

**Audited Financial Statements and
Supplementary Information**

The American Schools of Oriental Research

Years Ended June 30, 2018 and 2017

Audited Financial Statements and Supplementary Information

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Audited Financial Statements

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Independent Auditors' Report

Board of Trustees
The American Schools of Oriental Research
Alexandria, Virginia

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, 2018 and 2017, 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. 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, 2018 and 2017, 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.

Independent Auditors' Report--Continued

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
April 1, 2019

Statements of Financial Position

The American Schools of Oriental Research

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 1,133,910	\$ 842,807
Investments (including permanent endowments)	1,921,942	1,776,045
Grant receivable	14,768	117,600
Accounts receivable:		
Memberships and subscriptions	32,428	16,368
Book sales and other receivables	23,950	20,550
Inventory and capitalized costs	11,328	18,460
Prepaid expenses and other assets	7,722	9,243
Fixed assets, net	<u>19,102</u>	<u>26,506</u>
TOTAL ASSETS	<u>\$ 3,165,150</u>	<u>\$ 2,827,579</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 40,578	\$ 13,968
Deferred revenue	<u>379,382</u>	<u>389,192</u>
Total Liabilities	419,960	403,160
Net Assets:		
Unrestricted:		
Available for operations	568,407	459,842
Board-designated for publications	137,690	143,181
Fixed assets, net	<u>19,102</u>	<u>26,506</u>
Total Unrestricted Net Assets	725,199	629,529
Temporarily restricted	883,211	701,772
Permanently restricted	<u>1,136,780</u>	<u>1,093,118</u>
Total Net Assets	<u>2,745,190</u>	<u>2,424,419</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,165,150</u>	<u>\$ 2,827,579</u>

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

Statement of Activities

The American Schools of Oriental Research

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 168,754	\$ 295,764	\$ 38,380	\$ 502,898
Federal grant		712,546		712,546
Donated services	99,170			99,170
Book revenue	41,820			41,820
Journals revenue	199,169			199,169
Institutional memberships	67,022			67,022
Individual memberships	174,531			174,531
Annual meeting	247,800			247,800
Royalties and other income	51,379			51,379
Miscellaneous income	671			671
Interest and dividends	13,778	48,448		62,226
Net change in fair value of investments	2,891	123,334	1,442	127,667
Net assets released from restrictions:				
Satisfaction of purpose restrictions	994,813	(994,813)		-
Reclassification of net assets		(3,840)	3,840	-
	<u>2,061,798</u>	<u>181,439</u>	<u>43,662</u>	<u>2,286,899</u>
Total Support and Revenue				
EXPENSES AND LOSSES				
Program services	1,778,987			1,778,987
Support services:				
General and administrative	129,594			129,594
Fundraising	57,547			57,547
	<u>1,966,128</u>	<u>-</u>	<u>-</u>	<u>1,966,128</u>
Total Expenses				
Change in Net Assets	95,670	181,439	43,662	320,771
Net Assets, Beginning of Year	<u>629,529</u>	<u>701,772</u>	<u>1,093,118</u>	<u>2,424,419</u>
Net Assets, End of Year	<u>\$ 725,199</u>	<u>\$ 883,211</u>	<u>\$ 1,136,780</u>	<u>\$ 2,745,190</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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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)		-
	<u>1,697,819</u>	<u>(72,238)</u>	<u>107,541</u>	<u>1,733,122</u>
Total Support and Revenue				
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
	<u>1,607,736</u>	<u>-</u>	<u>-</u>	<u>1,607,736</u>
Total Expenses				
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.

Statements of Cash Flows

The American Schools of Oriental Research

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 320,771	\$ 125,386
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,897	6,920
Loss on disposal of fixed assets	507	35
Net change in fair value of investments	(127,667)	(184,649)
Changes in operating assets and liabilities:		
Grant receivable	102,832	(72,600)
Memberships and subscriptions receivable	(16,060)	(2,776)
Book sales and other receivables	(3,400)	(6,124)
Inventory and capitalized costs	7,132	5,762
Prepaid expenses and other assets	1,521	6,904
Accounts payable and accrued expenses	26,610	(14,652)
Deferred revenue	(9,810)	48,825
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>309,333</u>	<u>(86,969)</u>
INVESTING ACTIVITIES:		
(Purchases) sales of investments, net	(18,230)	(75,096)
Purchases of fixed assets	-	(7,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>(18,230)</u>	<u>(82,096)</u>
NET CHANGE IN CASH	291,103	(169,065)
Cash, beginning of year	<u>842,807</u>	<u>1,011,872</u>
CASH, END OF YEAR	<u>\$ 1,133,910</u>	<u>\$ 842,807</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, 2018 and 2017

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, 2018 and 2017, ASOR recognized support of \$712,546 and \$317,600, respectively, and expenditures of \$712,546 and \$546,682, respectively, under a cooperative agreement with the Department of State (DOS) for use in connection with its Cultural Heritage Initiatives. The project is ongoing and involves planning for the safeguarding of heritage sites in Syria and Iraq. Conditional awards of \$70,087 at June 30, 2018, as pertains to the \$900,000 Year 3 reimbursement award, were expended and recognized subsequently. Refer also to *Note L -- Subsequent Events*.

Notes to Financial Statements -- Continued

The American Schools of Oriental Research

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

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, 2018 and 2017.

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, 2018 and 2017. 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.

Fixed Assets: Fixed assets 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, at fair value when donated) 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. Donated services of \$99,170 and \$11,165 were recognized in support (at fair value) in 2018 and 2017, respectively. These services were provided primarily by consultants assisting ASOR with its Cultural Heritage Initiatives. 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 accounts payable is considered by management to approximate the fair value of such at June 30, 2018 and 2017, 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, 2018 and 2017. Tax filings for fiscal years subsequent to fiscal 2013-2014 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 2017 financial statements have been reclassified to conform to the 2018 presentation.

Future Pronouncements: On August 18, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to improve financial statement presentation by not-for-profit organizations by providing more relevant information about their resources and the changes in those resources to their donors, grantors, creditors, and other users. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The standard will be effective for the fiscal years beginning after December 15, 2017. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements for the year ending June 30, 2019.

NOTE B -- INVESTMENTS

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

	June 30,	
	<u>2018</u>	<u>2017</u>
Cash accounts	\$ 70,225	\$ 105,897
Mutual/ETF:		
Equities	1,324,475	1,413,676
Exchange traded funds	512,432	-
Bonds	<u>14,810</u>	<u>256,472</u>
	<u>\$ 1,921,942</u>	<u>\$ 1,776,045</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>2018</u>	<u>2017</u>
Furniture and fixtures	\$ -	\$ 35,498
Website development and software	28,514	28,514
Computer equipment	<u>21,363</u>	<u>31,503</u>
	49,877	95,515
Less: Accumulated depreciation and amortization	<u>(30,775)</u>	<u>(69,009)</u>
	<u>\$ 19,102</u>	<u>\$ 26,506</u>

Depreciation and amortization expense totaled \$6,897 and \$6,920 for 2018 and 2017, respectively.

Notes to Financial Statements -- Continued

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>2018</u>	<u>2017</u>
General Endowment Fund	\$ 24,832	\$ 23,426
Harris Fund	8,369	8,585
Platt Fund	17,515	18,621
Wright/Meyers Fund	4,902	4,794
PE MacAllister Fund	7,609	7,115
Eric and Carol Meyers Fund	5,680	4,095
Strange/Midkiff Fund	4,398	3,401
Joe D. Seger Excavation Fund	3,294	1,965
Sponsored projects	16,593	23,458
Cultural Heritage Initiatives	851,070	607,930
Fellowships and student support	25,676	17,462
Book subvention	5,640	12,665
Friends of ASOR	12,537	30,466
Other	<u>6,698</u>	<u>4,142</u>
	<u>\$ 994,813</u>	<u>\$ 768,125</u>

Temporarily restricted net assets of \$3,840 were reclassified to permanently restricted endowment net assets at June 30, 2018, 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>2018</u>	<u>2017</u>
Accumulated earnings on endowment funds:		
General Endowment, ASOR's general operations	\$ 307,704	\$ 252,599
Harris Fund, excavation grants	26,180	21,571
Platt Fund, ASOR fellowships	240,896	231,838
Wright/Meyers Fund, excavation scholarships	31,976	28,294
PE MacAllister Fund, excavation scholarships	20,508	13,367
Eric and Carol Meyers Fund, excavation scholarships	18,333	9,919
Strange/Midkiff Fund, excavation scholarships	10,341	5,527
Joe D. Seger Excavation Fund, excavation grants	6,534	4,175
Sponsored projects	5,429	6,701
Cultural Heritage Initiatives	118,698	79,201
Book subvention	13,570	12,410
Friends of ASOR project	-	11,152
Other	<u>83,042</u>	<u>25,018</u>
	<u>\$ 883,211</u>	<u>\$ 701,772</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>2018</u>	<u>2017</u>
General Endowment Fund	\$ 505,870	\$ 505,120
Harris Fund	118,262	116,820
Platt Fund	20,000	20,000
Wright/Meyers Fund	55,466	55,466
P.E. MacAllister Fund	130,620	129,520
Eric and Carol Meyers Fund	142,207	133,207
Strange/Midkiff Fund*	107,710	81,490
Joe D. Seger Excavation Fund	<u>56,645</u>	<u>51,495</u>
	<u>\$ 1,136,780</u>	<u>\$ 1,093,118</u>

*Temporarily restricted net assets of \$3,840 were reclassified to permanently restricted net assets at June 30, 2018, 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, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 662,472	\$ 1,136,780	\$ 1,799,252
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total funds, at June 30, 2018	<u>\$ -</u>	<u>\$ 662,472</u>	<u>\$ 1,136,780</u>	<u>\$ 1,799,252</u>

Notes to Financial Statements -- Continued

The American Schools of Oriental Research

NOTE F -- ENDOWMENT NET ASSETS -- Continued

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ -	\$ 567,290	\$ 1,093,118	\$ 1,660,408
Investment return, net of fees (including change in fair value)	-	171,781	1,442	173,223
Contributions	-	-	38,380	38,380
Reclassification of net assets	-	-	3,840	3,840
Appropriated for expenditure	<u>-</u>	<u>(76,599)</u>	<u>-</u>	<u>(76,599)</u>
Endowment net assets, June 30, 2018	<u>\$ -</u>	<u>\$ 662,472</u>	<u>\$ 1,136,780</u>	<u>\$ 1,799,252</u>

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>

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	<u>-</u>	<u>(72,002)</u>	<u>-</u>	<u>(72,002)</u>
Endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ 567,290</u>	<u>\$ 1,093,118</u>	<u>\$ 1,660,408</u>

NOTE G -- OFFICE SPACE LEASES (including subsequent events)

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 estimated fair value of the leased property (based on market rates for comparable space in downtown Boston) has been recorded as an in-kind contribution and an in-kind expense of \$0 and \$30,855 for the years ended June 30, 2018 and 2017, respectively.

Notes to Financial Statements -- Continued

The American Schools of Oriental Research

NOTE G -- OFFICE SPACE LEASES (including subsequent events) -- Continued

ASOR received notice in March 2017 that ASOR's tenancy was being terminated effective May 31, 2017. ASOR began leasing alternative office space at 650 and 665 Beacon Street effective June 1, 2017. Rent expense approximated \$42,041 for the year ended June 30, 2018. The lease at 650 Beacon Street expired June 30, 2018. The lease at 665 Beacon Street required minimum rentals of \$6,270 until the expiration of the lease on December 31, 2018. ASOR is leasing storage space at 665 Beacon Street through May 31, 2019.

ASOR moved some of its offices to Alexandria, Virginia, on August 15, 2018. ASOR is leasing discounted space from Virginia Theological Seminary under an agreement that requires rent of no more than \$100 per month through March 31, 2019. Refer also to *Note L -- Subsequent Events* as pertains to the pending purchase of a 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, 2018 and 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2018</u>				
Investments, excluding cash held by brokers	\$ 1,851,717	\$ 1,851,717	\$ -	\$ -
Total	<u>\$ 1,851,717</u>	<u>\$ 1,851,717</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2017</u>				
Investments, excluding cash held by brokers	\$ 1,670,148	\$ 1,670,148	\$ -	\$ -
Total	<u>\$ 1,670,148</u>	<u>\$ 1,670,148</u>	<u>\$ -</u>	<u>\$ -</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*.

ASOR reports transfers between levels of the fair value hierarchy, if any, at the end of the reporting period. There were no such transfers at June 30, 2018 and 2017.

At June 30, 2018 and 2017, 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, 2018 by approximately \$795,000. ASOR has incurred no loss as a result of such.

Cash and investments of approximately \$1,827,735 at June 30, 2018, 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.

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 allows ACOR and CAARI to use office space in the United States that ASOR has leased. AIAR does not share office space with ASOR nor use office space leased or owned by ASOR. ACOR and CAARI reimburse ASOR for their proportional share of the rent and utilities. These financial statements reflect the net rent and utilities paid by ASOR.

Members of the ASOR Board of Trustees contributed approximately \$158,065 and \$144,074 to ASOR for the years ended June 30, 2018 and 2017, respectively.

NOTE L -- SUBSEQUENT EVENTS

A Permanent Home for ASOR: On January 28, 2019, ASOR agreed to purchase an office building in Alexandria, Virginia for \$1,100,000. ASOR has since placed \$100,000 in escrow with the seller's agent and the closing is scheduled for April 24, 2019. The purchase of this permanent home for ASOR will be financed with proceeds from campaign-specific donor pledges and proceeds from a bank line of credit. Fundraising proceeds will be used to retire borrowings on the line of credit. As of April 1, 2019, ASOR has received cash donations of approximately \$471,500 and pledges of approximately \$1,050,000 (including a \$450,000 pledge that is conditional to a match) to be used for the purchase, furnishing, and maintenance of the building. ASOR has negotiated with a bank for a 3-year \$550,000 line of credit. ASOR expects to use this line of credit for the building purchase. The line requires monthly payments of interest, with principal due at maturity. Interest on the line is expected to approximate the 3-month Libor plus 1.60%. The line of credit will be collateralized by a brokerage account with a minimum value of \$750,000.

Notes to Financial Statements -- Continued

The American Schools of Oriental Research

NOTE L -- SUBSEQUENT EVENTS -- Continued

Federal Grant: ASOR was subsequently awarded a grant from the U.S. Department of State for \$150,000, with a period of performance of September 29, 2018 to January 15, 2019. The federal grant was for monitoring, reporting, and fact-finding cultural heritage damage in Syria.

Management has evaluated subsequent events through April 1, 2019, the date on which financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Schedule of Support and Revenue and Functional Expenses
 The American Schools of Oriental Research

Year Ended June 30, 2018

SUPPORT, REVENUES, AND OTHER INCOME:

	Annual Meeting and Events	Arch. & Policy Support	Cultural Heritage Initiatives	Archives Project	Journals	Books	Fundraising	General and Administrative	Undesignated	Total
Contributions	\$ 3,024	\$ 143,568	\$ 178,020	\$	\$	\$ 10,800	\$ 600	\$	\$ 166,886	\$ 502,898
Federal grant			712,546							712,546
Donated services	394	394	96,540	53	605	41,820	132	1,052		99,170
Book revenue										41,820
Journals revenue					199,169					199,169
Institutional memberships					23,458				43,564	67,022
Individual memberships					69,812				104,719	174,531
Annual meeting	247,800				51,379					247,800
Royalties and other income										51,379
Miscellaneous income									671	671
Investment income (loss), net		173,224				7,042			9,627	189,893
Total Support, Revenues, and Other Income	\$ 251,218	\$ 317,186	\$ 987,106	\$ 53	\$ 344,423	\$ 59,662	\$ 732	\$ 1,052	\$ 325,467	\$ 2,286,899

EXPENSES:

Annual meeting expenses	\$ 113,742	\$	\$	\$	\$	\$	\$	\$	\$	\$ 113,742
Depreciation	690	690		138	2,414		345	2,620		6,897
Development expense		61,100					8,968			8,968
Fellowships and grants		18,200			7,500					61,100
Sponsored projects (nies, pottery volume)	577	1,363	1,443	116	1,559		289	1,212		25,700
General and administrative	1,708	1,708	4,271	342	4,613		854	3,587		6,559
Insurance	1,744	1,744	6,995	547	4,711		872	3,663		17,083
Postage and supplies		15,518			148,678					20,276
Production and editorial costs	2,294	2,294	4,750	433	5,735		1,081	5,042		213,965
Legal (including in-kinds) and accounting	4,204	4,204	10,510	841	9,670		2,102	10,510		21,629
Rent	130,615	50,961	673,259	32,400	84,732	21,493	40,872	91,295		1,125,627
Salaries, contract payments and benefits			96,540							96,540
Donated services			138,560							138,560
Other allocated costs	670	20,998	5,736	134	1,808		335	1,406		31,087
Travel, meetings, and Chair support	51	51		10	177		25	193		507
Loss on disposal of fixed assets	1,136	1,136	2,840	227	3,067		568	2,386		11,360
Utilities and telephone	2,475	2,470	2,706	494	7,426		1,236	6,795	885	24,487
Other direct costs										
Total Expenses	\$ 259,906	\$ 182,437	\$ 947,610	\$ 35,682	\$ 282,090	\$ 71,262	\$ 57,547	\$ 128,709	\$ 885	\$ 1,966,128
Percent of Total Expenses	13.22%	9.28%	48.20%	1.81%	14.35%	3.62%	2.93%	6.55%	0.05%	100%

Excess (Deficiency) of Revenue over Expenses Before Allocation of Undesignated Revenue

	\$ (8,688)	\$ 134,749	\$ 39,496	\$ (35,629)	\$ 62,333	\$ (11,600)	\$ (56,815)	\$ (127,657)	\$ 324,582	\$ 320,771
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Excess (Deficiency) of Revenue over Expenses Before Investment Income (Loss) and Before Allocation of Undesignated Revenue

	\$ (8,688)	\$ (38,475)	\$ 39,496	\$ (35,629)	\$ 62,333	\$ (18,642)	\$ (56,815)	\$ (127,657)	\$ 314,955	\$ 130,878
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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, 2017

SUPPORT, REVENUES, AND OTHER INCOME:

	Annual Meeting and Events	Arch. & Policy Support	Cultural Heritage Initiatives	Archives Project	Journals	Books	Fundraising	General and Administrative	Undesignated	Total
Contributions										
Federal grant		\$ 161,445	\$ 101,740			\$ 18,900	\$ 1,717		\$ 94,326	\$ 378,128
In-kind contributions	3,152	3,152	14,598	630	11,032	28,574	1,576	7,880		317,600
Book revenue										42,020
Journals revenue					217,485					28,574
Institutional memberships					25,900					217,485
Individual memberships					68,768				48,100	74,000
Annual meeting	212,860				58,370				103,151	171,919
Royalty income										212,860
Investment income (loss), net		214,145				11,699			6,322	58,370
										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	692	692	900	138	2,422		346	1,730		102,898
Depreciation			955				4,663			6,920
Development expense		76,056							(556)	5,618
Fellowships and grants		7,747								75,500
Website										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 allocated 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	1,456		205	861		4,101
Other direct costs	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

Excess (Deficiency) of Revenue over Expenses
 Before Investment Income (Loss) and
 Before Allocation of Undesignated Revenue

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.