

**Audited Financial Statements
and Supplementary Information**

American Schools of Oriental Research

Years Ended June 30, 2014 and 2013

Audited Financial Statements and Supplementary Information

American Schools of Oriental Research

Years Ended June 30, 2014 and 2013

Audited Financial Statements

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Independent Auditors' Report

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

We have audited the accompanying financial statements of American Schools of Oriental Research (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Schools of Oriental Research as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Raleigh, North Carolina
November 8, 2014

Statements of Financial Position

American Schools of Oriental Research

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 837,235	\$ 736,789
Investments (including permanent endowments)	1,296,369	1,086,594
Accounts receivable:		
Memberships and subscriptions	20,300	23,359
Book sales and other receivables	13,209	8,092
Inventory and capitalized costs	28,654	39,476
Prepaid expenses and other assets	14,724	7,478
Property and equipment, net	<u>5,778</u>	<u>5,736</u>
TOTAL ASSETS	\$ <u>2,216,269</u>	\$ <u>1,907,524</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 7,954	\$ 14,670
Deferred revenue	340,340	323,664
Other liabilities	<u>4,606</u>	<u>8,483</u>
Total Liabilities	352,900	346,817
Net Assets:		
Unrestricted:		
Available for operations	209,991	212,350
Board-designated for publications	142,433	130,056
Property and equipment	<u>5,778</u>	<u>5,736</u>
Total Unrestricted Net Assets	358,202	348,142
Temporarily restricted	747,481	540,688
Permanently restricted	<u>757,686</u>	<u>671,877</u>
Total Net Assets	<u>1,863,369</u>	<u>1,560,707</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,216,269</u>	\$ <u>1,907,524</u>

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

Statement of Activities

American Schools of Oriental Research

Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 81,853	\$ 221,551	\$ 83,441	\$ 386,845
In-kind contributions	33,660			33,660
Book revenue	54,004			54,004
Journals revenue	229,532			229,532
Institutional memberships	79,000			79,000
Individual memberships	163,124			163,124
Annual meeting	182,021			182,021
Royalty income	41,008			41,008
Interest and dividends	39,009			39,009
Net realized gain on sales of investments	24,548			24,548
Net unrealized gain (loss) on investments	(45,022)	193,420	2,368	150,766
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>208,178</u>	<u>(208,178)</u>		<u>0</u>
Total Support and Revenue	<u>1,090,915</u>	<u>206,793</u>	<u>85,809</u>	<u>1,383,517</u>
EXPENSES AND LOSSES				
Program services	970,274			970,274
Support services:				
General and administrative	67,534			67,534
Fundraising and nonprogram	<u>43,047</u>			<u>43,047</u>
Total Expenses	<u>1,080,855</u>	<u>0</u>	<u>0</u>	<u>1,080,855</u>
Change in Net Assets	10,060	206,793	85,809	302,662
Net Assets, Beginning of Year	<u>348,142</u>	<u>540,688</u>	<u>671,877</u>	<u>1,560,707</u>
Net Assets, End of Year	<u>\$ 358,202</u>	<u>\$ 747,481</u>	<u>\$ 757,686</u>	<u>\$ 1,863,369</u>

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

Statement of Activities

American Schools of Oriental Research

Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 99,889	\$ 125,795	\$ 108,695	\$ 334,379
In-kind contributions	92,374			92,374
Book revenue	40,013			40,013
Journals revenue	231,864			231,864
Institutional memberships	86,000			86,000
Individual memberships	163,715			163,715
Annual meeting	193,234			193,234
Royalty income	36,433			36,433
Interest and dividends	5,417	19,679		25,096
Net realized gain on sales of investments	14,318			14,318
Net unrealized gain (loss) on investments	(8,494)	130,195	2,261	123,962
Net assets released from restrictions:				
Satisfaction of purpose restrictions	193,509	(193,509)		0
Transfers of net assets		(54,000)	54,000	0
	<u>1,148,272</u>	<u>28,160</u>	<u>164,956</u>	<u>1,341,388</u>
Total Support and Revenue				
EXPENSES AND LOSSES				
Program services	989,516			989,516
Support services:				
General and administrative	72,253			72,253
Fundraising and nonprogram	65,531			65,531
	<u>1,127,300</u>	<u>0</u>	<u>0</u>	<u>1,127,300</u>
Total Expenses				
Change in Net Assets	20,972	28,160	164,956	214,088
Net Assets, Beginning of Year	<u>327,170</u>	<u>512,528</u>	<u>506,921</u>	<u>1,346,619</u>
Net Assets, End of Year	<u>\$ 348,142</u>	<u>\$ 540,688</u>	<u>\$ 671,877</u>	<u>\$ 1,560,707</u>

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

Statements of Cash Flows

American Schools of Oriental Research

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 302,662	\$ 214,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,942	2,197
Net gain on sales of investments	(24,548)	(14,318)
Net unrealized loss (gain) on investments	(150,766)	(123,962)
Changes in operating assets and liabilities:		
Memberships and subscriptions receivable	3,059	(4,255)
Contributions receivable	0	58,850
Book sales and other receivables	(5,117)	1,347
Inventory and capitalized costs	10,822	(9,053)
Prepaid expenses and other assets	(7,246)	2,156
Accrued expenses	(6,715)	(6,977)
Deferred revenue	16,676	15,522
Other liabilities	(3,878)	1,558
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>138,891</u>	<u>137,153</u>
INVESTING ACTIVITIES:		
Sales of investments, net of purchases	(34,461)	(78,795)
Purchases of fixed assets	(3,984)	(1,899)
NET CASH USED IN INVESTING ACTIVITIES	<u>(38,445)</u>	<u>(80,694)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	100,446	56,459
Cash and cash equivalents, beginning of year	<u>736,789</u>	<u>680,330</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 837,235</u>	<u>\$ 736,789</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, 2014 and 2013

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, issued by the Financial Accounting Standards Board (FASB) for presentation of its financial statements. ASOR reports information regarding its financial position and activities according to the following three net asset classes:

Unrestricted Net Assets: Unrestricted net assets represent those assets either not subject to donor-imposed restrictions or releases from temporarily restricted net assets designated for stipulated activities or programs, which are expended within the current fiscal year. Board-designated or appropriated amounts are legally unrestricted and are reported as part of the unrestricted class.

Temporarily Restricted Net Assets: Temporarily restricted net assets are subject to explicit or implicit donor-imposed restrictions that may or will be met by actions of ASOR and/or the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Revenue Recognition/Deferred Revenue: Revenue is derived 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. 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.

Cash Equivalents: ASOR considers all highly liquid investments with an initial maturity of three months or less, including bank money market accounts, to be cash equivalents. Refer also to *Note H -- Fair Value Measurements*.

American Schools of Oriental Research

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

Investments: Investments are held by two brokerage firms in various mutual/investment funds and other equities and fixed-income securities. Investments are reported at fair value based on quoted market prices. 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, 2014 and 2013. Accounts receivable balances are due within a year and are unsecured.

Inventory and Capitalized Costs: Inventory consists of completed publications that are sold through an independent distributor. Capitalized costs consist of expenses related to the production of publications prior to completion. Inventories are stated at the lower of cost, determined by total production costs capitalized, or market value.

Property and Equipment: Property 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.

Donated Services: Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ASOR. Volunteers provided services that are not recognized as contributions in the accompanying financial statements since the recognition criteria under FASB ASC 958-605 were not met.

Fair Value of Financial Instruments: The carrying value of cash equivalents, accounts receivable, and accrued expenses is considered by management to approximate the fair value of such at June 30, 2014 and 2013, based on the short-term maturity of these financial instruments. Investments are carried at fair value based on quoted market prices. Refer also to *Note H -- Fair Value Measurements*.

Income Taxes: ASOR is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. ASOR had no unrelated business activities and, therefore, incurred no unrelated business income taxes for the years ended June 30, 2014 and 2013. Tax filings for fiscal years subsequent to fiscal 2009-2010 remain open and subject to examination.

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. 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 two brokerage firms and are comprised of the following:

	June 30,	
	<u>2014</u>	<u>2013</u>
Mutual/investment funds:		
Equities	\$ 903,638	\$ 758,140
Bonds	14,025	13,591
Equity securities	213,829	165,040
Fixed-income securities	<u>164,877</u>	<u>149,823</u>
	<u>\$ 1,296,369</u>	<u>\$ 1,086,594</u>

Cash held by brokers of \$128,029 and \$70,104 is included in cash and cash equivalents at June 30, 2014 and 2013, respectively.

Refer also to *Note I -- Significant Concentrations*.

NOTE C -- FIXED ASSETS

Fixed assets consist of the following:

	June 30,	
	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 35,498	\$ 35,498
Computer equipment	<u>31,259</u>	<u>29,201</u>
	66,757	64,699
Less: Accumulated depreciation and amortization	<u>(60,979)</u>	<u>(58,963)</u>
	<u>\$ 5,778</u>	<u>\$ 5,736</u>

Depreciation and amortization expense totaled \$3,942 and \$2,197 for 2014 and 2013, 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>2014</u>	<u>2013</u>
General Endowment Fund	\$ 16,588	\$ 14,721
Harris Fund	6,802	11,437
Platt Fund	16,500	16,171
Wright/Meyers Fund	3,620	2,526
PE MacAllister Fund	5,012	0
Sponsored projects	42,180	26,760
Development Fund	0	10,099
NEH/Archives	11,341	12,659
Heritage fellowships	26,563	24,170
Book subvention	23,963	8,120
Friends of ASOR project	48,515	36,398
Other	<u>7,094</u>	<u>30,448</u>
	<u>\$ 208,178</u>	<u>\$ 193,509</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>2014</u>	<u>2013</u>
Accumulated earnings on endowment funds:		
General Endowment, ASOR's general operations	\$ 226,749	\$ 146,718
Harris Fund, research for Biblical archaeology	35,878	22,164
Platt Fund, ASOR fellowships	264,434	236,842
Wright/Meyers Fund, excavation scholarships	27,807	13,089
PE MacAllister Fund	10,980	0
Sponsored projects	66,860	83,279
NEH/Archives (designated contributions)	25,400	11,441
Heritage fellowships	0	1,313
Book subvention	18,067	17,630
Friends of ASOR project	55,087	1,602
Other	<u>16,219</u>	<u>6,610</u>
	<u>\$ 747,481</u>	<u>\$ 540,688</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>2014</u>	<u>2013</u>
General Endowment Fund	\$ 427,210	\$ 400,985
Corpus of Harris Fund	115,565	113,197
Corpus of Platt Fund	20,000	20,000
Corpus of Wright/Meyers Fund	55,466	51,250
Corpus of P.E. MacAllister Fund	101,495	86,445
Corpus of Eric and Carol Meyers Fund	7,000	0
Corpus of Strange/Midkiff Fund	<u>30,950</u>	<u>0</u>
	<u>\$ 757,686</u>	<u>\$ 671,877</u>

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

Notes to Financial Statements -- Continued

American Schools of Oriental Research

NOTE F -- ENDOWMENT NET ASSETS

In June 2009, the Commonwealth of Massachusetts enacted a version of UPMIFA (Uniform Prudent Management Institutional Funds Act) applicable to endowment funds existing on or established after the Act's effective date. UPMIFA eliminates the historic dollar concept of UMIFA (the governing law in Massachusetts prior to June 2009) in favor of the "prudent spending" concept as pertains to endowment net assets. ASOR maintains that the historic dollar value of contributions to its endowment funds approximates the permanently restricted portion of such when applying the "prudent spending" concept.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to endowments, (2) the original value of subsequent gifts to endowments, and (3) accumulations to endowments made in accordance with the direction of the applicable donor gift instruments. The remaining portions of donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

ASOR has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of those endowment assets over the long-term. ASOR's investment portfolio relies on diversification of assets to achieve its long-term return objectives within prudent risk parameters. Earnings on endowment funds are available for ASOR's general use or as otherwise restricted by the donor.

The composition of endowment net assets by fund type is as follows at June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 0	\$ 565,848	\$ 757,686	\$ 1,323,534
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total funds, at June 30, 2014	<u>\$ 0</u>	<u>\$ 565,848</u>	<u>\$ 757,686</u>	<u>\$ 1,323,534</u>

Changes in endowment net assets for the year ended June 30, 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2013	\$ <u>(1,909)</u>	\$ <u>418,813</u>	\$ <u>671,877</u>	\$ <u>1,088,781</u>
Investment return:				
Interest/dividend income, net of fees	0	33,041	0	33,041
Net change in fair value	<u>1,909</u>	<u>160,355</u>	<u>2,368</u>	<u>164,632</u>
Total investment return	1,909	193,396	2,368	197,673
Contributions		4,216	83,441	87,657
Appropriated for expenditure	<u>0</u>	<u>(50,577)</u>	<u>0</u>	<u>(50,577)</u>
Endowment net assets, June 30, 2014	<u>\$ 0</u>	<u>\$ 565,848</u>	<u>\$ 757,686</u>	<u>\$ 1,323,534</u>

Notes to Financial Statements -- Continued

American Schools of Oriental Research

NOTE F -- ENDOWMENT NET ASSETS -- Continued

The composition of endowment net assets by fund type is as follows at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,909)	\$ 418,813	\$ 671,877	\$ 1,088,781
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total funds, at June 30, 2013	\$ <u>(1,909)</u>	\$ <u>418,813</u>	\$ <u>671,877</u>	\$ <u>1,088,781</u>

Changes in endowment net assets for the year ended June 30, 2013, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ <u>0</u>	\$ 303,438	\$ 506,921	\$ 810,359
Investment return:				
Interest/dividend income, net of fees	0	19,679	0	19,679
Net change in fair value	<u>(1,909)</u>	<u>130,128</u>	<u>2,261</u>	<u>130,480</u>
Total investment return	(1,909)	149,807	2,261	150,159
Contributions	0	1,250	108,695	109,945
Transfers of net assets	0	5,183	54,000	59,183
Appropriated for expenditure	<u>0</u>	<u>(40,865)</u>	<u>0</u>	<u>(40,865)</u>
Endowment net assets, June 30, 2013	\$ <u>(1,909)</u>	\$ <u>418,813</u>	\$ <u>671,877</u>	\$ <u>1,088,781</u>

NOTE G -- 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 expired on June 30, 2012, and has not been formally extended. ASOR has received no notice of Boston University's intent to terminate its tenancy arrangement with ASOR. Management expects to be given at least twelve months notice, as was agreed upon in the aforementioned lease, should the University decide to repurpose the space. 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, 2014 and 2013.

Notes to Financial Statements -- Continued

American Schools of Oriental Research

NOTE H -- FAIR VALUE MEASUREMENTS

ASOR applies U.S. 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 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, 2014 and 2013:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2014</u>				
Cash equivalents	\$ 551,014	\$ 551,014	\$ 0	\$ 0
Investments	<u>1,296,369</u>	<u>1,296,369</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,847,383</u>	<u>\$ 1,847,383</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>June 30, 2013</u>				
Cash equivalents	\$ 515,833	\$ 515,833	\$ 0	\$ 0
Investments	<u>1,086,594</u>	<u>1,086,594</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,602,427</u>	<u>\$ 1,602,427</u>	<u>\$ 0</u>	<u>\$ 0</u>

Level 1: Cash equivalents are held in bank money market accounts. Investments are held in various mutual/investment funds, equities and fixed-income securities as described further in *Note B -- Investments*.

At June 30, 2014 and 2013, 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 I -- SIGNIFICANT CONCENTRATIONS

Financial instruments that subject ASOR to the potential concentration of credit risk consist primarily of temporary cash deposits in a bank located in Massachusetts. ASOR's bank deposits are eligible for FDIC coverage of up to \$250,000 per account holder per bank. ASOR's bank deposits exceeded federally insured limits at June 30, 2014, by approximately \$355,000, though ASOR has incurred no loss as a result of such.

Cash and investments of approximately \$1,146,000 and \$886,000 at June 30, 2014 and 2013, respectively, are invested with one brokerage firm. These, as well as other investments, are primarily unsecured, though certain coverage may be provided by the Security Investors Protection Corporation for missing stocks and other securities up to \$500,000, including up to \$100,000 in cash if a brokerage or bank brokerage subsidiary fails. SIPC does not insure the quality of investments or protect against losses from fluctuating market values.

NOTE J -- COMMITMENTS AND CONTINGENCIES

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

NOTE K -- 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 \$249,000 and \$160,000 to ASOR for the years ended June 30, 2014 and 2013, respectively.

During the years ended June 30, 2014 and 2013, ASOR paid \$4,736 and \$11,198, respectively, for printing services provided by a Board member. ASOR also paid project stipends totaling \$2,250 and \$500 to Board members for the years ended June 30, 2014 and 2013.

In-kind contributions for 2014 include \$33,660 of donated office space. In-kind contributions for 2013 included \$58,714 of advertising from Google, Inc. and \$33,660 of donated office space. Refer also to *Note G -- Facilities Lease*.

NOTE L -- SUBSEQUENT EVENTS

ASOR subsequently entered into a \$756,000 cooperative agreement with the U.S. Department of State to develop a plan for safeguarding cultural heritage sites in the countries of Syria and Iraq. The grant has a funding period of August 4, 2014 through September 30, 2015. ASOR is responsible for a cost-share of \$131,677 on the project.

Management has evaluated subsequent events through November 8, 2014, the date on which financial statements were available for issue.

SUPPLEMENTARY INFORMATION



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

Independent Auditors' Report
on Supplementary Information

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

We have audited the financial statements of American Schools of Oriental Research as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated November 8, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of support and revenue and functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Raleigh, North Carolina
November 8, 2014

Schedule of Support and Revenue and Functional Expenses

American Schools of Oriental Research

Year Ended June 30, 2014

	Annual Meeting and Events	Arch. & Policy Support	Archives Project	Journals	Books	Fundraising	General and Administrative	Undesignated	Total
SUPPORT, REVENUES, AND OTHER INCOME:									
Contributions	\$ 5,412	\$ 214,619	\$ 25,300	\$ 15,147	\$ 24,650	\$ 561	\$	\$ 116,303	\$ 386,845
In-kind contributions	5,049	5,049	1,683		673	1,010	5,049		33,660
Book Revenue					54,004				54,004
Journals revenue				229,532					229,532
Institutional memberships				54,115				24,885	79,000
Individual memberships				111,940				51,184	163,124
Annual meeting	182,021			41,008					182,021
Royalty income		103,792			13,912			96,619	41,008
Investment income (loss)									214,323
Total Support, Revenues, and Other Income	\$ 192,482	\$ 323,460	\$ 26,983	\$ 451,742	\$ 93,239	\$ 1,571	\$ 5,049	\$ 288,991	\$ 1,383,517
EXPENSES:									
Annual Meeting expenses	\$ 71,513	\$	\$ 118	\$ 1,853	\$ 79	\$ 118	\$ 592	\$	\$ 71,513
Depreciation	591	591				2,854			3,942
Development expense		28,850		5,091					2,854
Distribution and marketing	765	57,750							33,941
Fellowships and grants	985	985	197	3,085	131	197	984		6,564
General and administrative	1,404	1,404	281	4,398	187	281	1,403		9,358
Insurance	4,552	4,552	2,322	14,263	607	910	4,552		31,758
Postage and supplies				161,585	81,547				243,132
Production costs	3,045	3,045	609	9,541	406	609	3,045		20,300
Legal and accounting	5,049	5,049	1,683	15,147	673	1,010	5,049		33,660
Rent (in-kind)	126,942	98,356	47,575	117,804	23,179	36,343	48,287		498,486
Salaries, contract payment and benefits		28,879							28,879
Sponsored projects	1,590	14,039	409	4,982	212	318	1,591		23,141
Travel	858	858	172	2,688	114	172	857		5,719
Utilities and telephone	1,173	2,444	235	3,676	156	235	1,174		9,093
Other allocable expenses									
Total Expenses	\$ 218,467	\$ 246,802	\$ 53,601	\$ 344,113	\$ 107,291	\$ 43,047	\$ 67,534	\$ 0	\$ 1,080,855
Percent of Total Expenses	20.21%	22.83%	4.96%	31.84%	9.93%	3.98%	6.25%	0.00%	100%
Excess (Deficiency) of Revenue over Expenses Before Allocation of Undesignated Revenue	\$ (25,985)	\$ 76,658	\$ (26,618)	\$ 107,629	\$ (14,052)	\$ (41,476)	\$ (62,485)	\$ 288,991	\$ 302,662
Excess (Deficiency) of Revenue over Expenses Before Investment Income (Loss) and Before Allocation of Undesignated Revenue	\$ (25,985)	\$ (27,134)	\$ (26,618)	\$ 107,629	\$ (27,964)	\$ (41,476)	\$ (62,485)	\$ 192,372	\$ 88,339

See accompanying independent auditors' report on supplementary information.

Schedule of Support and Revenue and Functional Expenses

American Schools of Oriental Research

Year Ended June 30, 2013

SUPPORT, REVENUES, AND OTHER INCOME:

	Annual Meeting and Events	Arch. & Policy Support	Archives Project	Journals	Books	Fundraising	General and Administrative	Undesignated	Total
Contributions	\$ 4,000	\$ 179,460	\$ 23,100	\$	\$ 16,750	\$ 14,982	\$	\$ 96,087	\$ 334,379
In-kind contributions	13,856	13,856	4,619	41,568	1,847	2,771	13,856	1	92,374
Grants									0
Book Revenue					40,013				40,013
Journals revenue				231,423				441	231,864
Institutional memberships				30,100				55,900	86,000
Individual memberships				98,229				65,486	163,715
Annual meeting	194,334			36,433				(1,100)	193,234
Royalty income									36,433
Investment income (loss)		72,370			10,018			80,988	163,376
Total Support, Revenues, and Other Income	\$ 212,190	\$ 265,686	\$ 27,719	\$ 437,753	\$ 68,628	\$ 17,753	\$ 13,856	\$ 297,803	\$ 1,341,588

EXPENSES:

Annual Meeting expenses	\$ 107,847	\$	\$	\$ 989	\$ 44	\$ 66	\$ 330	\$	\$ 107,847
Depreciation	330	330	110			24,279			2,199
Development expense		23,973		4,230					24,279
Distribution and marketing	1,500	71,000							28,203
Fellowships and grants	929	929	310	2,786	124	186	(96)		72,500
General and administrative	1,350	1,350	450	4,050	180	270	1,350		5,168
Insurance	4,050	4,050	3,374	12,150	540	810	4,050		9,000
Postage and supplies	2,974	2,974		157,185	45,553				29,024
Production costs	13,775	13,775		8,921	397	595	2,974		202,738
Legal and accounting	152,745	82,458	39,186	108,830	22,727	35,884	46,439		19,826
Rent (in-kind)		6,108							91,834
Salaries, contract payment and benefits		17,837	691	4,114	183	274	1,371		488,269
Sponsored projects		879	293	2,637	117	176	879		6,108
Travel		1,911	394	3,544	157	236	1,181		25,841
Utilities and telephone									5,860
Other allocable expenses									8,604
Total Expenses	\$ 288,931	\$ 227,574	\$ 50,391	\$ 350,761	\$ 71,859	\$ 65,531	\$ 72,253	\$ 0	\$ 1,127,300
Percent of Total Expenses	25.63%	20.19%	4.47%	31.12%	6.37%	5.81%	6.41%	0.00%	100%

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

	\$ (76,741)	\$ 38,112	\$ (22,672)	\$ 86,992	\$ (3,231)	\$ (47,778)	\$ (58,397)	\$ 297,803	\$ 214,088
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Excess (Deficiency) of Revenue over Expenses Before Investment Income (Loss) and Before Allocation of Undesignated Revenue

	\$ (76,741)	\$ (34,258)	\$ (22,672)	\$ 86,992	\$ (13,249)	\$ (47,778)	\$ (58,397)	\$ 216,815	\$ 50,712
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See accompanying independent auditors' report on supplementary information.