

American Schools of Oriental Research
Finance Committee Report
November 7, 2012

COMMENTS

Fiscal Year Ended June 30, 2012

Fiscal year 2012 ended as a very good year financially, beating our forecast from the spring and helping us to increase our cushion in our unrestricted assets available for operations to almost \$200,000. Our year-end audit is complete, and our operating revenue for the fiscal year exceeded our operating expenses by approximately \$41,000.

Significant variances from the budget that impacted our bottom line were as follows:

<u>Budget Item</u>	<u>\$ Impact Favorable (Unfavorable)</u>
Annual fund and archives contributions	\$19,000
Annual meeting, before allocation of staff time	\$2,000
Memberships and subscriptions earned	\$10,000
Investment income	\$3,000
Institutional memberships	(\$7,000)
NEH grant	(\$11,000)
Journal production	\$(3,000)
Expenses and all other revenues, net	\$28,000
Net Impact	\$41,000

There are additional details in the budget vs. actual report.

Memberships and subscription revenue (on a cash receipts basis) increased about 3% from \$386,000 last year to \$398,000 this year. This is the third year in a row of increasing revenues on a cash basis. We were able to give \$42,000 in fellowship grants for the summer 2012 dig season (Platt, Heritage and Wright/Meyers), an increase from \$38,000 in the prior year. Congratulations to Andy, the ASOR staff and the Board for operating the organization in a fiscally responsible manner again this year.

Total cash and securities, including our fellowships and other temporarily restricted funds, our endowment accounts, our journals and publications accounts and our general fund totaled approximately \$1,550,000 as compared to \$1,480,000 at June 30, 2011.

Fiscal Year Ended June 30, 2012 Investment Results

Fiscal year 2012 was a modestly positive year for investments. We had net gains from investments of approximately \$6,000 on our fellowship accounts and \$5,000 on our endowment accounts. The gains are approximately 1% on the beginning balances, below the S&P 500, which gained 5%, due to our allocations to smallcap and international stocks, which were down for the year.

Fiscal Year Ended June 30, 2013

It is a little early in the current fiscal year to see any significant issues that would cause a problem with our fiscal year 2013 budget which calls for operating revenues equal to operating expenses.

Fiscal Year Ended June 30, 2013 Investment Results

For the four months ended October, 2012, we have net gains of approximately \$23,000 on our fellowship accounts and approximately \$21,000 on our endowment accounts, representing increases of 6% and 5%, respectively, on the beginning balances. For comparative purposes, the S&P 500 was up about 4% for the four month period.

ASOR Investment and Spending Policies

Andy and I are proposing a document that outlines our investment and spending policies for approval by the board. This document includes investment parameters consistent with the way we have operated over the past several years and spending policies previously approved by the board. The document was discussed with the Executive Committee in September and will be vetted by the Finance Committee prior to the board meeting. We are including it with this report so that members of the board can have the opportunity to read it in advance of the meeting.

REPORTS ATTACHED

Fiscal year 2012 Audit (posted separately)
ASOR June 30, 2012 Budget to Actual
Memberships and Subscriptions Cash Flow
ASOR Net Investment Return FY12
ASOR Net Investment Return FY13 (through Oct.)
Journals Escrow Recommendation
ASOR Investment and Spending Policies (Draft)

I look forward to seeing everyone in Chicago. If there are any questions prior to the meeting, feel free to call me.

Sheldon Fox

ASOR Budget vs. Actual
June 30, 2012

ITEMS EXCLUDING IN AND OUT ITEMS (BUDGETS FOR INCOME AND EXPENSE THE SAME)

Income:	FY12 Budget	Unrestricted		Variance Fav (Unfav)	Comments
			Actual (1)		
Annual Fund + Archives Fundraising	\$ 100,000.00	\$ 119,213.00	\$ 19,213.00		(2)
Royalties and advertising	\$ 34,500.00	\$ 35,430.38	\$ 930.38		
Subscriptions and memberships	\$ 365,000.00	\$ 375,272.00	\$ 10,272.00		(3)
Institutional memberships	\$ 90,000.00	\$ 83,000.00	\$ (7,000.00)		(4)
Spending rate release	\$ 13,000.00	\$ 13,300.00	\$ 300.00		
Annual Meeting	\$ 118,000.00	\$ 137,229.02	\$ 19,229.02		(5)
NEH Grant	\$ 60,000.00	\$ 61,005.37	\$ 1,005.37		(6)
JSTOR support from OF and gifts	\$ 18,500.00	\$ 3,750.00	\$ (14,750.00)		(7)
Interest and other Investment Gains (Losses)	\$ 1,100.00	\$ 3,914.00	\$ 2,814.00		
Administrative Recovery Fees and Misc. Income	\$ -	\$ -	\$ -		
Total Income	\$ 800,100.00	\$ 832,113.77	\$ 32,013.77		

Expenses:

Administrative Expenses

Annual Meeting expenses	\$ 73,000.00	\$ 90,417.06	\$ (17,417.06)		(5)
NEH Grant expenses	\$ 14,200.00	\$ 25,697.68	\$ (11,497.68)		(6)
Journals	\$ 133,636.00	\$ 136,392.98	\$ (2,756.98)		(8), (10)
JSTOR	\$ 18,500.00	\$ 3,750.00	\$ 14,750.00		(7)
Salaries and Benefits	\$ 432,500.00	\$ 439,460.41	\$ (6,960.41)		(9), (10)
Other Expenses					
-Postage	\$ 12,000.00	\$ 13,451.85	\$ (1,451.85)		(9), (10)
-Insurance	\$ 6,000.00	\$ 8,585.00	\$ (2,585.00)		(9), (10)
-Bank charges	\$ 7,000.00	\$ 5,430.58	\$ 1,569.42		(9), (10)
-Equipment and supplies	\$ 7,000.00	\$ 8,300.26	\$ (1,300.26)		(9), (10)
-Audit	\$ 19,900.00	\$ 19,400.00	\$ 500.00		(9), (10)
-iMIS/Avectra expenses	\$ 8,000.00	\$ 6,300.00	\$ 1,700.00		(9), (10)
-Travel	\$ 14,500.00	\$ 12,813.95	\$ 1,686.05		(9), (10)
-Other programs/strategic priorities	\$ 28,854.00	\$ -	\$ 28,854.00		(9), (10)
-Depreciation	\$ -	\$ -	\$ -		(11)
-Bad Debts	\$ -	\$ -	\$ -		(11)
-All Other Expenses	\$ 25,010.00	\$ 30,728.95	\$ (5,718.95)		(9), (10)
Total Expenses	\$ 800,100.00	\$ 800,728.72	\$ (628.72)		

Net Income (Loss)	\$ -	\$ 31,385.05	\$ 31,385.05
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IN AND OUT ITEMS THAT IMPACTED UNRESTRICTED RESULTS FAVORABLE (UNFAVORABLE)

Books	\$ 10,117.40	\$ 10,117.40		(12)
Adjusted Net Income (Loss)	\$ -	\$ 41,502.45	\$ 41,502.45	

- (1) Our budget attempts to focus only on unrestricted net income items, with the in and out items used to account for temporarily restricted, permanently restricted and board designated items
- (2) Significantly favorable to the budget, total giving of \$140,000, including \$20,000 addition to Endowment increased by almost 9% compared to \$129,000 in FY11
- (3) On a cash receipts basis, memberships and subscriptions increased \$12,000 vs. FY2011; on an accounting basis they decreased by \$17,000 due to FY2011 including revenue for 5 issues of NEA
- (4) Budgeted for an increase of 3 while actual was a decrease of 4
- (5) Annual meeting revenues, net of expenses of \$47,000 (before allocation of staff time and indirect costs) exceeded the budgeted amount by \$2,000 and were \$3,000 below FY2011
- (6) NEH Grant reimbursements, net of our expenses were budgeted for \$46,000 and the actual amount was \$35,000 for a shortfall of \$11,000.
- (7) Actual designated contributions to support the JSTOR initial fee were \$3,750 - the shortfall of \$14,750 was funded from the Opportunity Fund as planned
- (8) Journal production costs were slightly unfavorable to budget due to the use of color for BASOR, which was planned from the budget for other programs/strategic priorities
- (9) Salaries and other expenses were favorable to the budget by approximately \$18,000, with individual variances caused in part by the budget for other programs/strategic priorities
- (10) Decisions were made before and during the fiscal year on how to appropriately spend this budget item - examples include funds for chair support, color for BASOR, staff insurance benefits - the actual expenses are reflected in the appropriate line items
- (11) These expenses have not historically been budgeted as they are non-cash - note that there was no bad debt expense this year as writeoffs were reflected instead as a reduction of journal income
- (12) This variance is caused by the difficulty in budgeting for the impact of books on our operating budget - note that this variance has been favorable for 4 of the past 5 years since we refined our accounting for board designated assets related to books

Account Name & Bank	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	Net Change	Contributions	Distributions	FY12 to date Investment Return	FY12 to date % Return
ASOR Fellowships:										
1. Harris Fell. - Sequoia Fund	\$ 45,698.42	\$ 36,391.98	\$ 42,740.85	\$ 53,969.49	\$ 57,282.98	\$ 3,313.49	\$ -	\$ 308.12	\$ 3,621.61	6.7%
Harris Fell. - Charles Schwab	\$ 58,745.98	\$ 52,201.17	\$ 57,541.57	\$ 67,335.99	\$ 82,417.21	\$ (4,918.78)	\$ 308.12	\$ 3,989.00	\$ (1,257.90)	-1.9%
Total Harris Fellowship	\$ 104,444.40	\$ 88,593.15	\$ 100,282.42	\$ 121,305.48	\$ 119,700.19	\$ (1,605.29)	\$ 308.12	\$ 4,277.12	\$ 2,363.71	1.9%
2. Platt Fellowship - Sequoia Fund	\$ 105,632.42	\$ 84,120.47	\$ 98,803.30	\$ 114,360.62	\$ 109,682.74	\$ (4,677.88)	\$ -	\$ 12,652.90	\$ 7,975.02	7.0%
Platt Fell. - Charles Schwab	\$ 133,017.18	\$ 106,225.20	\$ 106,514.53	\$ 126,322.84	\$ 121,408.90	\$ (4,913.94)	\$ 12,652.90	\$ 13,104.00	\$ (4,462.84)	-3.5%
Total Platt Fellowship	\$ 238,649.60	\$ 190,345.67	\$ 205,317.83	\$ 240,683.46	\$ 231,091.64	\$ (9,591.82)	\$ 12,652.90	\$ 25,756.90	\$ 3,512.18	1.5%
3. Wright/Meyers Fund - Charles Schwab	\$ 41,639.03	\$ 32,783.91	\$ 38,484.42	\$ 53,855.74	\$ 55,184.06	\$ 1,328.32	\$ 2,500.00	\$ 1,000.00	\$ (171.68)	-0.3%
Total ASOR Fellowships	\$ 384,733.03	\$ 311,722.73	\$ 344,084.67	\$ 415,844.68	\$ 405,975.89	\$ (9,868.79)	\$ 15,481.02	\$ 31,034.02	\$ 5,704.21	1.4%
ASOR Endowment:										
1. Endowment (ASOR) - Charles Schwab	\$ 285,062.97	\$ 236,825.72	\$ 254,080.28	\$ 321,615.39	\$ 307,079.49	\$ (14,535.90)	\$ 1,762.65	\$ 13,300.00	\$ (2,998.55)	-0.9%
Endowment - Sequoia Fund	\$ 105,709.66	\$ 84,181.98	\$ 98,875.52	\$ 124,824.63	\$ 132,488.53	\$ 7,663.70	\$ -	\$ 7,12.65	\$ 8,376.35	6.7%
Total ASOR Endowment	\$ 390,772.63	\$ 321,007.70	\$ 352,955.80	\$ 446,440.22	\$ 439,568.02	\$ (6,872.20)	\$ 1,762.65	\$ 14,012.65	\$ 5,377.80	1.2%
Publications OF - Charles Schwab (Books)										
	\$ 101,001.03	\$ 83,444.31	\$ 90,821.98	\$ 110,536.23	\$ 85,074.62	\$ (25,461.61)	\$ 1,338.10	\$ 27,875.08	\$ 1,075.37	1.0%
INVESTMENTS SUBTOTAL										
1. Temp. Restricted - Charles Schwab	\$ 123,812.99	\$ 91,871.18	\$ 10,762.49	\$ 28,376.69	\$ 45,453.34	\$ 82,548.06	\$ -	\$ -	\$ -	
Citizens savings	\$ 144,794.25	\$ 120,979.05	\$ 145,828.93	\$ 89,226.67	\$ 96,849.38	\$ 128,001.40	\$ -	\$ -	\$ -	
2. ASOR General Fund - Charles Schwab	\$ 150,414.25	\$ 61,021.96	\$ 62.13	\$ 62.13	\$ 62.13	\$ -	\$ -	\$ -	\$ -	
Citizens savings	\$ 914.55	\$ 1,443.80	\$ 4,214.42	\$ 2,764.07	\$ 5,662.67	\$ -	\$ -	\$ -	\$ -	
Citizens Bank										
GRAND TOTAL	\$ 1,296,442.73	\$ 991,490.73	\$ 1,088,130.65	\$ 1,397,458.55	\$ 1,459,559.35	\$ (42,202.60)	\$ 18,561.77	\$ 72,921.75	\$ 12,157.38	
DSP - Calvert Account	\$ 42,449.05	\$ 43,383.17	\$ 43,404.97	\$ 43,409.24	\$ 43,409.24	\$ -	\$ -	\$ -	\$ -	
DSP - Citizens Account	\$ 6,346.17	\$ 4,815.01	\$ 4,930.71	\$ 4,944.04	\$ 4,935.04	\$ -	\$ -	\$ -	\$ -	
HESI - Huntington Bank	\$ 34,944.17	\$ 32,749.98	\$ 32,785.53	\$ 32,828.94	\$ 32,828.94	\$ -	\$ -	\$ -	\$ -	
Total Sponsored projects	\$ 83,739.39	\$ 80,948.16	\$ 81,121.21	\$ 81,182.22	\$ 81,173.22	\$ -	\$ -	\$ -	\$ -	
Nifes Fund - Citigroup	\$ 438,218.42	\$ 323,669.30	\$ 348,699.23	\$ 424,252.39	\$ 382,905.71	\$ (41,346.68)	\$ -	\$ 3,690.30	\$ -	

\$2,731.60 added to 6/30/08 balance

(8197,776.00 FY08 end)

(716,085 shares Capital gain)

(864,977 shares)

(633,676 Ent. Bal. @ FY08)

ASOR Investment Report
October 31, 2012

Account Name & Bank

Info.	\$2,751.65 added to @6000 balance						Net Change	Contributions	Distributions	FY12 to date Investment Return	FY12 to date % Return
	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Oct-12					
ASOR Fellowships:											
1) Harris Fell. - Sequoia Fund	(\$107,716.00 FV05 end)	\$ 36,391.98	\$ 42,740.85	\$ 53,969.49	\$ 57,282.98	\$ 62,417.21	\$ 67,266.45	\$ 5,000.00	\$ 5,000.00	\$ 3,672.64	6.4%
Harris Fell. - Charles Schwab		\$ 52,201.17	\$ 57,541.57	\$ 67,335.99	\$ 62,417.21	\$ 67,266.45	\$ 67,266.45	\$ 5,000.00	\$ 2,826.00	\$ 2,675.24	4.3%
Total Harris Fellowship		\$ 88,593.15	\$ 100,282.42	\$ 121,305.48	\$ 119,700.19	\$ 123,222.07	\$ 123,222.07	\$ 5,000.00	\$ 7,826.00	\$ 6,347.88	5.3%
2) Platt Fellowship - Sequoia Fund		\$ 84,120.47	\$ 98,803.30	\$ 114,360.62	\$ 109,682.74	\$ 107,709.84	\$ 107,709.84	\$ -	\$ 9,000.00	\$ 7,027.10	6.4%
Platt Fell. - Charles Schwab		\$ 106,225.20	\$ 106,514.53	\$ 126,322.84	\$ 121,408.90	\$ 129,092.48	\$ 129,092.48	\$ 9,000.00	\$ 6,845.00	\$ 5,528.58	4.6%
Total Platt Fellowship		\$ 190,345.67	\$ 205,317.83	\$ 240,683.46	\$ 231,091.64	\$ 236,802.32	\$ 236,802.32	\$ 9,000.00	\$ 15,845.00	\$ 12,556.68	5.4%
3) Wright/Meyers Fund - Charles Schwab		\$ 41,639.03	\$ 32,783.91	\$ 38,484.42	\$ 53,855.74	\$ 55,184.06	\$ 59,100.39	\$ -	\$ -	\$ 3,916.33	7.1%
Total ASOR Fellowships		\$ 384,733.03	\$ 311,722.73	\$ 344,084.67	\$ 415,844.66	\$ 405,975.89	\$ 419,124.78	\$ 14,000.00	\$ 23,671.00	\$ 22,819.89	5.6%
ASOR Endowment:											
1) Endowment (ASOR) - Charles Schwab		\$ 285,062.97	\$ 236,825.72	\$ 254,060.28	\$ 321,615.39	\$ 307,979.49	\$ 332,655.55	\$ 20,000.00	\$ 7,186.00	\$ 12,762.06	4.2%
Endowment - Sequoia Fund		\$ 105,709.66	\$ 84,181.98	\$ 98,875.52	\$ 124,824.83	\$ 132,488.53	\$ 140,878.80	\$ -	\$ -	\$ 8,390.27	6.3%
Total ASOR Endowment		\$ 390,772.63	\$ 321,007.70	\$ 352,935.80	\$ 446,440.22	\$ 439,568.02	\$ 473,534.35	\$ 20,000.00	\$ 7,186.00	\$ 21,152.33	4.8%
Publications OF - Charles Schwab (Books)		\$ 101,001.03	\$ 83,444.31	\$ 90,821.98	\$ 110,536.23	\$ 85,074.62	\$ 80,622.42	\$ -	\$ -	\$ 3,167.80	3.7%
INVESTMENTS SUBTOTAL		\$ 876,506.69	\$ 716,174.74	\$ 787,842.45	\$ 972,821.13	\$ 930,618.53	\$ 973,281.55	\$ 34,000.00	\$ 38,477.00	\$ 47,140.02	5.1%
1) Temp. Restricted - Charles Schwab		\$ 123,812.99	\$ 91,871.18	\$ 10,762.49	\$ 28,376.69	\$ 45,453.34	\$ 56,126.86	\$ -	\$ -	\$ -	
Citizens savings		\$ 90,485.31	\$ 70,730.28	\$ 90,485.31	\$ 70,730.28	\$ 129,340.66	\$ 129,340.66	\$ -	\$ -	\$ -	
2) ASOR General Fund- Charles Schwab		\$ 144,794.25	\$ 120,979.05	\$ 145,828.93	\$ 89,226.67	\$ 96,849.38	\$ 29,602.54	\$ -	\$ -	\$ -	
Citizens savings		\$ 48,843.53	\$ 48,843.53	\$ 48,843.53	\$ 233,539.71	\$ 280,775.38	\$ 280,775.38	\$ -	\$ -	\$ -	
3) Journals Escrow Account - Charles Schwab		\$ 150,414.25	\$ 61,021.96	\$ 62.13	\$ 2,764.07	\$ 5,662.67	\$ 10,701.22	\$ -	\$ -	\$ -	
Citizens savings		\$ 914.55	\$ 1,443.80	\$ 4,214.42	\$ 153.53	\$ -	\$ -	\$ -	\$ -	\$ -	
GRAND TOTAL		\$ 1,296,442.73	\$ 991,490.73	\$ 1,088,130.65	\$ 1,397,458.65	\$ 1,488,599.96	\$ 1,478,827.21	\$ 42,663.02	\$ 34,000.00	\$ 47,140.02	
DSP - Calvert Account		\$ 42,449.05	\$ 43,383.17	\$ 43,404.97	\$ 43,409.24	\$ 43,412.37	\$ 43,412.37	\$ -	\$ -	\$ -	
DSP - Citizens Account		\$ 6,346.17	\$ 4,815.01	\$ 4,930.71	\$ 4,944.04	\$ 4,935.04	\$ 4,932.04	\$ -	\$ -	\$ -	
HESI - Huntington Bank		\$ 34,944.17	\$ 32,749.98	\$ 32,765.53	\$ 32,828.94	\$ 30,761.61	\$ 30,761.61	\$ -	\$ -	\$ -	
Total Sponsored projects		\$ 83,739.39	\$ 80,948.16	\$ 81,121.21	\$ 81,182.22	\$ 79,109.02	\$ 79,106.02	\$ -	\$ -	\$ -	
Niles Fund - Citigroup		\$ 438,218.42	\$ 323,669.30	\$ 348,699.23	\$ 424,252.39	\$ 398,234.30	\$ 415,014.99	\$ 16,780.69	\$ -	\$ -	

ASOR**Journals Escrow Recommendation****Purpose of Journals Escrow Account:**

Segregate funds so that ASOR does not spend money needed for journals on other operating costs.

Policy adopted in FY10:

Segregate a % of deferred income in order to cover the cost to fulfill ASOR's obligations to members and subscribers.

Analysis:

Over the last 6 fiscal years, FY07 - FY12, the direct production costs have ranged from 29% to 47% of the related revenue, with an average of 38%, with fiscal years 2011 and 2012 closer to 30% due to the competitive bidding processes which lowered our costs. To be conservative, it is recommended that the % be established again at 40% for FY13. Detailed calculations are below:

	Journal Rev + Indiv Memberships	Institutional Memberships	Total	Direct Production Costs	% of Revenue
FY07	307,889	89,200	397,089	155,805	39%
FY08	425,532	93,700	519,232	237,055	46%
FY09	361,265	90,000	451,265	213,632	47%
FY10	338,698	88,000	426,698	163,191	38%
FY 11	391,642	87,000	478,642	140,805	29%
FY 12	375,272	83,000	458,272	136,393	30%

Motion:

In order to segregate funds needed to fulfill ASOR's obligation to publish journals, ASOR will segregate, either in a separate bank account or by memorandum entry on its financial reports, 40% of deferred income from journals for FY13. For purposes of this calculation, deferred income will be reduced by outstanding accounts receivable, since there is no obligation related to memberships and subscriptions that have not yet been paid.

FY2012 Quarterly Calculations:

Board approved to segregate 40% of deferred income

Quarter	Def. Inc.	Less AR	Net	% Reserve	Reserve	General Fund Bal
September-11	144,784	8,685	136,099	40%	54,440	313,652
December-11	284,092	74,997	209,095	40%	83,638	435,267
March-12	244,239	9,093	235,146	40%	94,058	459,294
June-12	213,129	19,104	194,025	40%	77,610	395,377

**THE AMERICAN SCHOOLS OF ORIENTAL RESEARCH
INVESTMENT AND SPENDING POLICIES**

INVESTMENT POLICY

General

It is the general policy of The American Schools of Oriental Research (ASOR) to invest funds to achieve growth in principal value over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. The funds include permanently restricted funds, temporarily restricted funds, board-designated funds and unrestricted funds. Notwithstanding this policy, all restrictions placed by donors on the interest and investment earnings on donated funds will be honored.

Fund Categories, Objectives and Authority

Unrestricted Funds

- **Description.** These funds are not restricted in their use and are sometimes referred to as short-term funds or operating funds. They include cash, surplus from current operations, unexpended portions of unrestricted grants, and other unrestricted funds received.
- **Investment Objective.** Preservation of principal. These funds should be invested in a manner that minimizes the risk of loss of principal while still seeking to maximize earnings in a way that allows for immediate liquidity to meet ongoing operational requirements.
- **Authority.** The Executive Director and Treasurer have authority to invest the funds, and to spend principal and interest to meet the operational needs of ASOR.

Board-Designated Funds

- **Description.** These funds have been designated by the board to be held in reserve to support future years' operations or specific programs. They may include accumulations from past years' annual results of operations, investment income, and other funds designated by the board.
- **Investment Objective.** The objective for funds held in reserve to support future years' operations will be the same as the objective for Unrestricted Funds. For funds held in reserve to support specific programs, which may be similar to endowment funds, the objective shall be preservation of real purchasing power of principal, while still seeking to maximize earnings in a way that allows for sufficient liquidity to meet ongoing programmatic requirements.
- **Authority.** The Executive Director and Treasurer have authority to invest the funds, and to spend principal and interest to meet the operational needs of ASOR. With regard to funds that are similar to endowment funds, the Finance Committee shall establish the appropriate asset allocation targets or ranges for investment of these funds.

Temporarily Restricted Funds

- **Description.** These funds are restricted in time or purpose. They include donated funds that are restricted to program use or over time, and are expected to be used for operating expenses. They also include accumulated earnings on endowments that have not yet been distributed in accordance with the purpose of the particular endowment.
- **Investment Objective.** The objective for donated funds that are expected to be used for operating expenses within five years or less will be the same as the objective for Unrestricted Funds. The objective for accumulated earnings on endowments, except for funds that are expected to be used for the intended purposes within the next twelve months or less, will be the same as the objective for Permanently Restricted Funds.
- **Authority.** The Executive Director and Treasurer have authority to invest the funds, and to spend principal and interest to meet the operational needs of ASOR in accordance with donor restrictions. With regard to the accumulated earnings on endowments, the authority will follow the authority for investment of the underlying endowment funds.

Permanently Restricted Funds

DRAFT – SUBJECT TO FINANCE COMMITTEE APPROVAL

- Description. Permanently Restricted Funds are endowments that have been given in perpetuity, through which the principal of the fund remains intact and the income is distributed to be used by the organization.
- Investment Objective. Preservation of real purchasing power of principal, while still seeking to maximize earnings in a way that allows for sufficient liquidity to meet ongoing distribution requirements.
- Authority. The Finance Committee shall establish the appropriate asset allocation targets or ranges for investment of these funds.

See Appendix I for specific asset allocation targets or ranges for existing ASOR funds that are overseen by the Finance Committee.

Authorized and Unauthorized Investments

Authorized Investment Types

- Cash or cash equivalents, including money market instruments and certificates of deposit
- Fixed income obligations of the US government, its agencies or corporations
- Mutual funds or exchange traded funds that own fixed income and/or equity securities

Unauthorized Investment Types

- Individual Equity Securities
- Hedge funds
- Private equity funds
- Commodities
- Real estate
-

Exceptions

The Finance Committee may authorize additional investment types on an exception basis to cover unusual situations, provided such authorization is obtained in advance and the Finance Committee concludes that permitting the additional investment type does not cause undue risk to ASOR.

SPENDING POLICY

ASOR adopts spending policies for its endowments in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was adopted by Massachusetts in 2009. In adopting the spending policies, which are specified in Appendix II for each of ASOR's existing endowments, the organization attempts to adopt policies that can be applied consistently over time regardless of short-term fluctuations in the market value of the funds. Furthermore, the specific policies set spending rates that allow for long-term growth in the corpus of each of its endowments, while also providing funds for ASOR to expend on a current basis to fulfill its mission. This policy supercedes any previous spending policies adopted by ASOR.

ROLES AND RESPONSIBILITIES

Finance Committee Responsibilities

- The Finance Committee is responsible for the oversight of all of ASOR's funds
- The Finance Committee is responsible for reviewing the Investment and Spending Policies on a periodic basis and recommending any necessary changes to the ASOR Board of Trustees
- The Finance Committee will review investment performance and portfolio allocations for Permanently Restricted Funds and the related accumulated earnings, as well as any appropriate Board Designated Funds, on at least a semi-annual basis and will direct the Executive Director and Treasurer to make any changes as appropriate

DRAFT – SUBJECT TO FINANCE COMMITTEE APPROVAL

- The Finance Committee will also oversee investment performance for Unrestricted Funds, Board Designated Funds and Temporarily Restricted Funds where the investment objective is preservation of principal, in order to ensure that the Executive Director and Treasurer are using appropriate investment vehicles consistent with the investment objective.

Executive Director and Treasurer Responsibilities

- The Executive Director and Treasurer will be responsible for monitoring the investment performance and portfolio allocations between periodic reviews by the Finance Committee and are delegated the authority to take action to rebalance funds in between such reviews
- The Executive Director and Treasurer will be responsible for the appropriate investment of Unrestricted Funds, Board Designated Funds and Temporarily Restricted Funds, where the investment objective is preservation of principal.
- At least semi-annually, the Executive Director and Treasurer will provide the Finance Committee information about 1) asset allocation, 2) investment performance, 3) future investment strategies, and 4) any other matters of interest to the committee.
- At least annually, The Executive Director and Treasurer will report on overall investment performance to the ASOR Executive Committee and Board of Trustees, including a comparison of investment results to appropriate indices.
- Subject to Finance Committee approval, the Executive Director and Treasurer may agree that one or the other is primarily responsible for the duties above and will consult with the other party as necessary.

OTHER POLICIES

Fees for Administrative Oversight of Endowed Scholarships and Fellowships

- Description. ASOR has existing endowment funds whose earnings are used to support fellowships or scholarships for archaeological fieldwork or support. Furthermore, additional funds may be created in the future for similar purposes. The principal of these endowment funds remains intact and the income is paid out to support the purpose of the fund.
- Fees. The process for reviewing grant applications and selecting recipients of fellowships and scholarships can require significant support from ASOR staff. Accordingly, unless prohibited by the endowment fund guidelines, the Executive Director is authorized to charge a fee against fund assets of an appropriate amount, not to exceed one percent (1%) of the average of market value of the fund at the end of the last twelve (12) quarters, in order to recoup ASOR staff costs. For the purposes of computing this average, quarters where a new fund has not reached a minimum market value of \$50,000 shall not be used. No fees will be charged for endowment funds that have not reached a minimum threshold of \$50,000.

Fees for Administrative Oversight of Current Gifts of Scholarships and Fellowships

- Description. In addition to endowment funds whose earnings are used to support fellowships or scholarships for archaeological fieldwork or support, ASOR also receives current gifts that are designated to support similar programs, such as the Heritage fellowships. These designated funds normally are given with the intention to be spent within a fiscal year for the designated purpose.
- Fees. The process for reviewing grant applications and selecting recipients of fellowships and scholarships can require significant support from ASOR staff. Accordingly, unless specifically prohibited by the donor, the Executive Director is authorized to charge a fee against current designated gifts of an appropriate amount, not to exceed twenty percent (20%) of the designated gift amount (i.e., \$500 for a designated gift of \$2,500, consistent with the existing Heritage fellowship program).

**THE AMERICAN SCHOOLS OF ORIENTAL RESEARCH
APPENDIX I – INVESTMENT TARGETS AND RANGES**

ASOR General Endowment (including accumulated earnings)

Largecap Equities	45%
Smallcap Equities	15%
International Equities	20%
Fixed Income	15%
Cash	5%

Platt Fellowship Fund (including accumulated earnings)

Largecap Equities	45%
Smallcap Equities	15%
International Equities	20%
Fixed Income	15%
Cash	5%

Harris Fellowship Fund (including accumulated earnings)

Largecap Equities	45%
Smallcap Equities	15%
International Equities	20%
Fixed Income	15%
Cash	5%

Wright/Meyers Temporarily Restricted Fund

Largecap Equities	50%
Smallcap Equities	20%
International Equities	25%
Cash	5%

Board Designated Publications Opportunity Fund

Largecap Equities	25% - 35%
Smallcap Equities	5% - 10%
International Equities	10% - 15%
Fixed Income and Cash	40% - 60%

**THE AMERICAN SCHOOLS OF ORIENTAL RESEARCH
APPENDIX II – SPENDING POLICIES**

Calculation

Unless otherwise specified, distribution calculations are made based on an annual percentage of the fund's average value as calculated in this paragraph. The distributions shall be made quarterly in an amount equal to one-fourth of the annual percentage multiplied by the calculated distribution value. The distribution value is the average of the fair market value of the fund as of the close of each of the preceding 12 calendar quarters. The fund's market value shall be based upon all assets in the fund including principal and retained income, adjusted for all gains and losses, whether realized or unrealized, and determined as of the last business day of the quarter. The distributions shall be made promptly following the close of each quarter.

In order to further prevent against erosion of principal, in the event that the fund's market value as of the close of the most recent calendar quarter is less than 75% of the fund's historic dollar value, then the distribution calculated above shall be only one-half of the calculated distribution.

Annual spending percentages

ASOR General Endowment	3.5%
Platt Endowment	6.0%
Harris Endowment	5.0%

Note, the Harris Endowment instrument precludes distributions when the fund's market value is below its historic dollar value