
Telephone and communications	25,802	17,301	17,163	60,266	21,708	34,408	56,116	116,382
Postage and shipping	18,999	353	73	19,425	25,040	51,252	76,292	95,717
Technical assistance	407,410	282,106	320,056	1,009,572	15,709	-	15,709	1,025,281
Repairs and maintenance	1,208	221	5,563	6,992	9,769	-	9,769	16,761
Conferences and memberships	18,552	38,805	1,260	58,617	78,843	9,118	87,961	146,578
Banking fees	35,315	6,049	42,662	84,026	77,351	54,626	131,977	216,003
Medical donations shipping and storage	543,700	-	-	543,700	-	-	-	543,700
Advertising and marketing	261	512	67	840	5,957	27,766	33,723	34,563
Risk management	-	-	-	-	57,432	-	57,432	57,432
Board and committee meetings	-	-	-	-	1,620	1,400	3,020	3,020
Bad debt expense	-	-	-	-	379,794	-	379,794	379,794
Miscellaneous	877	-	1,458	2,335	6,186	1,874	8,060	10,395
Total expenses before depreciation	150,783,857	8,988,469	5,012,193	164,784,519	4,555,392	1,600,110	6,155,502	170,940,021
Depreciation	38,818	12,118	1,983	52,919	29,194	-	29,194	82,113
Total expenses before allocations	150,822,675	9,000,587	5,014,176	164,837,438	4,584,586	1,600,110	6,184,696	171,022,134
Allocation of management and general	1,259,577	807,814	898,447	2,965,838	(3,686,859)	721,021	(2,965,838)	-
Total expenses after allocations	$ 152,082,252	$ 9,808,401	$ 5,912,623	$ 167,803,276	$ 897,727	$ 2,321,131	$ 3,218,858	$ 171,022,134

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
Subcontractors	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 management and general	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

Statements of Cash Flows
Years Ended May 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Receipts from grants	**$ 19,349,566**	$ 16,044,283
Receipts from donations	**7,050,484**	7,750,590
Interest and dividends received	**220,063**	189,165
Miscellaneous receipts	**34,244**	-
Total receipts	**26,654,357**	23,984,038
Miscellaneous payments	**-**	(166,340)
Payments for personnel costs	**(7,437,302)**	(6,563,465)
Payments for other support costs	**(5,552,773)**	(3,042,340)
Payments for program costs	**(14,572,695)**	(15,266,442)
Total payments	**(27,562,770)**	(25,038,587)
Net cash used in operating activities	**(908,413)**	(1,054,549)
Cash flows from investing activities:		
Purchases of property and equipment	**(26,502)**	(171,366)
Proceeds from sale of property and equipment	**66,561**	-
Devaluation of the account	**(757,093)**	-
Purchases of investments	**(1,773,750)**	(4,509,281)
Sales of investments	**1,830,750**	3,156,341
Net cash used in investing activities	**(660,034)**	(1,524,306)
Cash flows from financing activities:		
Principal payments on financing-type leases	**(97,764)**	(12,274)
Net cash used in financing activities	**(97,764)**	(12,274)
Net decrease in cash and cash equivalents	**(1,666,211)**	(2,591,129)
Cash and cash equivalents:		
Beginning	**7,059,494**	9,650,623
Ending (Note 2)	**$ 5,393,283**	$ 7,059,494

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 US-based offices in Washington, D.C. Anera is incorporated in Washington, D.C. and is registered as required by local laws in Jerusalem, West Bank, Gaza, Lebanon and Jordan.

A summary of Anera's significant accounting policies follows:

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, 2023 and 2022, board-designated net assets were $3,330,614 and $3,590,487, respectively. As of May 31, 2023, $2,635,467 was designated as a reserve for emergencies and contingencies, $197,147 was designated as a Disaster Preparedness Fund and $500,000 was designated as a Board Endowment Fund. 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.

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.

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

Cash, cash equivalents and investments: Cash and cash equivalents consist of cash and money market accounts and mutual funds. Total money market mutual funds included in cash and cash equivalents as of May 31, 2023 and 2022, were $55,012 and $51,659, respectively.

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

Anera entered into a guidance line of credit in December 2015 for $750,000. A guidance line of credit provides for the opportunity to draw funds on a short-term basis and is not considered a committed line of credit. Anera has not drawn funds from this letter of credit as of May 31, 2023, and this letter of credit expired in May 2023.

Restricted assets: Restricted assets consists of cash and investments 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, 2023 and 2022, restricted cash and investment amount was $8,348,321 and $7,418,578, 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 $595,815 and $2,167,648 in foreign accounts, which are not insured as of May 31, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022. 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 under conditional awards for grant advances and contributions to support events in future periods, which have not yet been expended.

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 revenue: Due to recent significant exchange rate fluctuations in Lebanon, along with an unwavering official government rate, a deferred currency exchange gain of $321,884 and $263,887 has been recorded as of May 31, 2023 and 2022, 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.

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) have been substantially met.

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 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*, 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.

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

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, 2023 and 2022, Anera had no unrelated business income tax.

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, 2023 and 2022, $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 2020.

Foreign assets: Assets (excluding foreign cash) held in foreign countries, consisting primarily of inventory, were $10,775,060 and $5,247,619 as of May 31, 2023 and 2022, respectively.

Reclassifications: Certain 2022 amounts previously reported have been reclassified to be consistent with the 2023 presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Adopted accounting pronouncements: In September 2020, the 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 are intended to increase the transparency of contributed nonfinancial assets, or gifts-in-kind, for not-for-profit entities through enhanced presentation and disclosure. This standard is adopted beginning June 1, 2022, but did not have a material impact on Anera, with the exception of increased disclosure.

Subsequent events: Anera evaluated subsequent events through December 11, 2023, the date of which 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, 2023 and 2022:

	2023	2022
Financial assets, at year-end:		
Cash and cash equivalents	$ 5,393,283	$ 7,059,494
Investments	7,028,123	7,260,584
Accounts receivable	175,824	517,748
Grants and contributions receivable	948,966	955,566
Total financial assets, at year-end	13,546,196	15,793,392
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Deferred grant advances	(4,274,330)	(2,599,826)
Donor-imposed purpose restriction	(2,521,899)	(3,288,436)
Donor-restricted deferred revenue	(321,951)	(263,887)
Donor-imposed restrictions perpetual in nature	(103,703)	(103,703)
Cash or cash equivalents held in trust	(126,869)	(73,449)
Designated for specific purposes:		
Amounts set aside for board designated reserve fund, net of board-approved appropriation	(2,635,467)	(2,500,000)
Board Endowment Fund	(500,000)	(998,286)
Disaster Preparedness Fund	(195,147)	(92,201)
Amounts set aside for end-of-service indemnity retirement benefits	(1,351,165)	(1,280,401)
Liability for accrued vacation	(281,940)	(302,763)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,233,725	$ 4,290,440

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, 2023 and 2022, totaled $134,660 and $32,120, 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.

Note 2. Liquidity (Continued)

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.

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, 2023 and 2022:

	2023	2022
Cash and cash equivalents:		
Bank deposits	$ 5,338,271	$ 7,007,835
Mutual funds	55,012	51,659
Total cash and cash equivalents	5,393,283	7,059,494
Short-term investments:		
U.S. Treasury and agency securities	104,686	324,661
Corporate securities	19,696	49,330
Municipal securities	14,899	9,907
Total short-term investments	139,281	383,898
Long-term investments:		
U.S. Treasury and agency securities	1,033,264	835,161
Corporate securities	895,659	840,629
Municipal securities	282,034	302,174
Preferred stocks and securities	213,077	406,307
Equity securities	3,811,010	3,814,079
Alternative real estate investments	653,798	678,336
Total long-term investments	6,888,842	6,876,686
Total investments	7,028,123	7,260,584
Total cash, cash equivalents and investments	$ 12,421,406	$ 14,320,078

Net investment loss for the years ended May 31, 2023 and 2022, is as follows:

	2023	2022
Interest and dividends	$ 220,063	$ 189,165
Realized and unrealized losses, net	(303,756)	(175,302)
Investment fees charged	(51,060)	(50,597)
Total investment loss	$ (134,753)	$ (36,734)

Interest income of $220,063 includes $13,041 reported as accounts receivable at May 31, 2023. Interest income of $189,165 includes $10,168 reported as accounts receivable at May 31, 2022.

Note 4. Grants and Contributions Receivable

Grants and contributions receivable at May 31, 2023 and 2022, are due within one year and consist of the following:

	2023		
	Grants	Contributions	Total
International organizations	$ 296,564	$ 583,795	$ 880,359
Individuals and other	8,607	60,000	68,607
Total	$ 305,171	$ 643,795	$ 948,966

	2022		
	Grants	Contributions	Total
International organizations	$ 716,959	$ -	$ 716,959
Individuals and other	8,607	230,000	238,607
Total	$ 725,566	$ 230,000	$ 955,566

At May 31, 2023 and 2022, there was no allowance for doubtful accounts.

Note 5. Property and Equipment

Property and equipment at May 31, 2023 and 2022, consist of the following:

	2023	2022
Vehicles	$ 170,425	$ 196,927
Furniture and office equipment	219,486	167,502
Computer equipment and design	460,209	445,632
Website design	67,900	67,900
	918,020	877,961
Less accumulated depreciation	(600,726)	(613,253)
Total	$ 317,294	$ 264,708

Depreciation expense was $82,113 and $78,110 for the years ended May 31, 2023 and 2022, respectively. There was property and equipment with a net book value of $141,255 and $77,033 held in foreign field offices at May 31, 2023 and 2022, respectively.

Note 6. Accrued Benefits

Accrued benefits at May 31, 2023 and 2022, consist of the following:

	2023	2022
Accrued severance*	$ 1,172,591	$ 1,163,191
Accrued vacation	281,940	302,763
Other benefits	178,574	117,210
Total	$ 1,633,105	$ 1,583,164

* 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, 2023 and 2022, accrued severance was fully funded.

During the years ended May 31, 2023 and 2022, termination benefits of $103,999 and $22,549, 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, 2023 and 2022, the following are conditional grants by funder:

	2023			
Funder	Total Conditional Grant	Amount Earned Through 2023	Amount of Conditional Grant Left to Earn	Amount Included in Deferred Revenue
Governmental agencies	$ 83,102,684	$ 77,537,118	$ 5,565,566	$ 498,869
International organizations	69,833,311	58,285,111	11,548,200	3,592,274
Foundations and individuals	5,481,935	3,723,020	1,758,915	183,187
Total	$ 158,417,930	$ 139,545,249	$ 18,872,681	$ 4,274,330

	2022			
Funder	Total Conditional Grant	Amount Earned Through 2022	Amount of Conditional Grant Left to Earn	Amount Included in Deferred Revenue
Governmental agencies	$ 80,746,322	$ 75,260,486	$ 5,485,836	$ 617,530
International organizations	61,453,099	52,252,614	9,200,485	1,678,390
Foundations and individuals	5,015,925	3,034,215	1,981,710	303,906
Total	$ 147,215,346	$ 130,547,315	$ 16,668,031	$ 2,599,826

Note 8. ROU 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, 2023 and 2022, are summarized as follows:

	2023	2022
Operating:		
Operating leases, included in operating expenses	$ 419,482	$ 409,566
Short-term leases, included in operating expenses	100,914	75,224
Finance:		
Amortization of assets, included in depreciation and amortization	11,977	12,107
Interest, included in interest expense	779	1,195
Net lease cost	$ 533,152	$ 498,092
Cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 56,266	$ 239,487
Operating cash flows from finance leases	779	1,195
Financing cash flows from finance leases	12,691	12,274
Lease assets obtained in exchange for lease liabilities:		
Operating leases	587,194	239,487
Finance leases	40,738	1,195
Lease term (in years) and discount rate:		
Weighted-average remaining lease term—operating leases	6.8	8.1
Weighted-average remaining lease term—finance leases	4.7	1.6
Weighted-average discount rate—operating leases	6.09%	5.41%
Weighted-average discount rate—finance leases	7.73%	5.36%

Note 8. ROU Lease Arrangements (Continued)

Operating lease ROU assets and lease liabilities as of May 31, 2023, consisted of the following:

	2023	2022
Assets:		
Operating leases right-of-use assets	$ 2,095,801	$ 1,713,875
Financing leases right-of-use assets	43,909	67,658
	$ 2,139,710	$ 1,781,533
Liabilities:		
Operating leases, net	$ 2,233,738	$ 1,895,561
Financing leases, net	43,556	72,788
	$ 2,277,294	$ 1,968,349

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

	Finance Leases	Operating Leases	Total
Years ending May 31:			
2024	$ 13,471	$ 453,358	$ 466,829
2025	10,420	449,381	459,801
2026	9,403	351,562	360,965
2027	9,403	340,506	349,909
2028	9,403	351,963	361,366
Thereafter	-	783,632	783,632
Total minimum payments required	52,100	2,730,402	2,782,502
Less amounts representing interest	(8,544)	(496,664)	(505,208)
Present value of lease liabilities	$ 43,556	$ 2,233,738	$ 2,277,294

Note 9. Non-Financial Contributions

Anera receives various forms of non-financial contributions of pharmaceuticals and metical supplies. The contributed items are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. The non-financial contributed items are valued based upon estimates of fair market values that would be received for selling the goods in the principal market considering their condition and utility for use at the time the goods are contributed by the donor. For the years ended May 31, 2023 and 2022, Anera recognized non-financial contributions of $148,642,985 and $76,275,056, respectively, and expenses of grants of non-financial assets of $144,042,364 and $82,165,887, 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, 2023 and 2022, was $9,034,283 and $4,192,583, respectively. All inventory is located in foreign field offices.

As of May 31, 2023 and 2022, Anera had $400,231 and $3,584,588, 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 US-based employees. Anera contributions are made to this 401(k) plan up to the legal limits defined by the IRS. Pension plan expenses amounted to $201,450 and $176,558 for the years ended May 31, 2023 and 2022, 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 $126,869 and $107,381 at May 31, 2023 and 2022, 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.

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.

Anera has been working in Gaza with a staff of local professionals since 1985. War broke out on October 7, 2023 and since then 80% of the population has been displaced, infrastructure of all kinds has been destroyed, and access to basic items like food, water, electricity and shelter has been seriously compromised. Anera's Gaza staff has continued to do their work, despite being displaced. Interventions have been funded by a wide variety of institutions and tens of thousands of individuals. Senior management is closely involved with all activities and the organization plans to continue operations through the immediate crisis, until hostilities cease and rebuilding can begin.

Note 12. Net Assets With Donor Restrictions

Net assets with donor restrictions as of May 31, 2023 and 2022 and related activity for the years then ended, are as follows:

	2023				
	Balance May 31, 2022	Apportionments/ Devaluation	Additions	Released From Restrictions	Balance May 31, 2023
Purpose restricted:					
Specific community or location	$ 27,556	$ (17,268)	$ 13,774	$ -	$ 24,062
Community and economic development	1,142,898	207,891	709,073	(1,066,651)	993,211
Education and livelihoods	583,225	-	1,058,365	(677,810)	963,780
Medical donations and health services	1,534,757	(947,716)	1,703,161	(1,749,356)	540,846
	3,288,436	(757,093)	3,484,373	(3,493,817)	2,521,899
Perpetual in nature:					
Specific community or location	103,703	-	-	-	103,703
	103,703	-	-	-	103,703
Total	$ 3,392,139	$ (757,093)	$ 3,484,373	$ (3,493,817)	$ 2,625,602

	2022				
	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
	3,443,548	-	4,180,296	(4,335,408)	3,288,436
Perpetual in nature:					
Specific community or location	103,703	-	-	-	103,703
	103,703	-	-	-	103,703
Total	$ 3,547,251	$ -	$ 4,180,296	$ (4,335,408)	$ 3,392,139

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, 2023 and 2022. 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, 2023. 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 $360,288 and $379,332 as of May 31, 2023 and 2022, 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 $293,510 and $299,004 as of May 31, 2023 and 2022, 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.