

**Audited Financial Statements and
Supplementary Information**

The American Schools of Oriental Research

Years Ended June 30, 2017 and 2016

Audited Financial Statements and Supplementary Information

The American Schools of Oriental Research

Years Ended June 30, 2017 and 2016

Audited Financial Statements

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Geoffrey E. Wiggins
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Angela B. Goodwin
J. Kelly Lanier
Joseph L. Hill, Jr.

Independent Auditors' Report

Board of Trustees
The American Schools of Oriental Research
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of The American Schools of Oriental Research (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Schools of Oriental Research as of June 30, 2017 and 2016, 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.

Board of Trustees
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Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of support and revenue and functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Romeo, Wiggins & Company, L.L.P.

Raleigh, North Carolina
November 10, 2017

Statements of Financial Position

The American Schools of Oriental Research

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 842,807	\$ 1,011,872
Investments (including permanent endowments)	1,776,045	1,516,300
Grant receivable	117,600	45,000
Accounts receivable:		
Memberships and subscriptions	16,368	13,592
Book sales and other receivables	20,550	14,426
Inventory and capitalized costs	18,460	24,222
Prepaid expenses and other assets	9,243	16,147
Property and equipment, net	<u>26,506</u>	<u>26,461</u>
TOTAL ASSETS	<u>\$ 2,827,579</u>	<u>\$ 2,668,020</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 12,100	\$ 25,538
Deferred revenue	389,192	340,367
Other liabilities	1,868	3,082
Total Liabilities	<u>403,160</u>	<u>368,987</u>
Net Assets:		
Unrestricted:		
Available for operations	459,842	386,565
Board-designated for publications	143,181	126,420
Property and equipment	<u>26,506</u>	<u>26,461</u>
Total Unrestricted Net Assets	<u>629,529</u>	<u>539,446</u>
Temporarily restricted	701,772	774,010
Permanently restricted	<u>1,093,118</u>	<u>985,577</u>
Total Net Assets	<u>2,424,419</u>	<u>2,299,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,827,579</u>	<u>\$ 2,668,020</u>

See accompanying independent auditors' report and notes to financial statements.

Statement of Activities

The American Schools of Oriental Research

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 106,445	\$ 165,978	\$ 105,705	\$ 378,128
Federal grant		317,600		317,600
In-kind contributions	42,020			42,020
Book revenue	28,574			28,574
Journals revenue	217,485			217,485
Institutional memberships	74,000			74,000
Individual memberships	171,919			171,919
Annual meeting	212,860			212,860
Royalties and other income	58,370			58,370
Interest and dividends	9,055	38,462		47,517
Net change in fair value of investments	8,966	173,847	1,836	184,649
Net assets released from restrictions:				
Satisfaction of purpose restrictions	768,125	(768,125)		-
Total Support and Revenue	<u>1,697,819</u>	<u>(72,238)</u>	<u>107,541</u>	<u>1,733,122</u>
EXPENSES AND LOSSES				
Program services	1,450,730			1,450,730
Support services:				
General and administrative	105,130			105,130
Fundraising	51,876			51,876
Total Expenses	<u>1,607,736</u>	<u>-</u>	<u>-</u>	<u>1,607,736</u>
Change in Net Assets	90,083	(72,238)	107,541	125,386
Net Assets, Beginning of Year	<u>539,446</u>	<u>774,010</u>	<u>985,577</u>	<u>2,299,033</u>
Net Assets, End of Year	<u>\$ 629,529</u>	<u>\$ 701,772</u>	<u>\$ 1,093,118</u>	<u>\$ 2,424,419</u>

See accompanying independent auditors' report and notes to financial statements.

Statement of Activities

The American Schools of Oriental Research

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 94,827	\$ 200,362	\$ 103,724	\$ 398,913
Federal grant		900,000		900,000
In-kind contributions	204,960			204,960
Book revenue	29,239			29,239
Journals revenue	218,938			218,938
Institutional memberships	75,000			75,000
Individual memberships	159,539			159,539
Annual meeting	219,540			219,540
Royalty income	65,479			65,479
Miscellaneous income	16,695	155		16,850
Interest and dividends	3,480	22,791		26,271
Net change in fair value of investments	2,164	(116,884)	(1,700)	(116,420)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,127,602	(1,127,602)		-
Reclassification of net assets		(44,694)	44,694	-
	<u>2,217,463</u>	<u>(165,872)</u>	<u>146,718</u>	<u>2,198,309</u>
Total Support and Revenue				
EXPENSES AND LOSSES				
Program services	1,931,276			1,931,276
Support services:				
General and administrative	106,487			106,487
Fundraising	51,545			51,545
	<u>2,089,308</u>	<u>-</u>	<u>-</u>	<u>2,089,308</u>
Total Expenses				
Change in Net Assets	128,155	(165,872)	146,718	109,001
Net Assets, Beginning of Year	<u>411,291</u>	<u>939,882</u>	<u>838,859</u>	<u>2,190,032</u>
Net Assets, End of Year	<u>\$ 539,446</u>	<u>\$ 774,010</u>	<u>\$ 985,577</u>	<u>\$ 2,299,033</u>

See accompanying independent auditors' report and notes to financial statements.

Statements of Cash Flows

The American Schools of Oriental Research

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 125,386	\$ 109,001
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,920	4,436
Loss on disposal of property and equipment	35	678
Net change in fair value of investments	(184,649)	116,420
Changes in operating assets and liabilities:		
Grant receivable	(72,600)	(7,200)
Memberships and subscriptions receivable	(2,776)	1,836
Book sales and other receivables	(6,124)	(7,428)
Inventory and capitalized costs	5,762	(7,370)
Prepaid expenses and other assets	6,904	10,220
Accrued expenses	(13,438)	11,301
Deferred revenue	48,825	13,586
Other liabilities	(1,214)	(1,827)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(86,969)</u>	<u>243,653</u>
INVESTING ACTIVITIES:		
(Purchases) sales of investments, net	(75,096)	(107,639)
Purchases of fixed assets	(7,000)	(21,219)
NET CASH USED IN INVESTING ACTIVITIES	<u>(82,096)</u>	<u>(128,858)</u>
NET CHANGE IN CASH	(169,065)	114,795
Cash, beginning of year	<u>1,011,872</u>	<u>897,077</u>
CASH, END OF YEAR	<u>\$ 842,807</u>	<u>\$ 1,011,872</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

Notes to Financial Statements

The American Schools of Oriental Research

Years Ended June 30, 2017 and 2016

NOTE A -- THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Organization: The American Schools of Oriental Research (ASOR), established in 1900, was incorporated as a not-for-profit public charity in 1935. ASOR is an international organization whose mission is to initiate, encourage, and support research into, and public understanding of, the history and cultures of the Near East and wider Mediterranean, from the earliest times. The principal sources of revenue are from scholarly journals and books, annual programs, membership dues, grants and contributions.

Basis of Accounting: ASOR prepares its financial statements in accordance with U.S. generally accepted accounting principles (GAAP). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation: ASOR follows FASB ASC 958-205, 210, 225, issued by the Financial Accounting Standards Board (FASB) for presentation of its financial statements. ASOR reports information regarding its financial position and activities according to the following three net asset classes:

Unrestricted Net Assets: Unrestricted net assets represent those assets either not subject to donor-imposed restrictions or releases from temporarily restricted net assets designated for stipulated activities or programs, which are expended within the current fiscal year. Board-designated or appropriated amounts are legally unrestricted and are reported as part of the unrestricted class.

Temporarily Restricted Net Assets: Temporarily restricted net assets are subject to explicit or implicit donor-imposed restrictions that may or will be met by actions of ASOR and/or the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by ASOR. Generally, the donors of these assets permit ASOR to use all or part of the income earned on related investments for general or restricted purposes.

Revenue Recognition/Deferred Revenue: Revenue is derived primarily from memberships, subscriptions, and publication sales. Revenues from memberships and subscriptions are recognized ratably over the related period (normally one year). Any unearned amount is presented as deferred revenue in the statement of financial position. Publication sales are recognized at the time of sale.

Recognition of Support / Conditional Award: Contributions and grant awards are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized by ASOR in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using an appropriate discount rate. Conditional promises to give (including reimbursement grants) are recognized when the conditions on which they depend are substantially met (when the qualifying expenditures are incurred).

For the years ended June 30, 2017 and 2016, ASOR recognized support of \$317,600 and \$900,000, respectively, and expenditures of \$546,682 and \$773,453, respectively, under a cooperative agreement with the Department of State (DOS). The project is ongoing and involves planning for the safeguarding of heritage sites in Syria and Iraq. At June 30, 2017, approximately \$782,633 of the Year 3 award of \$900,000 remains conditional (expected to be spent and recognized in fiscal 2017-2018) under the reimbursement agreement with DOS.

Cash Equivalents: ASOR considers all highly liquid investments with an initial maturity of three months or less, to be cash equivalents. ASOR held no cash equivalents at June 30, 2017 and 2016.

The American Schools of Oriental Research

NOTE A -- THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -- Continued

Investments: Investments are held by two brokerage firms in various mutual/investment funds and other equities and fixed-income securities. Investments are reported at fair value based on quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in temporarily or permanently restricted net assets and released to unrestricted net assets upon satisfaction of purpose or time restrictions or the appropriation of general-use earnings. Refer also to *Note B -- Investments*.

Accounts Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management considers all receivables to be collectible; therefore, no allowance for doubtful accounts is provided at June 30, 2017 and 2016. Accounts receivable balances are due within a year and are unsecured.

Inventory and Capitalized Costs: Inventory consists of completed publications that are sold through an independent distributor. Capitalized costs consist of expenses related to the production of publications prior to completion. Inventories are stated at the lower of cost, determined by total production costs capitalized, or market value.

Property and Equipment: Property and equipment are carried at cost or, if donated, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated on a straight-line method over the estimated useful lives of the respective assets. Purchases are determined to be capital expenditures based on ASOR's policy of capitalizing assets acquired at a cost (or, if donated, a fair value) exceeding \$2,500. Those items that are not a capital expenditure are immediately expensed.

Donated Services: Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ASOR. Volunteers provided services that are not recognized as contributions in the accompanying financial statements since the recognition criteria under FASB ASC 958-605 were not met.

Fair Value of Financial Instruments: The carrying value of accounts receivable and accrued expenses is considered by management to approximate the fair value of such at June 30, 2017 and 2016, based on the short-term maturity of these financial instruments. Investments are carried at fair value based on quoted market prices. Refer also to *Note H -- Fair Value Measurements*.

Income Taxes: ASOR is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. ASOR had no unrelated business activities and, therefore, incurred no unrelated business income taxes for the years ended June 30, 2017 and 2016. Tax filings for fiscal years subsequent to fiscal 2012-2013 remain open and subject to examination.

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program and support service are allocated directly thereto. Certain indirect expenses are allocated to programs based on estimated usage and/or benefit.

Notes to Financial Statements -- Continued

The American Schools of Oriental Research

NOTE A -- THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -- Continued

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain amounts previously reported in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

NOTE B -- INVESTMENTS

Investments are held by two brokerage firms and are comprised of the following:

	June 30,	
	<u>2017</u>	<u>2016</u>
Cash accounts	\$ 105,897	\$ 142,544
Mutual/ETF:		
Equities	1,413,676	1,162,700
Bonds	<u>256,472</u>	<u>211,056</u>
	<u>\$ 1,776,045</u>	<u>\$ 1,516,300</u>

Refer also to *Note F -- Endowment Net Assets* and *Note I -- Significant Concentrations*.

NOTE C -- FIXED ASSETS

Fixed assets consist of the following:

	June 30,	
	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 35,498	\$ 35,498
Website development	28,514	21,514
Computer equipment	<u>31,503</u>	<u>32,103</u>
	95,515	89,115
Less: Accumulated depreciation and amortization	<u>(69,009)</u>	<u>(62,654)</u>
	<u>\$ 26,506</u>	<u>\$ 26,461</u>

Depreciation and amortization expense totaled \$6,920 and \$4,436 for 2017 and 2016, respectively.

The American Schools of Oriental Research

NOTE D -- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors as follows:

	Years Ended June 30,	
	<u>2017</u>	<u>2016</u>
General Endowment Fund	\$ 23,426	\$ 21,773
Harris Fund	8,585	8,734
Platt Fund	18,621	19,123
Wright/Meyers Fund	4,794	4,637
PE MacAllister Fund	7,115	6,607
Eric and Carol Meyers Fund	4,095	3,426
Strange/Midkiff Fund	3,401	2,482
Joe D. Seger Excavation Fund	1,965	-
Sponsored projects	23,458	68,668
CHI Project	607,930	921,914
Heritage fellowships	17,462	21,456
Book subvention	12,665	5,000
Friends of ASOR	30,466	33,504
Other	4,142	10,278
	<u>\$ 768,125</u>	<u>\$ 1,127,602</u>

Temporarily restricted net assets of \$44,694 were reclassified to permanently restricted endowment net assets at June 30, 2016, in keeping with the donors' intent for the fund.

Temporarily restricted net assets are available for the following purposes at June 30:

	June 30,	
	<u>2017</u>	<u>2016</u>
Accumulated earnings on endowment funds:		
General Endowment, ASOR's general operations	\$ 252,599	\$ 175,561
Harris Fund, research for Biblical archaeology	21,571	13,644
Platt Fund, ASOR fellowships	231,838	217,062
Wright/Meyers Fund, excavation scholarships	28,294	21,674
PE MacAllister Fund	13,367	1,818
Eric and Carol Meyers Fund	9,919	(1,735)
Strange/Midkiff Fund	5,527	(1,040)
Joe D. Seger Excavation Fund	4,175	2
Sponsored projects	6,701	9,512
CHI Project	79,201	267,790
Book subvention	12,410	18,075
Friends of ASOR project	11,152	31,593
Other	25,018	20,054
	<u>\$ 701,772</u>	<u>\$ 774,010</u>

Notes to Financial Statements -- Continued

The American Schools of Oriental Research

NOTE E -- PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of endowment funds that are restricted by donors to investment in perpetuity. Endowment funds are invested in various mutual funds, with the net earnings thereon available for ASOR's general use or as otherwise specified by the donor. Permanently restricted net assets are as follows:

	June 30,	
	<u>2017</u>	<u>2016</u>
General Endowment Fund	\$ 505,120	\$ 504,270
Corpus of Harris Fund	116,820	114,985
Corpus of Platt Fund	20,000	20,000
Corpus of Wright/Meyers Fund	55,466	55,466
Corpus of P.E. MacAllister Fund	129,520	118,520
Corpus of Eric and Carol Meyers Fund	133,207	66,792
Corpus of Strange/Midkiff Fund	81,490	60,850
Joe Seger Excavation Fund *	<u>51,495</u>	<u>44,694</u>
	<u>\$ 1,093,118</u>	<u>\$ 985,577</u>

*Temporarily restricted net assets of \$44,694 were reclassified to permanently restricted net assets at June 30, 2016, in keeping with the donors' intent for the fund.

Refer also to *Note F -- Endowment Net Assets*.

NOTE F -- ENDOWMENT NET ASSETS

In June 2009, the Commonwealth of Massachusetts enacted a version of UPMIFA (Uniform Prudent Management Institutional Funds Act) applicable to endowment funds existing on or established after the Act's effective date. UPMIFA eliminates the historic dollar concept of UMIFA (the governing law in Massachusetts prior to June 2009) in favor of the "prudent spending" concept as pertains to endowment net assets. ASOR maintains that the historic dollar value of contributions to its endowment funds approximates the permanently restricted portion of such when applying the "prudent spending" concept.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to endowments, (2) the original value of subsequent gifts to endowments, and (3) accumulations to endowments made in accordance with the direction of the applicable donor gift instruments. The remaining portions of donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

ASOR has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of those endowment assets over the long-term. ASOR's investment portfolio relies on diversification of assets to achieve its long-term return objectives within prudent risk parameters. Earnings on endowment funds are available for ASOR's general use or as otherwise restricted by the donor.

The composition of endowment net assets by fund type is as follows at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 567,290	\$ 1,093,118	\$ 1,660,408
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total funds, at June 30, 2017	<u>\$ -</u>	<u>\$ 567,290</u>	<u>\$ 1,093,118</u>	<u>\$ 1,660,408</u>

Notes to Financial Statements -- Continued

The American Schools of Oriental Research

NOTE F -- ENDOWMENT NET ASSETS (including a subsequent event) -- Continued

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	\$ -	\$ 426,986	\$ 985,577	\$ 1,412,563
Investment return, net of fees (including change in fair value)	-	212,306	1,836	214,142
Contributions	-	-	105,705	105,705
Appropriated for expenditure	-	(72,002)	-	(72,002)
Endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ 567,290</u>	<u>\$ 1,093,118</u>	<u>\$ 1,660,408</u>

The composition of endowment net assets by fund type is as follows at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 426,986	\$ 985,577	\$ 1,412,563
Board-designated endowment funds	-	-	-	-
Total funds, at June 30, 2016	<u>\$ -</u>	<u>\$ 426,986</u>	<u>\$ 985,577</u>	<u>\$ 1,412,563</u>

Changes in endowment net assets for the year ended June 30, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ -	\$ 587,861	\$ 838,859	\$ 1,426,720
Investment return, net of fees (including change in fair value*)	-	(94,093)	(1,700)	(95,793)
Reclassifications of net assets	-	-	44,694	44,694
Contributions	-	-	103,724	103,724
Appropriated for expenditure	-	(66,782)	-	(66,782)
Endowment net assets, June 30, 2016	<u>\$ -</u>	<u>\$ 426,986</u>	<u>\$ 985,577</u>	<u>\$ 1,412,563</u>

*Investment losses relate primarily to divestitures of certain securities held by three endowment funds.

The American Schools of Oriental Research

NOTE G – OFFICE SPACE LEASES (including a subsequent event)

On July 1, 1996, ASOR entered into an agreement to lease office space from the Trustees of Boston University. No rent was payable under the lease. Instead, ASOR made monthly payments to cover operating costs incurred by the landlord. The lease expired on June 30, 2012; however, ASOR was allowed to remain in the building. The value of the use of the leased property has been recorded as an in-kind contribution and an in-kind expense of \$30,855 and \$33,660 for the years ended June 30, 2017 and 2016, respectively.

ASOR received notice in March 2017 that ASOR’s tenancy was being terminated effective May 31, 2017, due to the recent sale of the building. ASOR began leasing alternative office space on Beacon Street effective June 1, 2017. The new leases expire on June 30, 2018 (as subsequently extended) and December 31, 2018 (one subtenant permitted with expressed consent of landlord). The leases required rentals of \$3,295 for June 2017, and will require minimum rentals of \$44,040 for fiscal 2017-2018 and \$6,270 for the six months ending December 31, 2018. ASOR’s management is actively seeking office space that will provide a more permanent home for ASOR.

NOTE H -- FAIR VALUE MEASUREMENTS

ASOR applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

The following represents assets measured at fair value on a recurring basis by ASOR at June 30, 2017 and 2016:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>June 30, 2017</u>			
Investments, excluding cash held by brokers	\$ <u>1,670,407</u>	\$ <u>1,670,407</u>	\$ _____ -
Total	\$ <u>1,670,407</u>	\$ <u>1,670,407</u>	\$ _____ -
<u>June 30, 2016</u>			
Investments, excluding cash held by brokers	\$ <u>1,373,756</u>	\$ <u>1,373,756</u>	\$ _____ -
Total	\$ <u>1,373,756</u>	\$ <u>1,373,756</u>	\$ _____ -

Level 1: Investments are held in various mutual/investment funds, equities and fixed-income securities that are reported at fair value based on quoted market prices. Refer also to *Note B -- Investments*.

At June 30, 2017 and 2016, ASOR had no assets or liabilities classified within Level 2 or Level 3 of the fair value hierarchy.

Notes to Financial Statements -- Continued

The American Schools of Oriental Research

NOTE I -- SIGNIFICANT CONCENTRATIONS

Financial instruments that subject ASOR to the potential concentration of credit risk consist primarily of temporary cash deposits in a bank located in Massachusetts. ASOR's bank deposits are eligible for FDIC coverage of up to \$250,000 per account holder per bank. ASOR's bank deposits exceeded federally insured limits at June 30, 2017 by approximately \$467,000. ASOR has incurred no loss as a result of such.

Cash and investments of approximately \$1,684,000 and \$1,432,000 at June 30, 2017 and 2016, respectively, are invested with one brokerage firm. These, as well as other investments, are primarily unsecured, though certain coverage may be provided by the Security Investors Protection Corporation for missing stocks and other securities up to \$500,000, including up to \$100,000 in cash if a brokerage or bank brokerage subsidiary fails. SIPC does not insure the quality of investments or protect against losses from fluctuating market values.

NOTE J -- COMMITMENTS AND CONTINGENCIES

Grants, bequests and endowments require the fulfillment of certain conditions set forth in the instruments of the gifts. Failure to fulfill the conditions, or in the case of the endowments, failure to continue to fulfill them, could result in the return of funds to the grantor. The Board and management believe the contingency is remote, since by accepting the gifts and their terms, it has accommodated the objectives of ASOR to the provisions of the gifts.

NOTE K -- RELATED PARTY TRANSACTIONS

The financial statements include only ASOR's accounts. These financial statements do not include ASOR's affiliates: the William Foxwell Albright Institute of Archeological Research (AIAR) in Jerusalem; the American Center of Oriental Research in Amman, Incorporated (ACOR) in Amman, Jordan; and the Cyprus American Archaeological Research Institute, Inc. (CAARI) in Nicosia, Cyprus.

ASOR shares office space with the aforementioned named affiliates and pays for common expenses, which are later reimbursed by the affiliates.

Members of the ASOR Board of Trustees contributed approximately \$144,074 and \$133,000 to ASOR for the years ended June 30, 2017 and 2016, respectively.

In-kind contributions for the years ended June 30, 2017 and 2016 include \$30,855 and \$33,660 of donated office space, respectively. (Refer also to *Note G -- Office Space Leases.*) In-kind contributions for the year ended June 30, 2017, also include \$11,165 of donated services. In-kind contributions for the year ended June 30, 2016 also include \$171,300 of donated legal services.

NOTE L -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2017, the date on which financial statements were available for issue.

SUPPLEMENTARY INFORMATION

Schedule of Support and Revenue and Functional Expenses

The American Schools of Oriental Research

Year Ended June 30, 2017

	Annual Meeting and Events	Arch. & Policy Support	CHI	Archives Project	Journals	Books	Fundraising	General and Administrative	Undesignated	Total
SUPPORT, REVENUES, AND OTHER INCOME:										
Contributions	\$	\$ 161,445	\$ 101,740	\$	\$	\$ 18,900	\$ 1,717	\$	\$ 94,326	\$ 378,128
Federal grant			317,600							317,600
In-kind contributions	3,152	3,152	14,598	630	11,032		1,576	7,880		42,020
Book revenue						28,574				28,574
Journals revenue					217,485					217,485
Institutional memberships					25,900				48,100	74,000
Individual memberships					68,768				103,151	171,919
Annual meeting	212,860									212,860
Royalty income					58,370					58,370
Investment income (loss)		214,145				11,699			6,322	232,166
Total Support, Revenues, and Other Income	\$ 216,012	\$ 378,742	\$ 433,938	\$ 630	\$ 381,555	\$ 59,173	\$ 3,293	\$ 7,880	\$ 251,899	\$ 1,733,122
EXPENSES:										
Annual meeting expenses	\$ 102,898	\$	\$	\$	\$	\$	\$	\$	\$	\$ 102,898
Depreciation	692	692	900	138	2,422		346	1,730		6,920
Development expense			955				4,663			5,618
Fellowships and grants		76,056							(556)	75,500
Website		7,747								7,747
General and administrative	647	647	1,100	129	2,264		323	1,358		6,468
Insurance	987	987	1,677	197	3,453		493	2,072		9,866
Postage and supplies	2,123	2,123	9,058	463	7,431		1,062	4,459		26,719
Production and editorial costs		17,396			162,096	37,132				216,624
Legal and accounting	1,758	1,758	2,989	352	6,154		879	3,692		17,582
Rent and legal (in-kind)	3,152	3,152	14,598	630	11,032		1,576	7,880		42,020
Salaries, contract payments and benefits	135,636	55,998	462,186	32,639	98,893	18,229	40,808	72,648	2,986	920,023
Other direct project costs			111,564							111,564
Travel, meetings, and Chair support	875	16,131	8,282	175	3,061		437	1,837		30,798
Utilities and telephone	410	410	697	82	1,436		205	861		4,101
Other allocable expenses	2,167	2,168	3,685	435	7,586		1,084	4,552	1,611	23,288
Total Expenses	\$ 251,345	\$ 185,265	\$ 617,691	\$ 35,240	\$ 305,828	\$ 55,361	\$ 51,876	\$ 101,089	\$ 4,041	\$ 1,607,736
Percent of Total Expenses	15.63%	11.52%	38.42%	2.19%	19.02%	3.44%	3.23%	6.29%	0.24%	100%
Excess (Deficiency) of Revenue over Expenses Before Allocation of Undesignated Revenue	\$ (35,333)	\$ 193,477	\$ (183,753)	\$ (34,610)	\$ 75,727	\$ 3,812	\$ (48,583)	\$ (93,209)	\$ 247,858	\$ 125,386
Excess (Deficiency) of Revenue over Expenses Before Investment Income (Loss) and Before Allocation of Undesignated Revenue	\$ (35,333)	\$ (20,668)	\$ (183,753)	\$ (34,610)	\$ 75,727	\$ (7,887)	\$ (48,583)	\$ (93,209)	\$ 241,536	\$ (106,780)

See accompanying independent auditors' report as pertains to supplementary information.

Schedule of Support and Revenue and Functional Expenses

The American Schools of Oriental Research

Year Ended June 30, 2016

	Annual Meeting and Events	Arch. & Policy Support	CHI	Archives Project	Journals	Books	Fundraising	General and Administrative	Undesignated	Total
SUPPORT, REVENUES, AND OTHER INCOME:										
Contributions	\$	\$ 117,362	\$ 97,257	\$ 6,195	\$	\$ 18,878	\$ 750	\$	\$ 158,471	\$ 398,913
Federal grant			900,000							900,000
In-kind contributions	11,931	123,276	38,636	673	20,346		1,683	8,415		204,960
Book revenue						29,239				29,239
Journals revenue					218,938					218,938
Institutional memberships					26,251				48,749	75,000
Individual memberships					95,723				63,816	159,539
Annual meeting	219,540									219,540
Royalty income					65,479					65,479
Miscellaneous income									16,850	16,850
Investment income (loss)		(95,794)				2,494			3,151	(90,149)
Total Support, Revenues, and Other Income	\$ 231,471	\$ 144,844	\$ 1,035,893	\$ 6,868	\$ 426,737	\$ 50,611	\$ 2,433	\$ 8,415	\$ 291,037	\$ 2,198,309
EXPENSES:										
Annual meeting expenses	\$ 104,528	\$	\$	\$	\$	\$	\$	\$	\$	\$ 104,528
Depreciation	444	444	577	89	1,553		222	1,109		4,438
Development expense			526				2,570			3,096
Distribution and marketing		23,796			4,199					27,995
Fellowships and grants		94,110								94,110
Dead Sea distributions		46,653								46,653
General and administrative	624	624	1,061	125	2,185		312	1,311		6,242
Insurance	1,009	1,009	1,715	202	3,530		504	2,118		10,087
Postage and supplies	2,175	2,175	8,618	638	7,613		1,088	4,568		26,875
Production and editorial costs					165,130	32,605				197,735
Legal and accounting	1,900	1,900	3,230	380	6,650		950	3,990		19,000
Rent and legal (in-kind)	11,931	123,276	38,636	673	20,346		1,683	8,415		204,960
Salaries, contract payments and benefits	127,065	48,468	586,842	30,265	76,117	17,283	43,388	63,317		992,745
Mini grants/NEH summit									21,882	21,882
Other direct project costs			285,072							285,072
Travel, meetings, and Chair support	371	371	30,115	1,619	1,298		185	779		34,738
Utilities and telephone	700	700	1,190	140	2,450		350	1,470		7,000
Other allocable expenses	586	585	994	116	2,050		293	1,229	(3,701)	2,152
Total Expenses	\$ 251,333	\$ 344,111	\$ 958,576	\$ 34,247	\$ 293,121	\$ 49,888	\$ 51,545	\$ 88,306	\$ 18,181	\$ 2,089,308
Percent of Total Expenses	12.03%	16.47%	45.88%	1.64%	14.03%	2.39%	2.47%	4.23%	0.86%	100%
Excess (Deficiency) of Revenue over Expenses Before Allocation of Undesignated Revenue	\$ (19,862)	\$ (199,267)	\$ 77,317	\$ (27,379)	\$ 133,616	\$ 723	\$ (49,112)	\$ (79,891)	\$ 272,856	\$ 109,001
Excess (Deficiency) of Revenue over Expenses Before Investment Income (Loss) and Before Allocation of Undesignated Revenue	\$ (19,862)	\$ (103,473)	\$ 77,317	\$ (27,379)	\$ 133,616	\$ (1,771)	\$ (49,112)	\$ (79,891)	\$ 269,705	\$ 199,150

See accompanying independent auditors' report as pertains to supplementary information.