

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

Year Ended June 30, 2001

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To The Board of Directors
American Schools of Oriental Research
Boston, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of American Schools of Oriental Research (ASOR) as of June 30, 2001 and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of ASOR's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Schools of Oriental Research at June 30, 2001, and the results of its operations, changes in net assets, and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Boston, Massachusetts
November 8, 2001

Brown & Brown, LLP

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Statement of Financial Position
June 30, 2001

Assets

Current assets:	
Cash and cash equivalents	\$ 841,534
Investments	140,115
Accounts receivable:	
Contributions, net of discount and allowance	336,287
Memberships	26,435
Book sales	44,269
Subscriptions	71,237
Other	28,296
Prepaid expenses	13,596
Deferred publication expenses	112,765
Deferred sponsored project expenses	13,160
Total current assets	1,627,694
Office equipment & furniture, net	12,391
Other assets:	
Notes receivable	2,163
Other current assets	14,446
Total assets	\$ 1,656,694

Liabilities and Net Assets

Current liabilities:	
Accrued expenses	\$ 124,359
Loan payable to affiliate	6,650
Deferred revenue	289,507
Total current liabilities	420,516
Long-term liabilities:	
Loan payable to affiliate, net current portion	13,300
Other liabilities	17,399
Total long-term liabilities	30,699
Net assets:	
Unrestricted	(63,813)
Temporarily restricted	583,577
Permanently restricted	685,715
Total net assets	1,205,479
Total liabilities and net assets	\$ 1,656,694

The accompanying notes are an integral part of these financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Statement of Activities
Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support				
Contributions	\$ 172,573	\$ 39,810	\$ 198,528	\$ 410,911
Grants - Foundation and individuals		65,312		65,312
Total support	172,573	105,122	198,528	476,223
Revenues and gains				
Publication income	232,576			232,576
Institutional membership	53,000			53,000
Individual membership	57,376			57,376
Annual meeting	30,583			30,583
In-kind rent contribution	22,500			22,500
Royalty income	3,836			3,836
Investment income	5,098	41,333	6,017	52,448
Realized loss on sale of investments	(11,183)	(30,912)	(8,166)	(50,261)
Unrealized loss on investments	(4,023)	(65,388)	(9,115)	(78,526)
Net assets released from restrictions:				
Satisfaction of program restrictions	140,312	(140,312)		
Total revenue and gains	530,075	(195,279)	(11,264)	323,532
Total support, revenue and gains	702,648	(90,157)	187,264	799,755
Expenses				
Total program services	539,949			539,949
Management and general	170,331			170,331
Fund raising	39,809			39,809
Total expenses	750,089			750,089
Increase (decrease) in net assets	\$ (47,441)	\$ (90,157)	\$ 187,264	\$ 49,666

The accompanying notes are an integral part of these financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Statement of Changes in Net Assets
Year Ended June 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2000	\$ 461,705	\$ 410,914	\$ 182,903	\$ 1,055,522
Reclassification of net assets from prior year	(478,077)	162,529	315,548	
Prior period adjustment		100,291		100,291
Net assets, June 30, 2000, restated	(16,372)	673,734	498,451	1,155,813
Changes in net assets for the year ended June 30, 2001	(47,441)	(90,157)	187,264	49,666
Net assets, June 30, 2001	\$ (63,813)	\$ 583,577	\$ 685,715	\$ 1,205,479

The accompanying notes are an integral part of these financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Statement of Cash Flows
Year Ended June 30, 2001

Cash flows from operating activities:	
Increase in net assets	\$ 49,666
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Allowance for doubtful accounts	90,000
Discount on contributions receivable	4,608
Depreciation and amortization	5,320
(Gain) loss on sale of investments	50,261
Net unrealized (gain) loss on investments	78,526
(Increase) decrease in assets	
Contributions receivable	(141,525)
Memberships receivable	(26,435)
Book sales receivable	(40,097)
Subscriptions receivable	(71,237)
Other receivables	(16,965)
Prepaid expense	13,615
Deferred publication expenses	(98,899)
Deferred sponsored project expenses	(13,160)
Other current assets	(5,857)
Increase (decrease) in liabilities	
Accrued expenses	63,648
Deferred revenue	156,102
Other liabilities	(815)
Net cash provided by operating activities	<u>96,756</u>
Cash flows from investing activities:	
Acquisition of office equipment and furniture	(7,943)
Net purchases and proceeds from investments	551,311
Payments received on note receivable	1,391
Net cash provided by investing activities	<u>544,759</u>
Cash flows from financing activities:	
Principal payments on long-term debt	(6,650)
Net cash used in financing activities	<u>(6,650)</u>
Net increase in cash and cash equivalents	634,865
Cash and cash equivalents, beginning of year	106,378
Increase in cash due to prior period adjustment	100,291
Cash and cash equivalents, end of year	<u><u>\$ 841,534</u></u>

The accompanying notes are an integral part of these financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Notes to Financial Statements
Year Ended June 30, 2001

NOTE 1 – PURPOSE OF ORGANIZATION

American Schools of Oriental Research (ASOR), established in 1900, was incorporated as a not for profit public charity in 1935. ASOR promotes the study, teaching, and dissemination of knowledge of the ancient and modern languages and literature, geography, history, and archaeology of the Near and Middle Eastern countries. ASOR's principal source of revenue is from scholarly journals and books, annual programs, membership dues, grants, and contributions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

ASOR has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* issued by the Financial Accounting Standards Board (FASB) for presentation of its financial statements. The statements are prepared using the accrual method of accounting. Net assets and revenues, expenses, gains and losses are classified based on donor-imposed restrictions. The net assets of ASOR and the changes therein are classified and reported as follows:

Unrestricted net assets – net assets either not subject to donor-imposed restrictions or releases from temporarily restricted assets designated for stipulated activities or programs which are expended within the current fiscal year.

Temporarily restricted net assets – net assets subject to explicit or implicit donor-imposed stipulations that may or will be met by the programmatic activities of ASOR and/or the passage of time.

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

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, ASOR considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires ASOR's directors 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Notes to Financial Statements
Year Ended June 30, 2001

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

ASOR has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Income Taxes and Tax-Exempt Status

ASOR is a not-for-profit organization, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code. ASOR had no unrelated activities and therefore, incurred no unrelated business income for the year ended June 30, 2001.

Contributions

ASOR adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions, including unconditional promises to give, are recorded as made to ASOR. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. 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 risk-free rates applicable to the years in which the promises are to be received.

Office Equipment and Furniture

Office equipment and furniture are recorded at cost. Additions, renewals and betterments of equipment and furniture, unless of a relatively minor amount, are capitalized. Expenditures for repairs and maintenance are expensed as incurred. It is the policy of ASOR to remove the cost of fixed assets sold or disposed of, together with the related allowance for depreciation, from the appropriate asset and accumulated depreciation accounts and to recognize any gain or loss in net earnings. Depreciation is provided using the straight-line method over the useful lives of the assets, which are seven years for furniture and fixtures and five years for computer equipment.

NOTE 3 - INVESTMENTS

Operating fund investments consist primarily of money market funds, the cost of which approximates fair value, and are included in cash and cash equivalents. Recent market volatility required ASOR to hold a large percentage of assets in cash and cash equivalents.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Notes to Financial Statements
Year Ended June 30, 2001

NOTE 3 – INVESTMENTS (Continued)

Investments, at market value and cost basis, consist of the following at June 30, 2001:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Fair Value	Cost Basis
Publicly traded companies	\$ -	\$ 88,911	\$ -	\$ 88,911	\$ 109,944
Mutual Funds	7,287	32,291	11,626	51,204	51,728
	<u>\$ 7,287</u>	<u>\$ 121,202</u>	<u>\$ 11,626</u>	<u>\$ 140,115</u>	<u>\$ 161,672</u>

As of June 30, 2001, ASOR held \$644,186 in money market accounts which is classified as cash and cash equivalents.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are discounted at rates varying between four to six percent:

	Due in less than one Year	Due in More than one year less than five	Total
Contributions receivable	\$ 300,626	\$ 145,500	\$ 446,126
Discount on contribution	-	(19,839)	(19,839)
Net present value	<u>\$ 300,626</u>	<u>\$ 125,661</u>	426,287
Allowance			(90,000)
			<u>\$ 336,287</u>

NOTE 5 – MEMBERSHIPS AND SUBSCRIPTIONS RECEIVABLE

Membership and subscription receivables represent billed but uncollected amounts net of write-offs at June 30, 2001.

NOTE 6 – BOOK SALES RECEIVABLE

Book sales receivable represents amounts due ASOR from the book distributor for book sales through June 30, 2001.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Notes to Financial Statements
Year Ended June 30, 2001

NOTE 7 – OFFICE EQUIPMENT AND FURNITURE

Office equipment and furniture as of June 30, 2001 is summarized below:

	2001
Furniture and fixtures	\$ 35,498
Computer equipment	31,619
	67,117
Less: accumulated depreciation	(54,726)
	\$ 12,391

Depreciation expense for the year ended June 30, 2001 was \$5,320.

NOTE 8 – RELATED PARTY RECEIVABLES

During the year ended June 30, 1999, ASOR loaned \$6,000 to its Director of Publications for personal expenses. The note calls for monthly payments of \$140 (including principal and interest) at a rate of 6% due September 2002. Following are the maturities for each of the next five years ending June 30:

2002	\$ 1,722
2003	441
	\$ 2,163

ASOR loaned \$10,995 to its Executive Director during the year ended June 30, 1997 in order to facilitate his move to Boston. The loan does not require the payment of interest or principal until the Executive Director leaves. Terms of repayment will be finalized at the termination of the Executive Director's contract. During the years ended June 30, 2001 \$1,048 was repaid by the Executive Director by foregoing expense reimbursement. The loan balance as of June 30, 2001 was \$7,540.

The financial statements include only the accounts of the American Schools of Oriental Research. These financial statements do not include ASOR's affiliates, the William Foxwell Albright Institute of Archaeological Research (AIAR) in Jerusalem, Israel; 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.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Notes to Financial Statements
Year Ended June 30, 2001

NOTE 9 - RELATED PARTY LIABILITIES

During 1993, ASOR's Board of Trustees agreed to pay the W.F. Albright Institute of Archaeological Research, the sum of \$66,500, representing a final commitment in establishing the total fiscal independence of the AIAR that has been an ongoing process since its incorporation. The commitment is being paid in ten equal, annual payments of \$6,650 in July of each year. The outstanding balance at June 30, 2001 was \$19,950.

For the year ended June 30, 2001, ASOR paid \$3,184 to the spouse of ASOR's president for professional services rendered by her company, New Ideas, Inc. primarily related to the Centennial programs.

NOTE 10 - DEFERRED REVENUE AND EXPENSES

Deferred revenue items represent revenue billed or collected that will be recognized in subsequent periods. Deferred expenses represent expenses associated with the deferred revenue and will be recognized in the same corresponding periods.

NOTE 11 - LEASE COMMITMENTS

On July 1, 1996, ASOR entered into an agreement to lease office space from the Trustees of Boston University. No rent is payable under this lease. ASOR is required to make monthly payments to cover operating costs incurred by the landlord.

The value of the leased property has been recorded as an in-kind contribution and an in-kind expense for the year ended June 30, 2001 in the amount of \$22,500.

In addition, ASOR leased space in Atlanta, Georgia at a monthly occupancy fee of \$840 a month or \$10,080 annually, expiring July 31, 2001. ASOR has elected to extend the lease until September 30, 2002 at a monthly occupancy fee of \$865 or \$10,380 annually.

Operating Leases

ASOR is obligated under various leases for office equipment. Annual rental commitments for the five years subsequent to June 30, 2001 for occupancy and equipment are as follows:

2002	\$ 14,567
2003	6,807
2004	4,212
2005 and thereafter	<u>1,053</u>
	<u>\$ 26,639</u>

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Notes to Financial Statements
Year Ended June 30, 2001

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants, bequests and endowments require the fulfillment of certain conditions as set forth in the instruments of the grant. Failure to fulfill the conditions, or in the case of endowments, failure to continue to fulfill them, could result in the return of the funds to grantors. 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 gift.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Accumulated income on fellowship fund	\$ 218,551
Accumulated income on General Endowment	59,062
Kress awards for foreign travel to annual meeting	1,433
Sponsored Projects	144,903
Baghdad Committee Fund	24,867
Publications and related functions	75,674
Torch campaign	59,087
	<u>\$ 583,577</u>

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted for the following purposes:

Corpus of fellowship fund	\$ 20,000
Corpus of specified memorial funds	13,815
Corpus of General Endowment	37,000
Corpus of Endowment for Biblical	
Archaeology field and publication support	105,818
Torch Endowment Fund	509,082
	<u>\$ 685,715</u>

NOTE 15 - SATISFACTION OF PROGRAM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Notes to Financial Statements
Year Ended June 30, 2001

NOTE 15 - SATISFACTION OF PROGRAM RESTRICTIONS (Continued)

Purpose restrictions accomplished:

Development expense	\$ 5,000
Sponsored project expedition expenses	25,501
Baghdad Committee Fund	22,500
Dorot foundation fellowships for annual meeting	10,230
Torch Campaign	65,105
Kress awards for foreign travel to annual meeting	6,602
Endowment for Biblical Archaeological field support	<u>5,374</u>
Total temporarily restricted net assets released	<u>\$ 140,312</u>

NOTE 16 - RECLASSIFICATION OF NET ASSETS

During the year ended June 30, 2001 it was determined that specific contributions relating to a new fund raising campaign and other restricted contribution income recorded as unrestricted contribution in the year ended June 30, 2001 should be allocated to temporary and permanently restricted net assets. Accordingly, \$478,077 has been reclassified from unrestricted net assets, which consisted of a \$162,529 increase in temporarily net assets and a \$315,548 increase in permanently restricted net assets. There was no effect on current year or prior year's income.

NOTE 17 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2001 it was discovered that prior year contribution and related disbursement activity in two ASOR sponsored projects had not been recorded in ASOR's records. Therefore a prior period adjustment of \$100,291 has been recorded to increase net assets to recognize this previously unrecorded activity. Current year activity is reflected in the statement of activities.