

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

FINANCIAL STATEMENTS FOR THE
YEARS ENDED JUNE 30, 2005 AND 2004
(With Independent Auditor's Report Thereon)



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INDEPENDENT AUDITOR'S REPORT

BOARD OF TRUSTEES
AMERICAN SCHOOLS OF ORIENTAL RESEARCH
Boston, Massachusetts

We have audited the accompanying statements of financial position of American Schools of Oriental Research (ASOR) as of June 30, 2005 and 2004, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of ASOR's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Schools of Oriental Research as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Parent, McLaughlin & Nangle

Certified Public Accountants, Inc.

September 14, 2005

Parent, McLaughlin & Nangle
Certified Public Accountants, Inc.

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AMERICAN SCHOOLS OF ORIENTAL RESEARCH

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	June 30	
	2005	2004
Cash and cash equivalents	\$ 199,143	\$ 242,387
Investments	709,302	610,948
Accounts receivable:		
Memberships and subscriptions, less allowance for doubtful accounts of \$0 and \$31,856 at June 30, 2005 and 2004, respectively	128,774	90,981
Book sales	9,511	32,226
Contributions receivable, less allowance for doubtful accounts of \$0 and \$9,000 at June 30, 2005 and 2004, respectively	5,826	164,710
Other receivables	10,311	5,584
Inventory and capitalized costs, less allowance for inventory obsolescence of \$0 and \$13,805 at June 30, 2005 and 2004, respectively	71,797	83,183
Prepaid expenses and other assets	7,231	8,691
Furniture and fixtures and equipment, net	23,493	19,169
Long-term-cash equivalents	-	3,503
Total Assets	\$ 1,165,388	\$ 1,261,382
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accrued expenses	\$ 70,131	\$ 68,985
Deferred revenue	307,713	299,971
Other liabilities	13,295	14,467
Due to affiliates	-	150,000
Total Liabilities	391,139	533,423
NET ASSETS:		
Unrestricted:		
Operations	(137,940)	(125,662)
Board designated	55,638	71,725
Property and equipment	23,493	19,169
	(58,809)	(34,768)
Temporarily Restricted	407,336	337,479
Permanently Restricted	425,722	425,248
Total Net Assets	774,249	727,959
Total Liabilities and Net Assets	\$ 1,165,388	\$ 1,261,382

See accompanying notes to financial statements.



AMERICAN SCHOOLS OF ORIENTAL RESEARCH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

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

See accompanying notes to financial statements.



AMERICAN SCHOOLS OF ORIENTAL RESEARCH

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 197,677	\$ 115,869	\$ 1,825	\$ 315,371
Publication income	331,157	-	-	331,157
Institutional memberships	84,435	-	-	84,435
Individual memberships	121,022	-	-	121,022
Annual meeting	55,965	-	-	55,965
In-kind rent contribution	26,109	-	-	26,109
Royalty income	5,276	-	-	5,276
Investment income	2,103	(6,170)	1,792	(2,275)
Net realized loss on sales of investments	(1,027)	(19,292)	-	(20,319)
Net unrealized gain (loss) on investments	(45)	36,177	(1,619)	34,513
Net assets released from restrictions:				
Purpose restrictions satisfied	<u>130,572</u>	<u>(130,572)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>953,244</u>	<u>(3,988)</u>	<u>1,998</u>	<u>951,254</u>
EXPENSES AND LOSSES:				
Program services	718,282	-	-	718,282
General and administrative	125,874	-	-	125,874
Fundraising and nonprogram	<u>77,978</u>	<u>-</u>	<u>-</u>	<u>77,978</u>
Total Expenses	<u>922,134</u>	<u>-</u>	<u>-</u>	<u>922,134</u>
Provision for doubtful accounts	63,402	-	-	63,402
Provision for obsolete inventory	<u>13,805</u>	<u>-</u>	<u>-</u>	<u>13,805</u>
Total Expenses and Losses	<u>999,341</u>	<u>-</u>	<u>-</u>	<u>999,341</u>
CHANGE IN NET ASSETS	(46,097)	(3,988)	1,998	(48,087)
NET ASSETS - beginning of year	(104,992)	437,285	443,753	776,046
RECLASSIFICATIONS (Note N)	<u>116,321</u>	<u>(95,818)</u>	<u>(20,503)</u>	<u>-</u>
NET ASSETS - end of year	<u><u>(\$ 34,768)</u></u>	<u><u>\$ 337,479</u></u>	<u><u>\$ 425,248</u></u>	<u><u>\$ 727,959</u></u>

See accompanying notes to financial statements.



AMERICAN SCHOOLS OF ORIENTAL RESEARCH

STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 46,290	(\$ 48,087)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,088	9,589
Provision for doubtful accounts	(10,545)	63,402
Provision for obsolete inventory	-	13,805
Net loss on sales of investments	23,210	20,319
Net unrealized gain on investments	(40,712)	(34,513)
Increase in memberships and subscriptions receivable	(27,248)	(67,353)
(Increase) decrease in book sales receivable	22,715	17,476
(Increase) decrease in contributions receivable	158,884	(137,637)
(Increase) decrease in other receivables	(4,727)	1,216
Increase in inventory and capitalized costs	11,386	(10,863)
(Increase) decrease in prepaid expenses and other assets	1,460	4,890
Decrease (increase) in long-term-cash equivalents	3,503	417,031
Increase in accrued expenses	1,146	(23,364)
Increase in deferred revenue	7,742	(31,008)
Decrease in other liabilities	(1,172)	(1,063)
(Decrease) increase in due to affiliates	(150,000)	150,000
Total adjustments	<u>7,730</u>	<u>391,927</u>
Net cash provided by operating activities	<u>54,020</u>	<u>343,840</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	510,054	113,930
Purchases of investments	(590,906)	(617,350)
Purchases of equipment	(16,412)	(6,449)
Net cash used in investing activities	(97,264)	(509,869)
Cash Flows from Financing Activities:		
Principal payments on long-term debt	-	(6,650)
Net cash used in financing activities	-	(6,650)
Net decrease in cash and cash equivalents	(43,244)	(172,679)
Cash and cash equivalents, beginning of year	<u>242,387</u>	<u>415,066</u>
Cash and cash equivalents, end of year	<u>\$ 199,143</u>	<u>\$ 242,387</u>

See accompanying notes to financial statements.



AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

A. Organization:

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

B. Summary of Significant Accounting Policies:

Basis of accounting:

ASOR prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation:

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

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

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

Net assets – (continued):

Unrestricted net assets:

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

Temporarily restricted net assets:

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

Permanently restricted net assets:

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

Cash and cash equivalents:

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

Investments:

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

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

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

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts was \$0 and \$31,856 as of June 30, 2005 and 2004, respectively.

Inventory and capitalized costs:

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

Furniture and fixtures and equipment:

Furniture and fixtures and equipment are carried at cost or if donated, at fair value at the date of donation, less accumulated depreciation.

Depreciation is calculated on a straight-line method over the estimated useful lives of the respective assets.

Purchases are determined to be capital expenditures based on ASOR's policy of capitalizing assets acquired at a cost (or, if donated, a fair value) exceeding \$500. Those items that are not a capital expenditure are immediately expensed.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

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

Revenue recognition:

Revenue is derived mainly from memberships, subscriptions, and publication sales. Revenues from memberships and subscriptions are recognized ratably over the related period (normally one year). Any unearned amount is presented as deferred revenue in the statements of financial position. Publications sales are recognized at the time of sale.

Contributions:

ASOR follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, including unconditional promises to give, are recorded as made to ASOR. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using an appropriate discount rate.

Income taxes:

ASOR is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. ASOR had no unrelated business activities and therefore, incurred no unrelated business income taxes for either of the years ended June 30, 2005 or 2004.

Reclassifications:

Certain reclassifications have been made to the 2004 financial statements in order to conform with the presentation used in the 2005 financial statements.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

C. Investments:

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

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Fair Value</u>	<u>Cost Basis</u>	<u>Unrealized Appreciation</u>
Publicly traded companies	\$ 1,103	\$ 149,155	\$ 150,258	\$ 147,806	\$ 2,452
Mutual funds	<u>279,234</u>	<u>279,810</u>	<u>559,044</u>	<u>553,022</u>	<u>6,022</u>
	<u>\$ 280,337</u>	<u>\$ 428,965</u>	<u>\$ 709,302</u>	<u>\$ 700,828</u>	<u>\$ 8,474</u>

Other investments, at fair value and cost basis, consist of the following at June 30, 2004:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Fair Value</u>	<u>Cost Basis</u>	<u>Unrealized Depreciation</u>
Publicly traded companies	\$ 207,026	\$ 221,499	\$ 428,525	\$ 459,395	(\$ 30,870)
Government Bonds	-	140,833	140,833	142,122	(1,289)
Mutual funds	<u>21,940</u>	<u>19,650</u>	<u>41,590</u>	<u>41,669</u>	<u>(79)</u>
	<u>\$ 228,966</u>	<u>\$ 381,982</u>	<u>\$ 610,948</u>	<u>\$ 643,186</u>	<u>(\$ 32,238)</u>

As of June 30, 2005 and 2004, ASOR held \$15,996 and \$55,359, respectively, in money market mutual funds, which are classified as either short-term or long-term cash and cash equivalents.



AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

D. Furniture and Fixtures and Equipment:

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

	<u>2005</u>	<u>2004</u>
Furniture and fixtures	\$ 35,498	\$ 35,498
Computer equipment	<u>66,755</u>	<u>50,343</u>
	102,253	85,841
Less accumulated depreciation	(<u>78,760</u>)	(<u>66,672</u>)
	<u>\$ 23,493</u>	<u>\$ 19,169</u>

Depreciation expense amounted \$12,088 and \$9,589 for the years ended June 30, 2005 and 2004, respectively.

E. Due to Affiliates:

During 2004, ASOR was notified of a bequest of \$150,000 to be received. All of this bequest was transferred to ASOR's affiliates during the year ended June 30, 2005.

F. Related Party Transactions:

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

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

During the years ended June 30, 2005 and 2004, a member of the Board of Trustees contributed approximately \$131,000 and \$133,000, respectively to ASOR.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

G. Lease Commitments:

On July 1, 1996, ASOR entered into an agreement to lease office space from the Trustees of Boston University. No rent is payable under this lease. ASOR is required to make monthly payments to cover operating costs incurred by the landlord. The lease expires on July 31, 2006.

The value of the use of the leased property has been recorded as an in-kind contribution and an in-kind expense of \$22,500 for each of the years ended June 30, 2005 and 2004.

ASOR leases space in Atlanta, Georgia at a monthly fee of \$1,051 under a lease expiring on July 31, 2006. ASOR is also obligated under two leases for equipment expiring in 2009. Approximate annual rental commitments for the years subsequent to June 30, 2005 for occupancy and equipment are as follows:

<u>Year ending June 30</u>	
2006	\$ 17,000
2007	5,500
2008	4,500
2009	4,500
2010	350

The total rent expense charged to operations was \$34,468 and \$32,944 for the years ended June 30, 2005 and 2004, respectively.

H. Commitments:

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

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

I. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Accumulated income on fellowship fund	\$ 229,697	\$ 203,693
Sponsored projects	82,474	100,532
NEH Institute	32,781	-
Development Post	32,568	6,030
Specified memorial funds	27,145	22,139
IMIS Software	-	5,085
Biblical Archeology	2,671	-
	<u>\$ 407,336</u>	<u>\$ 337,479</u>

In 2004, reclassifications were made between net asset categories. See Note N for further explanation.

J. Permanently Restricted Net Assets:

Permanently restricted net assets are restricted for the following purposes:

	<u>2005</u>	<u>2004</u>
Torch Endowment Fund	\$ 263,969	\$ 263,969
Corpus of Endowment for Biblical Archaeology and publication support	104,753	104,279
Corpus of General Endowment	37,000	37,000
Corpus of fellowship fund	20,000	20,000
	<u>\$ 425,722</u>	<u>\$ 425,248</u>

In 2004, reclassifications were made between net asset categories. See Note N for further explanation.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

K. Satisfaction of Program Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors. Program restrictions accomplished during the years ended June 30, 2005 and 2004, consist of the following:

	<u>2005</u>	<u>2004</u>
NEH Institute	\$ 48,111	\$ -
Sponsored project expedition expenses	36,483	76,476
Dorot Foundation fellowships for annual meeting	9,843	10,000
Development Post	8,600	-
Lindstrom	3,540	2,500
IMIS Software	5,085	4,915
Kress awards for foreign travel to annual meeting	3,514	5,000
Torch Campaign	-	125
Feasability Study	-	25,000
Annual Meeting Reception	-	5,000
Platt	-	1,556
Biblical Archeology	<u>1,600</u>	<u>-</u>
Total temporarily restricted net assets released	<u>\$ 116,776</u>	<u>\$ 130,572</u>

L. Concentration of Credit Risk:

ASOR maintains money market mutual fund accounts at a brokerage firm and cash balances at several banks throughout the United States. Bank balances are insured by the Federal Deposit Insurance Corporation, up to \$100,000. Money market mutual fund accounts are not insured. As of June 30, 2005, uninsured amounts of cash and cash equivalents aggregated approximately \$108,000.

AMERICAN SCHOOLS OF ORIENTAL RESEARCH

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2005 AND 2004

(continued)

M. Functional Allocation of Expenses:

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

N. Reclassifications of net assets:

Reclassifications were made between net asset categories based on additional information received during 2004.