

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**JUNE 30, 2010 AND 2009**

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

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**LUZ AND CARR**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP  
300 EAST 42ND ST., NEW YORK, NY 10017  
212-697-2299 Fax 212-949-1768

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Archaeological Institute of America

We have audited the accompanying statements of financial position of the Archaeological Institute of America 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 the Organization'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 financials 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 presents fairly, in all material respects, the financial position of the Archaeological Institute of America 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 accounting principles generally accepted in the United States of America.

*Lutz + Carr, LLP*

New York, New York  
September 23, 2010

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

|   | <u>2010</u>               | <u>2009</u>               |
|---|---------------------------|---------------------------|
| <b>Assets</b>   |                           |                           |
| Cash and cash equivalents (Notes 1b and 10)                                     | \$1,116,410               | \$ 829,147                |
| Unconditional promises to give (Notes 1c and 3)                                 |                           |                           |
| Unrestricted  | \$117,188                 | \$81,288                  |
| Temporarily restricted  | 206,508                   | 265,946                   |
| Permanently restricted  | <u>-</u>                  | <u>7,950</u>              |
| Accounts receivable, net of allowance of \$13,088<br>(2010) and \$28,175 (2009) | 421,106                   | 428,876                   |
| Prepaid expenses and other assets   | 150,263                   | 152,923                   |
| Prepaid direct mail costs (Note 1f)   | 686,879                   | 1,087,459                 |
| Investments (Notes 1d, 4 and 6)   | 6,959,840                 | 6,670,405                 |
| Property and equipment, net (Notes 1e and 5)                                    | <u>33,459</u>             | <u>61,479</u>             |
| <b>Total Assets</b>   | <u><u>\$9,691,653</u></u> | <u><u>\$9,585,473</u></u> |
| <b>Liabilities and Net Assets</b>   |                           |                           |
| Liabilities   |                           |                           |
| Accounts payable  | \$ 230,513                | \$ 227,136                |
| Accrued expenses  | 156,373                   | 201,812                   |
| Deferred revenue (Note 1g)  | <u>3,410,286</u>          | <u>3,279,828</u>          |
| Total Liabilities   | <u><u>3,797,172</u></u>   | <u><u>3,708,776</u></u>   |
| Commitments (Notes 8 and 9)   |                           |                           |
| Net Assets (Note 6)   |                           |                           |
| Unrestricted  | (1,472,769)               | (472,232)                 |
| Temporarily restricted (Note 2b)  | 3,788,455                 | 2,793,082                 |
| Permanently restricted (Note 2c)  | <u>3,578,795</u>          | <u>3,555,847</u>          |
| Total Net Assets  | <u><u>5,894,481</u></u>   | <u><u>5,876,697</u></u>   |
| <b>Total Liabilities and Net Assets</b>   | <u><u>\$9,691,653</u></u> | <u><u>\$9,585,473</u></u> |

See notes to financial statements.

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2010 AND 2009

|   | 2010                      |                    |                      |                        |                        | 2009               |                           |                     |                     |                        |                        |                    |
|---|---------------------------|--------------------|----------------------|------------------------|------------------------|--------------------|---------------------------|---------------------|---------------------|------------------------|------------------------|--------------------|
|   | Unrestricted Funds        |                    |                      | Temporarily Restricted | Permanently Restricted | Total              | Unrestricted Funds        |                     |                     | Temporarily Restricted | Permanently Restricted | Total              |
| General Operating   | Functioning as Endowments | Total              | General Operating    |                        |                        |                    | Functioning as Endowments | Total               |                     |                        |                        |                    |
| <b>Changes in Unrestricted Net Assets</b>                               |                           |                    |                      |                        |                        |                    |                           |                     |                     |                        |                        |                    |
| Revenues, Gains and Other Support                                       |                           |                    |                      |                        |                        |                    |                           |                     |                     |                        |                        |                    |
| Subscriptions and Newsstand Revenue                                     |                           |                    |                      |                        |                        |                    |                           |                     |                     |                        |                        |                    |
| Subscriptions, net of cancellations                                     | \$ 3,369,849              | \$ -               | \$ 3,369,849         | \$ -                   | \$ -                   | \$ 3,369,849       | \$ 3,369,270              | \$ -                | \$ 3,369,270        | \$ -                   | \$ -                   | \$ 3,369,270       |
| Newsstand revenue   | 305,523                   | -                  | 305,523              | -                      | -                      | 305,523            | 233,566                   | -                   | 233,566             | -                      | -                      | 233,566            |
|   | <u>3,675,372</u>          | <u>-</u>           | <u>3,675,372</u>     | <u>-</u>               | <u>-</u>               | <u>3,675,372</u>   | <u>3,602,836</u>          | <u>-</u>            | <u>3,602,836</u>    | <u>-</u>               | <u>-</u>               | <u>3,602,836</u>   |
| Other Earned Revenue  |                           |                    |                      |                        |                        |                    |                           |                     |                     |                        |                        |                    |
| Advertising revenue   | 580,323                   | -                  | 580,323              | -                      | -                      | 580,323            | 622,758                   | -                   | 622,758             | -                      | -                      | 622,758            |
| Net investment income (Note 4)  | 5,936                     | 196,800            | 202,736              | 492,917                | 3,659                  | 699,312            | 7,028                     | (801,434)           | (794,406)           | (851,244)              | 2,684                  | (1,642,966)        |
| Other revenue   | 445,669                   | -                  | 445,669              | -                      | -                      | 445,669            | 480,622                   | -                   | 480,622             | -                      | -                      | 480,622            |
|   | <u>1,031,928</u>          | <u>196,800</u>     | <u>1,228,728</u>     | <u>492,917</u>         | <u>3,659</u>           | <u>1,725,304</u>   | <u>1,110,408</u>          | <u>(801,434)</u>    | <u>308,974</u>      | <u>(851,244)</u>       | <u>2,684</u>           | <u>(539,586)</u>   |
| Public Support  |                           |                    |                      |                        |                        |                    |                           |                     |                     |                        |                        |                    |
| Contributions and grants  | 364,226                   | 97,494             | 461,720              | 293,508                | 19,289                 | 774,517            | 381,572                   | 79,885              | 461,457             | 715,830                | 81,323                 | 1,258,610          |
| Benefit income  | 360,643                   | -                  | 360,643              | -                      | -                      | 360,643            | 322,350                   | -                   | 322,350             | -                      | -                      | 322,350            |
| Less: Direct benefit expenses   | (75,000)                  | -                  | (75,000)             | -                      | -                      | (75,000)           | (78,740)                  | -                   | (78,740)            | -                      | -                      | (78,740)           |
| Donated services (Note 7)   | 132,400                   | -                  | 132,400              | -                      | -                      | 132,400            | 132,400                   | -                   | 132,400             | -                      | -                      | 132,400            |
| Membership revenue  | 314,017                   | -                  | 314,017              | -                      | -                      | 314,017            | 335,528                   | -                   | 335,528             | -                      | -                      | 335,528            |
|   | <u>1,096,286</u>          | <u>97,494</u>      | <u>1,193,780</u>     | <u>293,508</u>         | <u>19,289</u>          | <u>1,506,577</u>   | <u>1,093,110</u>          | <u>79,885</u>       | <u>1,172,995</u>    | <u>715,830</u>         | <u>81,323</u>          | <u>1,970,148</u>   |
| Appropriations and Net Assets Reclassifications                         |                           |                    |                      |                        |                        |                    |                           |                     |                     |                        |                        |                    |
| Contributions and grants released from restriction                      | 440,408                   | -                  | 440,408              | (440,408)              | -                      | -                  | 295,137                   | -                   | 295,137             | (295,137)              | -                      | -                  |
| Accumulated investment income released from restriction                 | 278,069                   | -                  | 278,069              | (278,069)              | -                      | -                  | -                         | 182,057             | 182,057             | (182,057)              | -                      | -                  |
| Reclassification based on change in state endowment law (Notes 2 and 6) | -                         | (927,425)          | (927,425)            | 927,425                | -                      | -                  | -                         | -                   | -                   | -                      | -                      | -                  |
| Appropriations to operations  | 245,068                   | (245,068)          | -                    | -                      | -                      | -                  | 374,819                   | (374,819)           | -                   | -                      | -                      | -                  |
|   | <u>963,545</u>            | <u>(1,172,493)</u> | <u>(208,948)</u>     | <u>208,948</u>         | <u>-</u>               | <u>-</u>           | <u>669,956</u>            | <u>(192,762)</u>    | <u>477,194</u>      | <u>(477,194)</u>       | <u>-</u>               | <u>-</u>           |
| <b>Total Revenues, Gains and Other Support</b>                          | <u>6,767,131</u>          | <u>(878,199)</u>   | <u>5,888,932</u>     | <u>995,373</u>         | <u>22,948</u>          | <u>6,907,253</u>   | <u>6,476,310</u>          | <u>(914,311)</u>    | <u>5,561,999</u>    | <u>(612,608)</u>       | <u>84,007</u>          | <u>5,033,398</u>   |
| Expenses  |                           |                    |                      |                        |                        |                    |                           |                     |                     |                        |                        |                    |
| Program Services  | 5,510,718                 | -                  | 5,510,718            | -                      | -                      | 5,510,718          | 5,671,326                 | -                   | 5,671,326           | -                      | -                      | 5,671,326          |
| Supporting Services   |                           |                    |                      |                        |                        |                    |                           |                     |                     |                        |                        |                    |
| General and administrative  | 504,607                   | -                  | 504,607              | -                      | -                      | 504,607            | 420,908                   | -                   | 420,908             | -                      | -                      | 420,908            |
| Fundraising and membership development                                  | 874,144                   | -                  | 874,144              | -                      | -                      | 874,144            | 869,772                   | -                   | 869,772             | -                      | -                      | 869,772            |
| Total Supporting Services   | <u>1,378,751</u>          | <u>-</u>           | <u>1,378,751</u>     | <u>-</u>               | <u>-</u>               | <u>1,378,751</u>   | <u>1,290,680</u>          | <u>-</u>            | <u>1,290,680</u>    | <u>-</u>               | <u>-</u>               | <u>1,290,680</u>   |
| <b>Total Expenses</b>   | <u>6,889,469</u>          | <u>-</u>           | <u>6,889,469</u>     | <u>-</u>               | <u>-</u>               | <u>6,889,469</u>   | <u>6,962,006</u>          | <u>-</u>            | <u>6,962,006</u>    | <u>-</u>               | <u>-</u>               | <u>6,962,006</u>   |
| Increase (decrease) in net assets                                       | (122,338)                 | (878,199)          | (1,000,537)          | 995,373                | 22,948                 | 17,784             | (485,696)                 | (914,311)           | (1,400,007)         | (612,608)              | 84,007                 | (1,928,608)        |
| Net assets, beginning of year, as restated (Note 2a)                    | <u>(1,478,592)</u>        | <u>1,006,360</u>   | <u>(472,232)</u>     | <u>2,793,082</u>       | <u>3,555,847</u>       | <u>5,876,697</u>   | <u>(992,896)</u>          | <u>1,920,671</u>    | <u>927,775</u>      | <u>3,405,690</u>       | <u>3,471,840</u>       | <u>7,805,305</u>   |
| <b>Net Assets, End of Year</b>  | <u>\$(1,600,930)</u>      | <u>\$ 128,161</u>  | <u>\$(1,472,769)</u> | <u>\$ 3,788,455</u>    | <u>\$ 3,578,795</u>    | <u>\$5,894,481</u> | <u>\$(1,478,592)</u>      | <u>\$ 1,006,360</u> | <u>\$ (472,232)</u> | <u>\$ 2,793,082</u>    | <u>\$ 3,555,847</u>    | <u>\$5,876,697</u> |

See notes to financial statements.

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

|   | <u>2010</u>               | <u>2009</u>              |
|---|---------------------------|--------------------------|
| <b>Cash Flows From Operating Activities - Sources (Uses)</b>  |                           |                          |
| Increase (decrease) in net assets   | \$ 17,784                 | \$(1,928,608)            |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities |                           |                          |
| Change in allowance for bad debts   | (15,087)                  | (4,037)                  |
| Depreciation and amortization   | 28,020                    | 40,325                   |
| Donated securities  | (1,605)                   | -                        |
| Realized (gain) loss on sale of investments   | (535,947)                 | 77,401                   |
| Unrealized loss on investments  | 22,784                    | 1,713,885                |
| (Increase) decrease in:   |                           |                          |
| Unconditional promises to give  | 31,488                    | (236,996)                |
| Accounts receivable   | 22,857                    | 254,105                  |
| Prepaid expenses and other assets   | 2,660                     | 77,169                   |
| Prepaid direct mail costs   | 400,580                   | 124,524                  |
| Increase (decrease) in:   |                           |                          |
| Accounts payable  | 3,377                     | (10,958)                 |
| Accrued expenses  | (45,439)                  | 58,902                   |
| Deferred revenue  | 130,458                   | 238,590                  |
| Net Cash Provided By Operating Activities   | <u>61,930</u>             | <u>404,302</u>           |
| <b>Cash Flows From Investing Activities - Sources (Uses)</b>  |                           |                          |
| Purchase of furniture and equipment   | -                         | (10,868)                 |
| Purchase of investments   | (9,935,814)               | (909,698)                |
| Proceeds from sale of investments   | 10,161,147                | 1,241,406                |
| Net Cash Provided By Investing Activities   | <u>225,333</u>            | <u>320,840</u>           |
| Net increase in cash and cash equivalents   | 287,263                   | 725,142                  |
| Cash and cash equivalents, beginning of year  | <u>829,147</u>            | <u>104,005</u>           |
| <b>Cash and Cash Equivalents, End of Year</b>   | <u><u>\$1,116,410</u></u> | <u><u>\$ 829,147</u></u> |

See notes to financial statements.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The Archaeological Institute of America (the "Institute") is a not-for-profit organization founded in 1879 and chartered by an Act of Congress in 1906. The Institute is dedicated to the greater understanding of archaeology, to the protection and preservation of the world's archaeological resources and the information they contain, and to the encouragement and support of archaeological research and publication. Program services include the following publications and activities of the Institute:

**Archaeology Magazine**

*Archaeology* is a bi-monthly illustrated magazine recognized worldwide as the premier publication on archaeology for the general public. With a circulation principally in the United States, *Archaeology* provides accounts of the latest discoveries in archaeology worldwide to over 700,000 readers.

**American Journal of Archaeology**

The *American Journal of Archaeology* ("Journal") is a scholarly quarterly publication containing articles on research in archaeology by some of the world's most distinguished archaeologists. The Journal has a circulation of about 2,700 institutions and individuals across the globe.

**Membership Services**

The Institute has over 200,000 members, principally in the United States. The Institute provides lectures, publishes newsletters and bulletins, holds an annual meeting and grants fellowships in order to promote archaeological studies.

**Education and Auxiliary Programs**

The Institute promotes education in the field of archaeology by conducting teacher workshops and providing educational material to elementary schools, secondary schools and other institutions. The Institute also sponsors a tour program, runs fairs with hands-on activities for children in order to encourage interest in the field among young people, and has a site preservation program which is designed to help other countries manage and protect their archaeological heritage.

**b - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Institute considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be cash equivalents, except for those short-term investments held in the Institute's investment portfolio as part of its long-term investment strategies.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Contributions and Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Institute that is, in substance, unconditional. Contributions are recognized as restricted support if they are received with donor stipulations that limit their use; otherwise, they are presented as unrestricted support. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Institute uses the allowance method to determine uncollectible promises to give. The determination of whether an allowance is necessary is based on prior years' experience and management's analysis of specific promises made.

**d - Investments**

The Institute reflects investments at fair value in the statement of financial position. Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as temporarily restricted. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

Investments in marketable securities are stated at fair value. The cost of securities sold is determined by the weighted average method. Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). A fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Financial instruments are categorized into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

The value of the Institute's cash equivalents, mutual funds and publicly traded common stock are based on quoted market prices in active markets and are, therefore, classified within Level 1.

The value of the Institute's fixed income securities, consisting primarily of domestic and foreign corporate bonds and US Treasury bills that trade in markets not considered to be primary active markets, are based on quoted market prices or alternative pricing sources supported by observable inputs and are, therefore, classified within Level 2.



**ARCHAEOLOGICAL INSTITUTE OF AMERICA****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

Certain non-public traded common stock investments are classified within Level 3 of the fair value hierarchy because they trade infrequently (or not at all), and therefore, have little or no readily available pricing. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Fair value has been determined by management of the Institute based on company valuations. The values assigned to these investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized if a ready market existed, and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

**e - Property and Equipment**

Property and equipment are reported at cost or, if donated, at the fair market value at date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

**f - Direct Mail Costs**

Direct response marketing costs incurred in connection with the Institute's direct mail magazine subscription advertising are capitalized and amortized over a three year period on the basis of separate cost pools. Amortization is computed using the income forecast method. Unamortized direct mail costs reported as prepaid expenses assets at June 30, 2010 and 2009 was \$686,879 and \$1,087,459, respectively. Direct mail expenses totaled \$839,221 and \$980,756 for the years ended June 30, 2010 and 2009, respectively.

**g - Publication Revenue and Expenses**

Subscription and advertising revenue are recognized, and the related production costs are expensed, when the publications are released. Subscription revenue and advertising revenue, received in advance of the publication's release, are recorded as deferred revenue. Production, editorial and circulation costs are recorded as prepaid when incurred for publications that have not been released. When the publications are released, these costs are charged to expense.

**h - Financial Statement Presentation**

The Institute reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****i - Estimates**

The Institute uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities and the reported revenues and expenses.

**j - Tax Status**

The Institute is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization which is not a private foundation.

The Institute is subject to federal and state income taxes on any net income derived from advertising revenue, a business activity which is regularly conducted and is, by statute, unrelated to its exempt purpose. Management believes that it has appropriate support for any tax positions taken and does not have any uncertain tax positions that are material to the financial statements.

**k- Subsequent Events**

The Institute has evaluated subsequent events through September 23, 2010, the date that the financial statements are considered available to be issued.

**Note 2 - Restrictions on Assets****a - Funds Functioning as Endowments**

The Board of Trustees maintains reserve funds for certain specific programs and activities. Appropriations are made from these reserves for use in the Institute's annual operations in accordance with the Institute's spending policy. During the year ended June 30, 2010, as the result of a change in state law related to endowment funds (Note 6), \$927,425 of these funds were required to be reclassified to temporarily restricted net assets. During the years ended June 30, 2010 and 2009, a total of \$81,729 and \$374,819, respectively, was appropriated from these funds for use in general operations based on this spending policy. In addition, \$163,339 in discretionary appropriations were made from these funds for use in general operations for the year ended June 30, 2010.

Unrestricted net assets related to funds functioning as endowments as of July 1, 2009 and 2008 were restated in the accompanying financial statements to reflect a reduction of \$25,616 in amounts which should have been reflected as general operating unrestricted net assets in prior years.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**Note 2 - Restrictions on Assets (continued)**

b - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted for future programs and operations of the Institute and are summarized as follows:

|   | <b>2010</b>        | <b>2009</b>        |
|---|--------------------|--------------------|
| Accumulated endowment investment earnings | \$3,151,836        | \$2,003,084        |
| Grants and contributions                  | 636,619            | 789,998            |
|   | <b>\$3,788,455</b> | <b>\$2,793,082</b> |

During the year ended June 30, 2010, as a result of a change in state law related to endowment funds (Note 6), \$927,425 of unrestricted funds functioning as endowments were required to be reclassified to temporarily restricted net assets. For the year ended June 30, 2010, \$278,069 was released from restriction in accordance with the Institute's spending policy for use in programs and operations. For the year ended June 30, 2009, \$182,057 was released from restriction and reclassified to funds functioning as endowments.

c - Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment contributions received from donors stipulating that the principal be retained in perpetuity, and except as otherwise provided under the terms specified by the donor, specifying that investment earnings be used for specific programs and the operations of the Institute.

**Note 3 - Unconditional promises to Give**

Unconditional promises to give are due as follows:

|                                 | <b>2010</b>      | <b>2009</b>      |
|---------------------------------|------------------|------------------|
| Less than one year              | \$118,938        | \$110,988        |
| One to five years               | 220,000          | 275,000          |
|                                 | 338,938          | 385,988          |
| Less: Discount to present value | (15,242)         | (30,804)         |
|                                 | <b>\$323,696</b> | <b>\$355,184</b> |

Uncollectible promises are expected to be insignificant. Unconditional promises to give are discounted to net present value using a discount rate of 5%.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**Note 4 - Investments**

Investments at June 30 consist of the following:

|  | <u>2010</u>        |                    | <u>2009</u>        |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | <u>Cost Basis</u>  | <u>Fair Value</u>  | <u>Cost Basis</u>  | <u>Fair Value</u>  |
| Money market funds and cash held for investments | \$ 86              | \$ 86              | \$ 245,403         | \$ 245,403         |
| US Treasury Bills                                | 99,175             | 102,834            | -                  | -                  |
| Fixed income securities                          | 2,473,713          | 2,530,746          | 2,162,465          | 2,084,308          |
| Mutual funds - equities                          | 2,381,414          | 2,153,423          | 1,765,471          | 1,714,617          |
| Common stocks                                    | <u>2,563,693</u>   | <u>2,172,751</u>   | <u>3,032,523</u>   | <u>2,626,077</u>   |
|  | <u>\$7,518,081</u> | <u>\$6,959,840</u> | <u>\$7,205,862</u> | <u>\$6,670,405</u> |

Investment income is summarized as follows:

|   | <u>2010</u>      | <u>2009</u>          |
|---|------------------|----------------------|
| Interest and dividends                      | \$197,314        | \$ 175,157           |
| Realized gain (loss) on sale of investments | 535,947          | (77,401)             |
| Unrealized loss on investments              | <u>(22,784)</u>  | <u>(1,713,885)</u>   |
|   | 710,477          | (1,616,129)          |
| Investment management fees                  | <u>(11,165)</u>  | <u>(26,837)</u>      |
| Net Investment Income                       | <u>\$699,312</u> | <u>\$(1,642,966)</u> |

The following summarizes the Institute's investments by the levels within the fair value hierarchy used to measure their respective fair values at June 30, 2010 and 2009:

|                           | <u>2010</u>        |                    |                    |                 |
|---------------------------|--------------------|--------------------|--------------------|-----------------|
|                           | <u>Total</u>       | <u>Level 1</u>     | <u>Level 2</u>     | <u>Level 3</u>  |
| Cash equivalents          | \$ 86              | \$ 86              | \$ -               | \$ -            |
| US Treasury Bills         | 102,834            | -                  | 102,834            | -               |
| Fixed income - securities | 2,530,746          | -                  | 2,530,746          | -               |
| Mutual funds - equities   | 2,153,423          | 2,153,423          | -                  | -               |
| Common stocks             | <u>2,172,751</u>   | <u>2,117,251</u>   | <u>-</u>           | <u>55,500</u>   |
|                           | <u>\$6,959,840</u> | <u>\$4,270,760</u> | <u>\$2,633,580</u> | <u>\$55,500</u> |

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**Note 4 - Investments (continued)**

|                           | <b>2009</b>        |                    |                    |                 |
|---------------------------|--------------------|--------------------|--------------------|-----------------|
|                           | <b>Total</b>       | <b>Level 1</b>     | <b>Level 2</b>     | <b>Level 3</b>  |
| Cash equivalents          | \$ 245,403         | \$ 245,403         | \$ -               | \$ -            |
| US Treasury Bills         | -                  | -                  | -                  | -               |
| Fixed income - securities | 2,084,308          | -                  | 2,084,308          | -               |
| Mutual funds - equities   | 1,714,617          | 1,714,617          | -                  | -               |
| Common stocks             | <u>2,626,077</u>   | <u>2,568,577</u>   | <u>-</u>           | <u>57,500</u>   |
|                           | <u>\$6,670,405</u> | <u>\$4,528,597</u> | <u>\$2,084,308</u> | <u>\$57,500</u> |

Common stock of Real Estate Investment Trusts (Level 3 investment) totaling \$2,000 was redeemed during the year ended June 30, 2010.

**Note 5 - Property and Equipment**

Property and equipment at June 30 consisted of the following:

|  | <b>Life</b> | <b>2010</b>      | <b>2009</b>      |
|--|-------------|------------------|------------------|
| Boston office - property and equipment   | 3-7 years   | \$169,047        | \$169,047        |
| New York office - property and equipment | 3-7 years   | <u>120,737</u>   | <u>120,737</u>   |
|  |             | 289,784          | 289,784          |
| Less: Accumulated depreciation           |             | <u>(256,325)</u> | <u>(228,305)</u> |
|  |             | <u>\$ 33,459</u> | <u>\$ 61,479</u> |

Depreciation expense for years ended June 30, 2010 and 2009 was \$28,020 and \$40,325, respectively.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**Note 6 - Endowment Funds**

On July 2, 2009, Massachusetts adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) into General Law. Accordingly, the Institute reclassified \$927,425 from unrestricted funds functioning as endowments to temporarily restricted net assets.

The Institute’s endowment consists of numerous funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with this revised Massachusetts General Law, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Institute and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Institute; and
- (vii) the investment policy of the Institute

As of June 30, 2010 and 2009, the Institute invested endowment funds composition, by type of fund and net asset classification, are summarized as follows:

|                                  | <b>2010</b>         |                               |                               | <b>Total</b>       |
|----------------------------------|---------------------|-------------------------------|-------------------------------|--------------------|
|                                  | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> |                    |
| Donor-restricted endowment funds | \$(244,268)         | \$3,151,836                   | \$3,578,795                   | \$6,486,363        |
| Board designated endowment funds | <u>372,429</u>      | -                             | -                             | <u>372,429</u>     |
| Total Endowment Funds            | <u>\$128,161</u>    | <u>\$3,151,836</u>            | <u>\$3,578,795</u>            | <u>\$6,858,792</u> |

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**Note 6 - Endowment Funds (continued)**

|                                  | <b>2009</b>         |                                   |                                   |                    |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------------|
|                                  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>       |
| Donor-restricted endowment funds | \$ (300,269)        | \$2,003,084                       | \$3,547,897                       | \$5,250,712        |
| Board designated endowment funds | <u>1,306,629</u>    | -                                 | -                                 | <u>1,306,629</u>   |
| Total Endowment Funds            | <u>\$1,006,360</u>  | <u>\$2,003,084</u>                | <u>\$3,547,897</u>                | <u>\$6,557,341</u> |

Changes in the Institute's endowment funds for the years ended June 30, 2010 and 2009 are summarized as follows:

|   | <b>2010</b>         |                                   |                                   |                    |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------|
|   | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>       |
| Endowment funds, beginning of year                | \$1,006,360         | \$2,003,084                       | \$3,547,897                       | \$6,557,341        |
| Reclassification based on change in state law     | (927,425)           | 927,425                           | -                                 | -                  |
| Investment return                                 | 196,800             | 492,917                           | 3,659                             | 693,376            |
| Contributions received                            | 97,494              | 6,479                             | 27,239                            | 131,212            |
| Appropriation of endowment assets for expenditure | <u>(245,068)</u>    | <u>(278,069)</u>                  | -                                 | <u>(523,137)</u>   |
| Endowment Funds, End of Year                      | <u>\$ 128,161</u>   | <u>\$3,151,836</u>                | <u>\$3,578,795</u>                | <u>\$6,858,792</u> |

|   | <b>2009</b>         |                                   |                                   |                    |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------|
|   | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>       |
| Endowment funds, beginning of year                | \$1,920,671         | \$3,016,204                       | \$3,463,890                       | \$8,400,765        |
| Investment return                                 | (801,434)           | (851,244)                         | 2,684                             | (1,649,994)        |
| Contributions received                            | 79,885              | 20,181                            | 81,323                            | 181,389            |
| Net assets released from restriction              | 182,057             | (181,057)                         | -                                 | -                  |
| Appropriation of endowment assets for expenditure | <u>(374,819)</u>    | -                                 | -                                 | <u>(374,819)</u>   |
| Endowment Funds, End of Year                      | <u>\$1,006,360</u>  | <u>\$2,003,084</u>                | <u>\$3,547,897</u>                | <u>\$6,557,341</u> |

The fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be retained as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$244,268 and \$300,269 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for operations.

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

**Note 6 - Endowment Funds (continued)**

The Institute has adopted investment and spending policies for endowment assets that endeavor to provide a stream of funding for the Institute's operations while seeking to enhance the purchasing power of the endowment's assets.

The Institute has a policy of appropriating for distribution each year 5% of the average fair value of endowment funds over the prior 12 quarters through calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute's objective is to achieve a real return that will cover the 5% draw and enhance the purchasing power of the endowment.

**Note 7 - Donated Services**

The Institute received donated services in connection with its program and supporting services valued at \$132,400 for each of the years ended June 30, 2010 and 2009, respectively. These donated services consisted of legal services of \$18,000 and donated rent of \$114,400 for each year.

**Note 8 - Pension Plan**

The Institute has a defined contribution pension plan funded by contributions to annuity accounts covering all eligible employees. Pension expense amounted to \$80,151 and \$82,907 for the years ended June 30, 2010 and 2009, respectively, which represents 5% of each eligible employee's salary.

**Note 9 - Commitments**

a - The Institute occupies facilities under a lease which expires May 31, 2011. The Institute's minimum annual obligation under this lease agreement is \$93,225 through May 31, 2011. Management expects to renew this lease for an additional five year term.

Rent expense under this lease for the years ended June 30, 2010 and 2009 totaled \$98,964 and \$95,172, respectively.



**ARCHAEOLOGICAL INSTITUTE OF AMERICA****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****Note 9 - Commitments (continued)**

- b - In addition, the Institute receives donated office space from Boston University under a lease expiring May 31, 2012, valued at \$114,396 for the years ended June 30, 2010 and 2009, respectively (Note 6).
- c - The Institute obtained its magazine printing and distribution services and paper from a vendor under a contract which expired December 31, 2009. The expense under this agreement for the years ended June 30, 2010 and 2009 totaled \$348,619 and \$761,628, respectively. The Organization entered into a new contract with a new vendor for the same services commencing January 1, 2010 and expiring January 31, 2015. The expense under this agreement for the year ended June 30, 2010 totaled \$268,148.

**Note 10 - Concentration of Credit Risk**

The Institute maintains cash and cash equivalent balances in financial institutions, which from time to time exceed the Federal Depository Insurance Corporation limit and subject the Institute to concentration of credit risk. However, the Institute monitors this risk on a regular basis.

**Note 11 - Functional Allocation of Expenses**

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

## **ADDITIONAL INFORMATION**



**LUTZ AND CARR**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP  
300 EAST 42ND ST., NEW YORK, NY 10017  
212-697-2299 Fax 212-949-1768

**INDEPENDENT AUDITORS' REPORT ON  
ADDITIONAL INFORMATION**

To the Board of Trustees of  
Archaeological Institute of America

Our report on our audits of the basic financial statements of Archaeological Institute of America for 2010 and 2009 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of General Operating Revenue and Expenses for the year ended June 30, 2010 with comparative totals for 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

*Lutz + Carr, LLP*

New York, New York  
September 23, 2010

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## SCHEDULE OF GENERAL OPERATING REVENUE AND EXPENSES

YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

|  | Program Services     |                                 |                     |                                  | Supporting Services |                            |  | 2010               | 2009 *              |
|--|----------------------|---------------------------------|---------------------|----------------------------------|---------------------|----------------------------|--|--------------------|---------------------|
|  | Archaeology Magazine | American Journal of Archaeology | Membership Programs | Education and Auxiliary Programs | Total               | General and Administrative | Fundraising and Membership Development | Total              | Total               |
| Revenues, Gains and Other Support  |                      |                                 |                     |                                  |                     |                            |  |                    |                     |
| Subscriptions and Newsstand Revenue                                      |                      |                                 |                     |                                  |                     |                            |  |                    |                     |
| Subscriptions, net of cancellations                                      | \$ 3,033,446         | \$ 336,403                      | \$ -                | \$ -                             | \$3,369,849         | \$ -                       | \$ -                                   | \$ -               | \$3,369,849         |
| Newsstand revenue  | 305,499              | -                               | -                   | 24                               | 305,523             | -                          | -                                      | -                  | 305,523             |
|  | <u>3,338,945</u>     | <u>336,403</u>                  | <u>-</u>            | <u>24</u>                        | <u>3,675,372</u>    | <u>-</u>                   | <u>-</u>                               | <u>-</u>           | <u>3,675,372</u>    |
| Other Earned Revenue   |                      |                                 |                     |                                  |                     |                            |  |                    |                     |
| Advertising revenue  | 566,222              | 5,799                           | 8,302               | -                                | 580,323             | -                          | -                                      | -                  | 580,323             |
| Net investment income  | -                    | -                               | -                   | -                                | -                   | 5,936                      | -                                      | 5,936              | 5,936               |
| List rental  | 87,334               | 3,136                           | 775                 | -                                | 91,245              | -                          | -                                      | -                  | 91,245              |
| Annual Meeting registration  | -                    | -                               | 130,333             | -                                | 130,333             | -                          | -                                      | -                  | 130,333             |
| Tours  | -                    | -                               | -                   | 129,326                          | 129,326             | -                          | -                                      | -                  | 129,326             |
| Other income   | 29,297               | 46,229                          | 4,352               | 8,700                            | 88,578              | -                          | 6,187                                  | 6,187              | 94,765              |
|  | <u>682,853</u>       | <u>55,164</u>                   | <u>143,762</u>      | <u>138,026</u>                   | <u>1,019,805</u>    | <u>5,936</u>               | <u>6,187</u>                           | <u>12,123</u>      | <u>1,031,928</u>    |
| Public Support   |                      |                                 |                     |                                  |                     |                            |  |                    |                     |
| Contributions and grants, including net assets released from restriction | 2,500                | 40,920                          | 297,395             | 94,592                           | 435,407             | 5,000                      | 364,227                                | 369,227            | 804,634             |
| Gala income  | -                    | -                               | -                   | -                                | -                   | -                          | 360,643                                | 360,643            | 360,643             |
| Less: Direct Gala expense  | -                    | -                               | -                   | -                                | -                   | -                          | (75,000)                               | (75,000)           | (75,000)            |
| Donated services   | 7,333                | 23,450                          | 14,852              | 21,105                           | 66,740              | 35,175                     | 30,485                                 | 65,660             | 132,400             |
| Membership revenue   | -                    | -                               | -                   | -                                | -                   | -                          | 314,017                                | 314,017            | 314,017             |
|  | <u>9,833</u>         | <u>64,370</u>                   | <u>312,247</u>      | <u>115,697</u>                   | <u>502,147</u>      | <u>40,175</u>              | <u>994,372</u>                         | <u>1,034,547</u>   | <u>1,536,694</u>    |
| Appropriation of investment earnings to operations                       | -                    | 141,984                         | 237,030             | 30,000                           | 409,014             | 1,563                      | 112,560                                | 114,123            | 523,137             |
|  | <u>-</u>             | <u>141,984</u>                  | <u>237,030</u>      | <u>30,000</u>                    | <u>409,014</u>      | <u>1,563</u>               | <u>112,560</u>                         | <u>114,123</u>     | <u>523,137</u>      |
| Total Revenues, Gains and Other Support                                  | <u>4,031,631</u>     | <u>597,921</u>                  | <u>693,039</u>      | <u>283,747</u>                   | <u>5,606,338</u>    | <u>47,674</u>              | <u>1,113,119</u>                       | <u>1,160,793</u>   | <u>6,767,131</u>    |
| Expenses   |                      |                                 |                     |                                  |                     |                            |  |                    |                     |
| Salaries and commissions   | 928,984              | 141,242                         | 146,483             | 150,134                          | 1,366,843           | 208,721                    | 356,872                                | 565,593            | 1,932,436           |
| Payroll taxes and employee benefits                                      | 158,835              | 22,637                          | 30,589              | 41,533                           | 253,594             | 53,704                     | 68,475                                 | 122,179            | 375,773             |
| Contract labor and consultants   | 102,601              | 25,709                          | 8,153               | 7,643                            | 144,106             | 76,993                     | 12,191                                 | 89,184             | 233,290             |
| Editorial and content  | 113,580              | 6,266                           | 1,731               | 521                              | 122,098             | -                          | 2,308                                  | 2,308              | 124,406             |
| Paper  | 270,629              | 21,203                          | -                   | -                                | 291,832             | -                          | -                                      | -                  | 291,832             |
| Printing   | 206,497              | 34,336                          | 8,330               | 3,791                            | 252,954             | 9                          | 44,092                                 | 44,101             | 297,055             |
| Distribution and postage   | 515,645              | 17,583                          | 345                 | 1,759                            | 535,332             | 88                         | 30,414                                 | 30,502             | 565,834             |
| Direct mail  | 839,221              | -                               | -                   | -                                | 839,221             | -                          | -                                      | -                  | 839,221             |
| Fulfillment  | 203,556              | 3,910                           | -                   | 6,996                            | 214,462             | -                          | -                                      | -                  | 214,462             |
| Renewal and collections  | 314,589              | 1,917                           | -                   | -                                | 316,506             | -                          | 1,651                                  | 1,651              | 318,157             |
| Honoraria and stipends   | -                    | 6,000                           | 149,388             | -                                | 155,388             | -                          | -                                      | -                  | 155,388             |
| Fellowships  | -                    | -                               | 181,861             | -                                | 181,861             | -                          | -                                      | -                  | 181,861             |
| Insurance  | 25,516               | 5,134                           | 3,252               | 4,621                            | 38,523              | 7,701                      | 6,674                                  | 14,375             | 52,898              |
| Donated legal and occupancy  | 7,333                | 23,450                          | 14,852              | 21,105                           | 66,740              | 35,175                     | 30,485                                 | 65,660             | 132,400             |
| Professional fees  | 44,658               | 8,970                           | 6,434               | 8,073                            | 68,135              | 9,528                      | 11,661                                 | 21,189             | 89,324              |
| Rent expense   | 98,964               | -                               | -                   | -                                | 98,964              | -                          | -                                      | -                  | 98,964              |
| Travel, meals and lodging  | 38,417               | 2,637                           | 116,728             | 9,265                            | 167,047             | 46,708                     | 27,575                                 | 74,283             | 241,330             |
| Gala event expenses  | -                    | -                               | -                   | -                                | -                   | -                          | 148,654                                | 148,654            | 148,654             |
| Annual Meeting receptions  | 670                  | 63                              | 21,058              | 1,319                            | 23,110              | 2,449                      | 20,561                                 | 23,010             | 46,120              |
| Marketing and research   | 51,730               | 95                              | 10,900              | 284                              | 63,009              | 917                        | 9,252                                  | 10,169             | 73,178              |
| IT costs   | 23,867               | 6,323                           | 4,328               | 5,446                            | 39,964              | 9,029                      | 17,701                                 | 26,730             | 66,694              |
| Equipment rental   | 1,967                | 2,299                           | 24,536              | 2,069                            | 30,871              | 4,453                      | 2,989                                  | 7,442              | 38,313              |
| Bank charges   | 11,899               | -                               | 370                 | -                                | 12,269              | 6,943                      | 15,447                                 | 22,390             | 34,659              |
| Other expenses   | 105,841              | 16,456                          | 50,234              | 37,435                           | 209,966             | 36,780                     | 62,454                                 | 99,234             | 309,200             |
| Depreciation   | 8,788                | 3,606                           | 2,284               | 3,245                            | 17,923              | 5,409                      | 4,688                                  | 10,097             | 28,020              |
|  | <u>4,073,787</u>     | <u>349,836</u>                  | <u>781,856</u>      | <u>305,239</u>                   | <u>5,510,718</u>    | <u>504,607</u>             | <u>874,144</u>                         | <u>1,378,751</u>   | <u>6,889,469</u>    |
| Increase (Decrease) in Net Assets from Operating Activities, 2010        | <u>\$ (42,156)</u>   | <u>\$ 248,085</u>               | <u>\$ (88,817)</u>  | <u>\$ (21,492)</u>               | <u>\$ 95,620</u>    | <u>\$ (456,933)</u>        | <u>\$ 238,975</u>                      | <u>\$(217,958)</u> | <u>\$ (122,338)</u> |
| Increase (Decrease) in Net Assets from Operating Activities, 2009        | <u>\$ (331,663)</u>  | <u>\$ 166,947</u>               | <u>\$ (118,404)</u> | <u>\$ (41,916)</u>               | <u>\$ (325,036)</u> | <u>\$ (383,995)</u>        | <u>\$ 223,335</u>                      | <u>\$(160,660)</u> | <u>\$ (485,696)</u> |

\* Certain amounts have been reclassified for comparative purposes.

See independent auditors' report on additional information.