

**Audited Financial Statements
and Other Financial Information**

American Schools of Oriental Research

Years Ended June 30, 2010 and 2009

Audited Financial Statements and Other Financial Information

American Schools of Oriental Research

Years Ended June 30, 2010 and 2009

Audited Financial Statements

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

Independent Auditors' Report

To the 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, 2010 and 2009, 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 U.S. generally accepted auditing standards. 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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

Cary, North Carolina
November 3, 2010

STATEMENTS OF FINANCIAL POSITION

American Schools of Oriental Research

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 410,912	\$ 371,808
Investments (including permanent endowments)	749,723	693,527
Accounts receivable:		
Memberships and subscriptions	44,707	42,062
Book sales and other receivables	13,777	17,077
Grant receivable	45,531	0
Inventory and capitalized costs	23,365	44,432
Prepaid expenses and other assets	6,930	6,789
Furniture and fixtures and equipment, net	<u>7,973</u>	<u>3,966</u>
TOTAL ASSETS	\$ <u>1,302,918</u>	\$ <u>1,179,661</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 12,533	\$ 14,826
Deferred revenue	271,051	234,023
Other liabilities	<u>7,455</u>	<u>8,014</u>
Total Liabilities	291,039	256,863
Net Assets:		
Unrestricted:		
Available for operations	30,872	(29,855)
Board designated	122,244	133,560
Property and equipment	<u>7,973</u>	<u>3,966</u>
Total unrestricted net assets	161,089	107,671
Temporarily restricted	387,510	353,016
Permanently restricted	<u>463,280</u>	<u>462,111</u>
Total Net Assets	<u>1,011,879</u>	<u>922,798</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,302,918</u>	\$ <u>1,179,661</u>

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

STATEMENT OF ACTIVITIES

American Schools of Oriental Research

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 51,787	\$ 72,984	\$	\$ 124,771
Grants		108,960		108,960
Book revenue	31,188			31,188
Journals revenue	224,051			224,051
Institutional memberships	88,000			88,000
Individual memberships	132,500			132,500
Annual meeting	87,722	8,000		95,722
In-kind contributions	37,637			37,637
Royalty income	30,517			30,517
Interest and dividends	4,691	9,994	138	14,823
Net realized gain (loss) on sales of investments	1,312	(25)		1,287
Net unrealized gain on investments	29,377	51,810	1,031	82,218
Net assets released from restrictions:				
Satisfaction of purpose restrictions	217,229	(217,229)		0
	<u>936,011</u>	<u>34,494</u>	<u>1,169</u>	<u>971,674</u>
TOTAL SUPPORT AND REVENUE				
EXPENSES AND LOSSES				
Program services	808,147			808,147
Support services:				
General and administrative	49,560			49,560
Fundraising and nonprogram	24,886			24,886
	<u>882,593</u>	<u>0</u>	<u>0</u>	<u>882,593</u>
Total Expenses				
Provision for doubtful accounts	0	0	0	0
	<u>882,593</u>	<u>0</u>	<u>0</u>	<u>882,593</u>
TOTAL EXPENSES AND LOSSES				
CHANGE IN NET ASSETS	53,418	34,494	1,169	89,081
Net assets, beginning of year	<u>107,671</u>	<u>353,016</u>	<u>462,111</u>	<u>922,798</u>
NET ASSETS, END OF YEAR \$	<u>161,089</u>	<u>387,510</u>	<u>463,280</u>	<u>1,011,879</u>

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

STATEMENT OF ACTIVITIES

American Schools of Oriental Research

Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 63,050	\$ 46,792	\$ 1,260	\$ 111,102
Book revenue	49,042			49,042
Journals revenue	223,266			223,266
Institutional memberships	90,000			90,000
Individual memberships	155,975			155,975
Annual meeting	107,269	13,000		120,269
In-kind contributions	38,868			38,868
Royalty income	32,053			32,053
Interest and dividends	12,760	5,443		18,203
Net realized gain on sales of investments	9,246	2,820		12,066
Net unrealized loss on investments	(121,275)	(59,831)		(181,106)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>89,767</u>	<u>(89,767)</u>		<u>0</u>
TOTAL SUPPORT AND REVENUE	<u>750,021</u>	<u>(81,543)</u>	<u>1,260</u>	<u>669,738</u>
EXPENSES AND LOSSES				
Program services	765,214			765,214
Support services:				
General and administrative	68,021			68,021
Fundraising and nonprogram	<u>36,096</u>			<u>36,096</u>
Total Expenses	869,331	0	0	869,331
Provision for doubtful accounts	<u>25,676</u>	<u>0</u>	<u>0</u>	<u>25,676</u>
TOTAL EXPENSES AND LOSSES	<u>895,007</u>	<u>0</u>	<u>0</u>	<u>895,007</u>
CHANGE IN NET ASSETS	(144,986)	(81,543)	1,260	(225,269)
Net assets, beginning of year	<u>252,657</u>	<u>434,559</u>	<u>460,851</u>	<u>1,148,067</u>
NET ASSETS, END OF YEAR	<u>\$ 107,671</u>	<u>\$ 353,016</u>	<u>\$ 462,111</u>	<u>\$ 922,798</u>

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

STATEMENTS OF CASH FLOWS

American Schools of Oriental Research

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 89,081	\$ (225,269)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,598	2,599
Change in provision for doubtful accounts	0	25,676
Net gain on sales of investments	(1,762)	(12,066)
Net unrealized (gain) loss on investments	(82,218)	181,106
Changes in operating assets and liabilities:		
Memberships and subscriptions receivable	(2,645)	16,978
Book sales receivable	3,300	1,205
Grant receivable	(45,531)	0
Inventory and capitalized costs	21,067	(23,378)
Prepaid expenses and other assets	(141)	(65)
Accrued expenses	(2,293)	(13,880)
Deferred revenue	37,028	(65,915)
Other liabilities	(559)	(857)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>18,925</u>	<u>(113,866)</u>
INVESTING ACTIVITIES:		
Sales (purchases) of investments, net	27,784	(73,196)
Purchases of equipment	<u>(7,605)</u>	<u>(2,143)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>20,179</u>	<u>(75,339)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	39,104	(189,205)
Cash and cash equivalents, beginning of year	<u>371,808</u>	<u>561,013</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 410,912</u>	<u>\$ 371,808</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 0</u>	<u>\$ 0</u>

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

Notes to Financial Statements

American Schools of Oriental Research

Years Ended June 30, 2010 and 2009

NOTE A -- THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Organization: American Schools of Oriental Research (ASOR), established in 1900, was incorporated as a not-for-profit public charity in 1935. ASOR promotes 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.

Basis of Accounting: ASOR prepares its financial statements in accordance with U.S. 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.

Basis of Presentation: ASOR follows FASB ASC 958-205, 210, 225 (prior authoritative literature: Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*), 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: 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 statement of financial position. Publication sales are recognized at the time of sale.

Contributions and Grant Awards: ASOR follows FASB ASC 958-605 (prior authoritative literature: Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*). 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 are recognized when the conditions on which they depend are substantially met.

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, including bank money market accounts and money market mutual funds, to be cash equivalents.

Investments: Investments are reported at fair value based on quoted market prices 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. 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, 2010 and 2009. Accounts receivable balances are due within a year and are unsecured.

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.

Fair Value of Financial Instruments: The carrying value of cash equivalents, accounts receivable, and accrued expenses, is considered by management to approximate the fair value of such at June 30, 2010 and 2009, 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 I -- 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, 2010 and 2009.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates: The preparation of financial statements in conformity with U.S. 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 support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements -- Continued

American Schools of Oriental Research

NOTE B -- INVESTMENTS

Investments are held by several brokers in various mutual funds and are subject to the following Board designations or donor restrictions:

	June 30,	
	<u>2010</u>	<u>2009</u>
Unrestricted, Board designated	\$ 90,822	\$ 83,444
Unrestricted, available for operations	26,987	69,084*
Temporarily restricted	219,259	272,068*
Permanently restricted	<u>463,280</u>	<u>462,111*</u>
	800,348	886,707
Less: Money market mutual funds classified as cash equivalents	<u>(50,625)</u>	<u>(193,180)</u>
	<u>\$ 749,723</u>	<u>\$ 693,527</u>

*as restated for comparative purposes.

Refer also to *Note J -- Concentration of Credit Risk*.

NOTE C -- FURNITURE AND FIXTURES AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 35,498	\$ 35,498
Computer equipment	<u>79,916</u>	<u>72,311</u>
	115,414	107,809
Less: Accumulated depreciation and amortization	<u>(107,441)</u>	<u>(103,843)</u>
	<u>\$ 7,973</u>	<u>\$ 3,966</u>

Depreciation and amortization expense totaled \$3,598 and \$2,599 for 2010 and 2009, respectively.

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>2010</u>	<u>2009</u>
Sponsored Projects	\$ 41,523	\$ 48,690
NEH Grant	108,960	0
NEH/Archives (designated contributions)	20,094	0
Scholarships for Annual Meeting	3,000	3,000
Platt Fellowships	12,000	6,700
Development Fund	412	6,953
Book Subvention	0	10,000
Kress Awards for Foreign Travel to Annual Meeting	6,189	10,052
Website	0	2,500
Heritage Fellowships	12,000	0
Endowment	12,551	0
Other	<u>500</u>	<u>1,872</u>
	<u>\$ 217,229</u>	<u>\$ 89,767</u>

Notes to Financial Statements -- Continued

American Schools of Oriental Research

NOTE D -- TEMPORARILY RESTRICTED NET ASSETS -- Continued

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	<u>2010</u>	<u>2009</u>
Accumulated Income on Platt Fund	\$ 185,318	\$ 170,346
Sponsored Projects	97,061	118,722
Wright/Meyers Funds	38,484	32,784
Development Fund	15,379	15,791
Kress Awards for Foreign Travel to Annual Meeting	158	1,347
Heritage Fellowships	5,853	0
Endowment	18,001	0
Book Subvention	18,000	7,250
Other	<u>9,256</u>	<u>6,776</u>
	<u>\$ 387,510</u>	<u>\$ 353,016</u>

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>2010</u>	<u>2009</u>
Torch/General Endowment Fund	\$ 334,935	\$ 334,935
Corpus of Harris Fund	108,345	107,176
Corpus of Platt Fund	<u>20,000</u>	<u>20,000</u>
	<u>\$ 463,280</u>	<u>\$ 462,111</u>

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

NOTE F -- CONDITIONAL PROMISES TO GIVE

Conditional promises to give (to ASOR) consist of promises in support of the following at June 30, 2010:

National Endowment for the Humanities. This 27-month cost reimbursement award is to publish archive collections online. Scheduled for funding in fiscal 2010-2011 and 2011-2012.

\$ 191,943

NOTE G -- ENDOWMENT NET ASSETS

Implementation of Recently-Enacted Professional Standards and State Regulations for Endowments: In August 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds* (referenced as FASB ASC 958-205, effective July 1, 2009). FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for nonprofit organizations subject to an enacted version of the UPMIFA. FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds) whether or not the organization is subject to UPMIFA for years ending after December 15, 2008. ASOR implemented the additional disclosure requirements of FASB ASC 958-205 for the year ended June 30, 2009.

American Schools of Oriental Research

NOTE G -- ENDOWMENT NET ASSETS -- Continued

In June 2009, the Commonwealth of Massachusetts enacted a version of UPMIFA 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 as of June 30, 2008) 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.

Earnings on endowment funds are available for ASOR's use as designated by the Board or as restricted by the donor. Accumulated endowment fund earnings of \$57,098 were held as Board-designated at June 30, 2008. FASB ASC 958-205 and UPMIFA require that earnings on endowments, not otherwise restricted, be held as temporarily restricted net assets until appropriated for expenditure. Endowment net assets were not restated given that the accumulated earnings held as Board-designated at June 30, 2008, were totally depleted by market losses prior to June 30, 2009.

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.

The composition of endowment net assets by fund type is as follows at June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (8,063)	\$ 203,319	\$ 463,280	\$ 658,536
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total funds, at June 30, 2010	<u>\$ (8,063)</u>	<u>\$ 203,319</u>	<u>\$ 463,280</u>	<u>\$ 658,536</u>

Changes in endowment net assets for the year ended June 30, 2010, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ (32,260)	\$ 170,346	\$ 462,111	\$ 600,197
Investment return:				
Interest/dividend income, net of fees	1,242	9,235	138	10,615
Net change in fair value	<u>22,955</u>	<u>48,289</u>	<u>1,031</u>	<u>72,275</u>
Total investment return	24,197	57,524	1,169	82,890
Contributions	0	0	0	0
Appropriation of endowment assets for expenditure	<u> </u>	<u>(24,551)</u>	<u>0</u>	<u>(24,551)</u>
Endowment net assets, June 30, 2010	<u>\$ (8,063)</u>	<u>\$ 203,319</u>	<u>\$ 463,280</u>	<u>\$ 658,536</u>

Notes to Financial Statements -- Continued

American Schools of Oriental Research

NOTE G -- ENDOWMENT NET ASSETS -- Continued

The composition of endowment net assets by fund type is as follows at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (32,260)	\$ 170,346	\$ 462,111	\$ 600,197
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total funds, at June 30, 2009	<u>\$ (32,260)</u>	<u>\$ 170,346</u>	<u>\$ 462,111</u>	<u>\$ 600,197</u>

Changes in endowment net assets for the year ended June 30, 2009, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2008	\$ <u>57,098</u>	\$ <u>218,649</u>	\$ <u>460,851</u>	\$ <u>736,598</u>
Investment return:				
Interest/dividend income, net of fees	12,110	6,557	0	18,667
Net change in fair value	<u>(101,468)</u>	<u>(48,160)</u>	<u>0</u>	<u>(149,628)</u>
Total investment return	(89,358)	(41,603)	0	(130,961)
Contributions	0	0	1,260	1,260
Appropriation of endowment assets for expenditure	<u>0</u>	<u>(6,700)</u>	<u>0</u>	<u>(6,700)</u>
Endowment net assets, June 30, 2009	<u>\$ (32,260)</u>	<u>\$ 170,346</u>	<u>\$ 462,111</u>	<u>\$ 600,197</u>

NOTE H -- FACILITIES LEASE

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, 2012.

The value of the use of the leased property has been recorded as an in-kind contribution and an in-kind expense of \$33,660 for the years ended June 30, 2010 and 2009.

American Schools of Oriental Research

NOTE I -- FAIR VALUE MEASUREMENTS

ASOR applies generally accepted accounting principles (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 (prior authoritative literature: SFAS No. 157, *Fair Value Measurements*), 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, 2010 and 2009:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (<u>Level 1</u>)	Significant Other Observable Inputs (<u>Level 2</u>)	Significant Unobservable Inputs (<u>Level 3</u>)
<u>June 30, 2010</u>				
Cash equivalents	\$ 105,401	\$ 105,401	\$ 0	\$ 0
Investments	<u>749,723</u>	<u>749,723</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 855,124</u>	<u>\$ 855,124</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>June 30, 2009</u>				
Cash equivalents	\$ 203,745	\$ 203,745	\$ 0	\$ 0
Investments	<u>693,527</u>	<u>693,527</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 897,272</u>	<u>\$ 897,272</u>	<u>\$ 0</u>	<u>\$ 0</u>

Level 1: Cash equivalents are held in bank money market accounts or money market mutual funds. Investments are held in various bond and equity mutual funds. Cash equivalents and investments are carried at fair value based on quoted prices in active markets (Level 1 inputs).

At June 30, 2010 and 2009, ASOR had no assets or liabilities classified within Level 2 or Level 3 of the fair value hierarchy.

Notes to Financial Statements -- Continued

American Schools of Oriental Research

NOTE J -- CONCENTRATION OF CREDIT RISK

At June 30, 2010, ASOR held mutual fund investments (including cash and money market funds) having a fair value of approximately \$612,000 with one brokerage firm. These, as well as other investments held with other brokers, 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. ASOR's bank deposits at June 30, 2010, were within federally insured limits.

NOTE K -- COMMITMENTS AND CONTINGENCIES

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

NOTE L -- RELATED PARTY TRANSACTIONS

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

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

Members of the Board of Trustees contributed approximately \$73,000 to ASOR in each of the years ended June 30, 2010 and 2009.

During the years ended June 30, 2010 and 2009, ASOR paid \$9,951 and \$7,000, respectively, for printing services provided by a Board member. ASOR also paid a project stipend of \$5,000 to a Board member in fiscal 2009-2010 and a payment of \$6,500 to a Board member for editorial services performed in fiscal 2008-2009.

In-kind contributions for 2010 include \$3,977 of pro bono attorney time and \$33,660 of donated office space. In-kind contributions for 2009 included \$5,208 of pro bono attorney time, and \$33,660 of donated office space. Refer also to *Note H -- Facilities Lease*.

NOTE M -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 3, 2010, the date on which financial statements were available for issue. No matters requiring disclosure were noted.

OTHER FINANCIAL INFORMATION



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

Independent Auditors' Report
on Other Financial Information

To the Board of Trustees
American Schools of Oriental Research
Boston, Massachusetts

Our report on our audit of the basic financial statements of American Schools of Oriental Research as of and for the years ended June 30, 2010 and 2009, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of support and revenue and functional expenses for the years ended June 30, 2010 and 2009, are presented for additional analysis and are not a required part of the basic financial statements. Such information for the years ended June 30, 2010 and 2009, has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Cary, North Carolina
November 3, 2010

SCHEDULE OF SUPPORT AND REVENUE AND FUNCTIONAL EXPENSES

American Schools of Oriental Research

Year Ended June 30, 2010

	Annual Meeting	Arch. & Policy Support	NEH	Journals	Books	Fundraising	General and Administrative	Undesignated	Total
SUPPORT, REVENUES, AND OTHER INCOME:									
Contributions	\$	\$ 21,789	\$ 19,184	\$	\$ 11,000	\$	\$	\$ 72,798	\$ 124,771
Grants			108,960						108,960
Book Revenue			2,710	221,341	31,188				31,188
Journals revenue				30,800				57,200	224,051
Institutional memberships		17,853		85,985				28,662	88,000
Individual memberships									132,500
Annual meeting	95,722			9,983	1,422	3,043	6,283		95,722
In-kind contributions	2,844	4,862	9,200	30,517	8,617				37,637
Royalty income		61,779						27,932	30,517
Investment income (loss)									98,328
Total Support, Revenues, and Other Income	\$ 98,566	\$ 106,283	\$ 140,054	\$ 378,626	\$ 52,227	\$ 3,043	\$ 6,283	\$ 186,592	\$ 971,674

EXPENSES:

Annual Meeting expenses	\$ 68,755	\$	\$	\$ 1,439	\$ 180	\$	\$	\$	\$ 68,755
Depreciation	360	540				360	720		3,599
Development expense						412			412
Distribution and marketing				36,956	11,810				11,810
Editorial expense									36,956
Fellowships and grants		21,000							21,000
General and administrative					14				25,539
Insurance		865			288				2,307
Postage and supplies	577	1,314	19,920		861				8,798
Production costs	1,721				28,175				141,235
Legal and accounting	398	1,193		199	199	597	19,617		22,203
Rent (in-kind)	2,446	3,669	9,200	9,784	1,223	2,446	4,892		33,660
Salaries, contract payment and benefits	106,114	28,233	122,647	96,534	13,857	17,035	17,994		402,414
Sponsored projects		19,023							19,023
Travel	1,563	521	3,441	4,512	521	1,042	521		12,121
Utilities and telephone	625	719		2,717	312	625	1,249		6,247
Other allocable expenses	(29)	1,447	5,000	(520)	(55)	71	1,238		7,152
Total Expenses	\$ 182,530	\$ 78,524	\$ 160,208	\$ 329,500	\$ 57,385	\$ 24,886	\$ 49,560	\$ 0	\$ 882,593
Percent of Total Expenses	20.68%	8.90%	18.15%	37.33%	6.50%	2.82%	5.62%	0.00%	100%

Excess (Deficiency) of Revenue over Expenses	\$	\$ (83,964)	\$ (20,154)	\$ 49,126	\$ (5,158)	\$ (21,843)	\$ (43,277)	\$ 186,592	\$ 89,081
Before Allocation of Undesignated Revenue									

Excess (Deficiency) of Revenue over Expenses	\$	\$ (83,964)	\$ (20,154)	\$ 49,126	\$ (13,775)	\$ (21,843)	\$ (43,277)	\$ 158,660	\$ (9,247)
Before Investment Income (Loss) and									
Before Allocation of Undesignated Revenue									

See accompanying independent auditors' report on other financial information.

SCHEDULE OF SUPPORT AND REVENUE AND FUNCTIONAL EXPENSES

American Schools of Oriental Research

Year Ended June 30, 2009

	Annual Meeting	Arch. & Policy Support	Journals	Books	Fundraising	General and Administrative	Undesignated	Total
SUPPORT, REVENUES, AND OTHER INCOME:								
Contributions	\$	\$ 33,276	\$	\$ 9,481	\$	\$	\$ 68,345	\$ 111,102
Book Revenue			223,266	49,042				49,042
Journals revenue			31,500					223,266
Institutional memberships		17,976	103,499				58,500	90,000
Individual memberships							34,500	155,975
Annual meeting	120,269							120,269
In-kind contributions	3,887	6,611	13,725	1,943	4,147	8,555		38,868
Royalty income		(70,152)	32,053	(13,582)			(67,103)	32,053
Investment income (loss)								(150,837)
Total Support, Revenues, and Other Income	\$ 124,156	\$ (12,289)	\$ 404,043	\$ 46,884	\$ 4,147	\$ 8,555	\$ 94,242	\$ 669,738
EXPENSES:								
Annual Meeting expenses	\$ 89,673	\$	\$	\$	\$	\$	\$	\$ 89,673
Provision for doubtful accounts			25,676					25,676
Depreciation	260	390	1,040	130	260	519		2,599
Development expense		98			3,703			3,801
Distribution and marketing				18,174				18,174
Editorial expense			41,820					41,820
Fellowships and grants		23,850						23,850
General and administrative								15,074
Insurance	522	784	14,761	313	522	1,045		5,224
Postage and supplies	2,085	2,025	10,547	1,043	2,085	3,068		20,853
Production costs			186,812	29,169				215,981
Legal and accounting	534	1,602	267	267	802	20,297		23,769
Rent (in-kind)	3,366	5,049	13,464	1,683	3,366	6,732		33,660
Salaries, contract payment and benefits	116,007	53,275	81,354	20,833	22,886	31,582		325,937
Sponsored projects		22,792						22,792
Travel	3,403	1,701	2,835	1,134	1,134	1,134		11,341
Utilities and telephone	653	757	2,833	326	653	1,305		6,527
Other allocable expenses	656	2,354	1,960	262	685	2,339		8,256
Total Expenses	\$ 217,159	\$ 114,677	\$ 385,459	\$ 73,595	\$ 36,096	\$ 68,021	\$ 0	\$ 895,007
Percent of Total Expenses	24.26%	12.81%	43.07%	8.22%	4.03%	7.61%	0.00%	100%
Excess (Deficiency) of Revenue over Expenses Before Allocation of Undesignated Revenue	\$ (93,003)	\$ (126,966)	\$ 18,584	\$ (26,711)	\$ (31,949)	\$ (59,466)	\$ 94,242	\$ (225,269)
Excess (Deficiency) of Revenue over Expenses Before Investment Income (Loss) and Before Allocation of Undesignated Revenue	\$ (93,003)	\$ (56,814)	\$ 18,584	\$ (13,129)	\$ (31,949)	\$ (59,466)	\$ 161,345	\$ (74,432)

See accompanying independent auditors' report on other financial information.