

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

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FINANCIAL STATEMENTS FOR THE  
YEARS ENDED JUNE 30, 2006 AND 2005  
(With Independent Auditor's Report Thereon)



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## INDEPENDENT AUDITOR'S REPORT

BOARD OF TRUSTEES  
AMERICAN SCHOOLS OF ORIENTAL RESEARCH  
Boston, Massachusetts

We have audited the accompanying statements of financial position of American Schools of Oriental Research (ASOR) as of June 30, 2006 and 2005, and the related statements of activities, and cash flows for the years 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 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 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 audits provide 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 as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Parent, McLaughlin + Nangle*

*Certified Public Accountants, Inc.*

September 13, 2006

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Parent, McLaughlin & Nangle  
*Certified Public Accountants, Inc.*

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160 Federal Street  
Boston, MA 02110-1713  
617/426-9440  
Fax No. 617/423-3955

100 Cummings Center  
Suite 335G  
Beverly, MA 01915-6106  
978/921-0005  
Fax No. 978/927-3428

85 Rangeway Road  
Forest Ridge Office Park, Bldg #1  
Billerica, MA 01862-2105  
978/663-9750  
Fax No. 978/663-5151

Ten Commerce Way  
Raynham, MA 02767-1017  
508/880-4955  
Fax No. 508/823-6976

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2006	2005
<u>ASSETS</u>		
Cash and cash equivalents	\$ 299,761	\$ 155,572
Investments	884,934	752,873
Accounts receivable:		
Memberships and subscriptions, less allowance for doubtful accounts of \$35,000 and \$0 at June 30, 2006 and 2005, respectively	106,706	128,774
Book sales	20,492	9,511
Contributions receivable	-	5,826
Other receivables	75	10,311
Inventory and capitalized costs	36,491	71,797
Prepaid expenses and other assets	7,008	7,231
Furniture and fixtures and equipment, net	8,523	23,493
Total Assets	\$ 1,363,990	\$ 1,165,388
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES:</u>		
Accrued expenses	\$ 39,378	\$ 70,131
Deferred revenue	265,960	307,713
Other liabilities	12,018	13,295
Total Liabilities	317,356	391,139
<u>NET ASSETS:</u>		
Unrestricted:		
Operations	54,358	( 137,940 )
Board designated	115,552	55,638
Property and equipment	8,523	23,493
	178,433	( 58,809 )
Temporarily Restricted	441,530	407,336
Permanently Restricted	426,671	425,722
Total Net Assets	1,046,634	774,249
Total Liabilities and Net Assets	\$ 1,363,990	\$ 1,165,388

See accompanying notes to financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 303,580	\$ 139,015	\$ -	\$ 442,595
Publication income	436,320	-	-	436,320
Institutional memberships	83,200	-	-	83,200
Individual memberships	129,077	-	-	129,077
Annual meeting	82,090	-	-	82,090
In-kind contributions	48,576	-	-	48,576
Royalty income	18,233	-	-	18,233
Investment income	14,858	23,563	531	38,952
Net realized gain (loss) on sales of investments	( 9,374 )	177	20	( 9,177 )
Net unrealized gain on investments	55,196	13,910	398	69,504
Net assets released from restrictions:				
Purpose restrictions satisfied	142,471	( 142,471 )	-	-
Total Support and Revenue	<u>1,304,227</u>	<u>34,194</u>	<u>949</u>	<u>1,339,370</u>
<b>EXPENSES AND LOSSES:</b>				
Program services	703,253	-	-	703,253
General and administrative	195,870	-	-	195,870
Fundraising and nonprogram	88,685	-	-	88,685
Total Expenses	<u>987,808</u>	<u>-</u>	<u>-</u>	<u>987,808</u>
Provision for doubtful accounts	79,177	-	-	79,177
Total Expenses and Losses	<u>1,066,985</u>	<u>-</u>	<u>-</u>	<u>1,066,985</u>
CHANGE IN NET ASSETS	237,242	34,194	949	272,385
NET ASSETS - beginning of year	( 58,809 )	407,336	425,722	774,249
NET ASSETS - end of year	<u>\$ 178,433</u>	<u>\$ 441,530</u>	<u>\$ 426,671</u>	<u>\$ 1,046,634</u>

See accompanying notes to financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 199,633	\$ 151,794	\$ -	\$ 351,427
Publication income	294,219	-	-	294,219
Institutional memberships	84,275	-	-	84,275
Individual memberships	122,411	-	-	122,411
Annual meeting	59,075	-	-	59,075
In-kind rent contribution	64,688	-	-	64,688
Royalty income	7,721	-	-	7,721
Investment income	3,325	11,538	386	15,249
Net realized gain (loss) on sales of investments	1,985	( 25,667 )	472	( 23,210 )
Net unrealized gain (loss) on investments	( 7,872 )	48,968	( 384 )	40,712
Net assets released from restrictions:				
Purpose restrictions satisfied	<u>116,776</u>	<u>( 116,776 )</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>946,236</u>	<u>69,857</u>	<u>474</u>	<u>1,016,567</u>
EXPENSES AND LOSSES:				
Program services	712,673	-	-	712,673
General and administrative	195,444	-	-	195,444
Fundraising and nonprogram	<u>62,160</u>	<u>-</u>	<u>-</u>	<u>62,160</u>
Total Expenses	<u>970,277</u>	<u>-</u>	<u>-</u>	<u>970,277</u>
CHANGE IN NET ASSETS	( 24,041 )	69,857	474	46,290
NET ASSETS - beginning of year	<u>( 34,768 )</u>	<u>337,479</u>	<u>425,248</u>	<u>727,959</u>
NET ASSETS - end of year	<u>( \$ 58,809 )</u>	<u>\$ 407,336</u>	<u>\$ 425,722</u>	<u>\$ 774,249</u>

See accompanying notes to financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30</u>	
	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 272,385	\$ 46,290
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,439	12,088
Provision for doubtful accounts	79,177	( 10,545 )
Net loss on sales of investments	9,177	23,210
Net unrealized gain on investments	( 69,504 )	( 40,712 )
Net loss on sales of equipment	1,407	-
Increase in memberships and subscriptions receivable	( 57,109 )	( 27,248 )
(Increase) decrease in book sales receivable	( 10,981 )	22,715
Decrease in contributions receivable	5,826	158,884
Decrease (increase) in other receivables	10,236	( 4,727 )
Decrease in inventory and capitalized costs	35,306	11,386
Decrease in prepaid expenses and other assets	223	1,460
Decrease in long-term-cash equivalents	-	3,503
(Decrease) increase in accrued expenses	( 30,753 )	1,146
(Decrease) increase in deferred revenue	( 41,753 )	7,742
Decrease in other liabilities	( 1,277 )	( 1,172 )
Decrease in due to affiliates	-	( 150,000 )
Total adjustments	( 56,586 )	7,730
Net cash provided by operating activities	<u>215,799</u>	<u>54,020</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	130,358	520,891
Purchases of investments	( 202,092 )	( 625,240 )
Purchases of equipment	( 1,176 )	( 16,412 )
Proceeds from sales of equipment	1,300	-
Net cash used in investing activities	( 71,610 )	( 120,761 )
Net decrease in cash and cash equivalents	( 144,189 )	( 66,741 )
Cash and cash equivalents, beginning of year	<u>155,572</u>	<u>222,313</u>
Cash and cash equivalents, end of year	<u>\$ 299,761</u>	<u>\$ 155,572</u>

See accompanying notes to financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

A. 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 archeology of the Near and Middle Eastern countries. The principal sources of revenue are from scholarly journals and books, annual programs, membership dues, grants and contributions.

B. Summary of Significant Accounting Policies:

Basis of accounting:

ASOR prepares its financial statements in accordance with generally accepted accounting principles. 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.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

Basis of presentation:

ASOR follows 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. Net assets and revenues, expenses, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of ASOR and changes therein are classified and reported as follows:



AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(continued)

B. Summary of Significant Accounting Policies – (continued):

Basis of Presentation – (continued):

Net Assets:

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.

Temporarily restricted net assets:

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

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.

Cash and cash equivalents:

For purposes of the statements of cash flows, ASOR considers all highly liquid investments with an initial maturity of 90 days or less to be cash equivalents.

Investments:

ASOR follows Statement of Financial Accounting Standards (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 Statements of Financial Position. 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 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.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(continued)

B. Summary of Significant Accounting Policies – (continued):

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. The allowance for doubtful accounts was \$35,000 and \$0 as of June 30, 2006 and 2005, respectively.

Inventory and capitalized costs:

Inventory consists of completed publications, which 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.

Furniture and fixtures and equipment:

Furniture and fixtures 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 \$500. Those items that are not a capital expenditure are immediately expensed.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(continued)

B. Summary of Significant Accounting Policies – (continued):

Revenue recognition:

Revenue is derived mainly 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 statements of financial position. Publications sales are recognized at the time of sale.

Contributions:

ASOR follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received 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 recorded as made to ASOR. 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.

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 either of the years ended June 30, 2006 or 2005.

Reclassifications:

Certain reclassifications have been made to the 2005 financial statements in order to conform with the presentation used in the 2006 financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(continued)

C. Investments:

Investments include money market mutual funds, the cost of which approximates fair value, and are included in cash and cash equivalents.

Other investments, at fair value and cost basis, consist of the following at June 30, 2006:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Fair Value</u>	<u>Cost Basis</u>	<u>Unrealized Appreciation</u>
Publicly traded companies	\$ -	\$ -	\$ 171,042	\$ 171,042	\$ 121,562	\$ 49,480
Mutual funds	<u>177,589</u>	<u>223,338</u>	<u>312,965</u>	<u>713,892</u>	<u>685,394</u>	<u>28,498</u>
	<u>\$ 177,589</u>	<u>\$ 223,338</u>	<u>\$ 484,007</u>	<u>\$ 884,934</u>	<u>\$ 806,956</u>	<u>\$ 77,978</u>

Other investments, at fair value and cost basis, consist of the following at June 30, 2005:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Fair Value</u>	<u>Cost Basis</u>	<u>Unrealized Appreciation</u>
Publicly traded companies	\$ -	\$ 1,103	\$ 149,155	\$ 150,258	\$ 147,806	\$ 2,452
Mutual funds	<u>43,571</u>	<u>279,234</u>	<u>279,810</u>	<u>602,615</u>	<u>596,593</u>	<u>6,022</u>
	<u>\$ 43,571</u>	<u>\$ 280,337</u>	<u>\$ 428,965</u>	<u>\$ 752,873</u>	<u>\$ 744,399</u>	<u>\$ 8,474</u>
Increase in unrealized appreciation						<u>\$ 69,504</u>

As of June 30, 2006 and 2005, ASOR held \$165,682 and \$15,996 respectively, in money market mutual funds, which are classified as either short-term cash or cash equivalents.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(continued)

D. Furniture and Fixtures and Equipment:

A summary of furniture and fixtures and equipment at June 30, is as follows:

	<u>2006</u>	<u>2005</u>
Furniture and fixtures	\$ 35,498	\$ 35,498
Computer equipment	<u>64,066</u>	<u>66,755</u>
	99,564	102,253
Less accumulated depreciation	( <u>91,041</u> )	( <u>78,760</u> )
	<u>\$ 8,523</u>	<u>\$ 23,493</u>

Depreciation expense amounted \$13,439 and \$12,088 for the years ended June 30, 2006 and 2005, respectively.

E. Related Party Transactions:

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.

During the years ended June 30, 2006 and 2005, members of the Board of Trustees contributed approximately \$277,000 and \$131,000, respectively to ASOR.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(continued)

F. 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 lease expires on June 30, 2007.

The value of the use of the leased property has been recorded as an in-kind contribution and an in-kind expense of \$22,500 for each of the years ended June 30, 2006 and 2005.

ASOR leased space in Atlanta, Georgia at a monthly fee of \$1,051 under a lease that expired on June 30, 2006. ASOR is also obligated under two leases for equipment expiring in 2009. Approximate annual rental commitments for the years subsequent to June 30, 2006 for equipment are as follows:

<u>Year ending June 30</u>	
2007	\$ 4,500
2008	4,500
2009	4,500
2010	350

The total rent expense charged to operations was \$33,758 and \$34,468 for the years ended June 30, 2006 and 2005, respectively.

G. Commitments:

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.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(continued)

H. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Accumulated income on fellowship fund	\$ 249,550	\$ 229,697
Sponsored projects	125,266	82,474
NEH Institute	1,161	32,781
Development Post	26,606	32,568
Specified memorial funds	32,939	27,145
Kress for travel to meeting	829	-
Harris grant	2,509	-
Biblical Archeology	2,670	2,671
	<u>\$ 441,530</u>	<u>\$ 407,336</u>

I. Permanently Restricted Net Assets:

Permanently restricted net assets are restricted for the following purposes:

	<u>2006</u>	<u>2005</u>
Torch Endowment Fund	\$ 263,969	\$ 263,969
Corpus of Endowment for Biblical Archaeology and publication support	105,702	104,753
Corpus of General Endowment	37,000	37,000
Corpus of fellowship fund	20,000	20,000
	<u>\$ 426,671</u>	<u>\$ 425,722</u>

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005

(continued)

J. 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 the donors. Program restrictions accomplished during the years ended June 30, 2006 and 2005, consist of the following:

	<u>2006</u>	<u>2005</u>
NEH Institute	\$ 31,991	\$ 48,111
Sponsored project expedition expenses	51,929	36,483
Dorot Foundation fellowships for annual meeting	8,786	9,843
Development Post	37,560	8,600
Lindstrom	2,500	3,540
IMIS Software	-	5,085
Kress awards for foreign travel to annual meeting	3,671	3,514
Torch Campaign	6,034	-
Biblical Archeology	-	1,600
Total temporarily restricted net assets released	<u>\$ 142,471</u>	<u>\$ 116,776</u>

K. Concentration of Credit Risk:

ASOR maintains money market mutual fund accounts at a brokerage firm and cash balances at several banks throughout the United States. Bank balances are insured by the Federal Deposit Insurance Corporation, up to \$100,000. Money market mutual fund accounts are not insured. As of June 30, 2006, uninsured amounts of cash and cash equivalents aggregated approximately \$253,000.

L. Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.