

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**JUNE 30, 2009 AND 2008**

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditors' Report .....	1
Financial Statements	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Cash Flows .....	4
Notes to Financial Statements .....	5-13
Additional Information	
Independent Auditors' Report on Additional Information .....	15
Schedule of General Operating Revenue and Expenses .....	16



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## 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, 2009 and 2008, 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, 2009 and 2008, 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 15, 2009

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 10)	\$ 829,147	\$ 104,005
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	\$81,288	\$48,988
Temporarily restricted	265,946	61,250
Permanently restricted	<u>7,950</u>	<u>7,950</u>
Accounts receivable, net of allowance of \$28,175 (2009) and \$32,212 (2008)	428,876	678,944
Prepaid expenses and other assets	152,923	230,092
Prepaid direct mail costs (Note 1f)	1,087,459	1,211,983
Investments (Notes 1d and 4)	6,670,405	8,793,399
Property and equipment, net (Notes 1e and 5)	<u>61,479</u>	<u>90,936</u>
<b>Total Assets</b>	<u><u>\$9,585,473</u></u>	<u><u>\$11,227,547</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 227,136	\$ 238,094
Accrued expenses	201,812	142,910
Deferred revenue (Note 1g)	<u>3,279,828</u>	<u>3,041,238</u>
Total Liabilities	<u>3,708,776</u>	<u>3,422,242</u>
Commitments (Notes 8 and 9)		
Net Assets		
Unrestricted	(472,232)	927,775
Temporarily restricted (Note 2b)	2,793,082	3,405,690
Permanently restricted (Note 2c)	<u>3,555,847</u>	<u>3,471,840</u>
Total Net Assets	<u>5,876,697</u>	<u>7,805,305</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$9,585,473</u></u>	<u><u>\$11,227,547</u></u>

See notes to financial statements.

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2009 AND 2008

	2009						2008					
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	Unrestricted			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	\$ 3,369,270	\$ -	\$3,369,270	\$ -	\$ -	\$3,369,270	\$ 3,135,341	\$ -	\$3,135,341	\$ -	\$ -	\$3,135,341
Newsstand revenue	233,566	-	233,566	-	-	233,566	290,193	-	290,193	-	-	290,193
	<u>3,602,836</u>	<u>-</u>	<u>3,602,836</u>	<u>-</u>	<u>-</u>	<u>3,602,836</u>	<u>3,425,534</u>	<u>-</u>	<u>3,425,534</u>	<u>-</u>	<u>-</u>	<u>3,425,534</u>
Other Earned Revenue												
Advertising revenue	622,758	-	622,758	-	-	622,758	666,785	-	666,785	-	-	666,785
Net investment income (Note 4)	7,028	(801,434)	(794,406)	(851,244)	2,684	(1,642,966)	19,518	(219,679)	(200,161)	(692,884)	8,097	(884,948)
Other revenue	480,622	-	480,622	-	-	480,622	629,429	-	629,429	-	-	629,429
	<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>	<u>1,315,732</u>	<u>(219,679)</u>	<u>1,096,053</u>	<u>(692,884)</u>	<u>8,097</u>	<u>411,266</u>
Public Support												
Contributions and grants	381,572	79,885	461,457	715,830	81,323	1,258,610	483,809	2,283	486,092	432,896	187,782	1,106,770
Benefit income	322,350	-	322,350	-	-	322,350	-	-	-	-	-	-
Less: Direct benefit expenses	(78,740)	-	(78,740)	-	-	(78,740)	-	-	-	-	-	-
Donated services (Note 7)	132,400	-	132,400	-	-	132,400	135,596	-	135,596	-	-	135,596
Membership revenue	335,528	-	335,528	-	-	335,528	358,687	-	358,687	-	-	358,687
	<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>	<u>978,092</u>	<u>2,283</u>	<u>980,375</u>	<u>432,896</u>	<u>187,782</u>	<u>1,601,053</u>
Appropriations and net assets released from restriction												
Contributions and grants	295,137	-	295,137	(295,137)	-	-	308,575	-	308,575	(308,575)	-	-
Funds designated for long-term investment	-	182,057	182,057	(182,057)	-	-	-	213,003	213,003	(213,003)	-	-
Appropriations to operations	374,819	(374,819)	-	-	-	-	359,406	(359,406)	-	-	-	-
	<u>669,956</u>	<u>(192,762)</u>	<u>477,194</u>	<u>(477,194)</u>	<u>-</u>	<u>-</u>	<u>667,981</u>	<u>(146,403)</u>	<u>521,578</u>	<u>(521,578)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<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>	<u>6,387,339</u>	<u>(363,799)</u>	<u>6,023,540</u>	<u>(781,566)</u>	<u>195,879</u>	<u>5,437,853</u>
Expenses												
Program Services	5,671,326	-	5,671,326	-	-	5,671,326	5,339,093	-	5,339,093	-	-	5,339,093
Supporting Services												
General and administrative	420,908	-	420,908	-	-	420,908	442,928	-	442,928	-	-	442,928
Fundraising and membership development	869,772	-	869,772	-	-	869,772	603,668	-	603,668	-	-	603,668
Total Supporting Services	<u>1,290,680</u>	<u>-</u>	<u>1,290,680</u>	<u>-</u>	<u>-</u>	<u>1,290,680</u>	<u>1,046,596</u>	<u>-</u>	<u>1,046,596</u>	<u>-</u>	<u>-</u>	<u>1,046,596</u>
Total Expenses	<u>6,962,006</u>	<u>-</u>	<u>6,962,006</u>	<u>-</u>	<u>-</u>	<u>6,962,006</u>	<u>6,385,689</u>	<u>-</u>	<u>6,385,689</u>	<u>-</u>	<u>-</u>	<u>6,385,689</u>
Increase (decrease) in net assets	(485,696)	(914,311)	(1,400,007)	(612,608)	84,007	(1,928,608)	1,650	(363,799)	(362,149)	(781,566)	195,879	(947,836)
Net assets, beginning of year	<u>(1,018,512)</u>	<u>1,946,287</u>	<u>927,775</u>	<u>3,405,690</u>	<u>3,471,840</u>	<u>7,805,305</u>	<u>(1,020,162)</u>	<u>2,310,086</u>	<u>1,289,924</u>	<u>4,187,256</u>	<u>3,275,961</u>	<u>8,753,141</u>
<b>Net Assets, End of Year</b>	<u><u>\$(1,504,208)</u></u>	<u><u>\$ 1,031,976</u></u>	<u><u>\$ (472,232)</u></u>	<u><u>\$2,793,082</u></u>	<u><u>\$ 3,555,847</u></u>	<u><u>\$5,876,697</u></u>	<u><u>\$(1,018,512)</u></u>	<u><u>\$ 1,946,287</u></u>	<u><u>\$ 927,775</u></u>	<u><u>\$3,405,690</u></u>	<u><u>\$ 3,471,840</u></u>	<u><u>\$7,805,305</u></u>

See notes to financial statements.

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>Cash Flows From Operating Activities - Sources (Uses)</b>		
Decrease in net assets	\$(1,928,608)	\$ (947,836)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Change in allowance for bad debts	(4,037)	6,696
Depreciation and amortization	40,325	43,993
Donated securities	-	(1,059,804)
Realized gain on sale of investments	77,401	(538,416)
Unrealized (gain) loss on investments	1,713,885	1,638,763
(Increase) decrease in:		
Unconditional promises to give	(236,996)	73,946
Accounts receivable	254,105	122,858
Prepaid expenses and other assets	77,169	(124,128)
Prepaid direct mail costs	124,524	(163,282)
Increase (decrease) in:		
Accounts payable	(10,958)	(113,702)
Accrued expenses	58,902	8,123
Deferred revenue	238,590	(130,591)
Net Cash Provided (Used) By Operating Activities	<u>404,302</u>	<u>(1,183,380)</u>
<b>Cash Flows From Investing Activities - Sources (Uses)</b>		
Purchase of furniture and equipment	(10,868)	(42,154)
Purchase of investments	(909,698)	(1,640,418)
Proceeds from sale of investments	<u>1,241,406</u>	<u>2,387,038</u>
Net Cash Provided By Investing Activities	<u>320,840</u>	<u>704,466</u>
Net increase (decrease) in cash and cash equivalents	725,142	(478,914)
Cash and cash equivalents, beginning of year	<u>104,005</u>	<u>582,919</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 829,147</u>	<u>\$ 104,005</u>

See notes to financial statements.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2009 AND 2008****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 managed by the Institute's investment managers as part of their long-term investment strategies.

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

**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 equity securities, mutual funds and debt securities are stated at fair value based on quoted market prices. The cost of securities sold is determined by the weighted average method.

The Institute was required to adopt Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"), effective July 1, 2008.

SFAS 157 clarifies that 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). Under SFAS 157, fair value measurements are not adjusted for transaction costs. SFAS 157 provides for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Institute. Unobservable inputs reflect the assumptions developed by the Institute based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.



**ARCHAEOLOGICAL INSTITUTE OF AMERICA****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2009 AND 2008****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

Investments in cash equivalents, mutual funds, publicly traded common stock and fixed income securities are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values.

Certain nonpublicly traded common stock investments are classified within Level 3 of the fair value hierarchy. These 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 companies 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 and such differences could be material. The ultimate realization of such amounts depend on future events and circumstances and therefore valuations 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, 2009 and 2008 were \$1,087,459 and \$1,211,983, respectively. Direct mail expenses totaled \$980,756 and \$814,217 for the years ended June 30, 2009 and 2008, 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.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

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.

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.

**Note 2 - Restrictions on Assets**

a - Funds Functioning as Endowments

The Board of Trustees maintains reserve funds related to the purposes of its restricted endowments. Appropriations are made from these reserves for use in the Institute's annual operations in accordance with the Institute's spending policy. During the years ended June 30, 2009 and 2008, a total of \$374,819 and \$359,406, respectively, was appropriated for use in general operations.

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>2009</b>	<b>2008</b>
Funds designated for long-term investment	\$2,058,835	\$3,074,651
Grants and contributions	734,247	331,039
	<b>\$2,793,082</b>	<b>\$3,405,690</b>

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 specifying that investment earnings be used for specific programs and the operations of the Institute.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**Note 3 - Promises to Give**

a - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<b>2009</b>	<b>2008</b>
Less than one year	\$110,988	\$118,188
One to five years	<u>275,000</u>	<u>-</u>
	385,988	118,188
Less: Discount to present value	<u>(30,804)</u>	<u>-</u>
	<u><b>\$355,184</b></u>	<u><b>\$118,188</b></u>

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

b - Conditional Promises to Give

During fiscal year 2007, the Institute was awarded a \$250,000 challenge grant and received an initial payment of \$50,000. As of June 30, 2008, the remaining \$200,000 was contingent upon the Institute raising an additional \$250,000 of new contributions before December 31, 2008. During fiscal year 2009, the Institute raised the \$250,000 of matching contributions and was awarded the remaining \$200,000.

**Note 4 - Investments**

Investments at June 30 consist of the following:

	<b>2009</b>		<b>2008</b>	
	<b>Cost Basis</b>	<b>Fair Value</b>	<b>Cost Basis</b>	<b>Fair Value</b>
Money market funds and cash held for investments	\$ 245,403	\$ 245,403	\$ 266,460	\$ 266,460
Fixed income securities	2,184,431	2,084,308	2,439,693	2,428,257
Mutual funds - equities	1,765,471	1,714,617	1,796,911	2,477,457
Common stocks	<u>3,032,523</u>	<u>2,626,077</u>	<u>3,133,873</u>	<u>3,621,225</u>
	<u><b>\$7,227,828</b></u>	<u><b>\$6,670,405</b></u>	<u><b>\$7,636,937</b></u>	<u><b>\$8,793,399</b></u>

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**Note 4 - Investments (continued)**

Investment income is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 175,157	\$ 246,670
Realized gain (loss) on sale of investments	(77,401)	538,416
Unrealized loss on investments	<u>(1,713,885)</u>	<u>(1,638,763)</u>
	(1,616,129)	(853,677)
Investment management fees	<u>(26,837)</u>	<u>(31,271)</u>
Net Investment Income	<u><u>\$(1,642,966)</u></u>	<u><u>\$(884,948)</u></u>

The following summarizes the Organization's investments by the levels within the fair value hierarchy used to measure their respective fair values at December 31, 2008:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Cash equivalents	\$ 245,403	\$ 245,403	\$ -
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>57,500</u>
	<u><u>\$6,670,405</u></u>	<u><u>\$6,612,905</u></u>	<u><u>\$57,500</u></u>

There were no changes in Level 3 investments during the year ended June 30, 2009.

Investment income has been allocated as follows:

	<u>2009</u>	<u>2008</u>
Permanently restricted	\$ 2,684	\$ 8,097
Temporarily restricted	(851,244)	(692,884)
Funds functioning as endowments	(801,434)	(219,679)
General operating	<u>7,028</u>	<u>19,518</u>
	<u><u>\$(1,642,966)</u></u>	<u><u>\$(884,948)</u></u>

During the years ended June 30, 2009 and 2008, accumulated restricted investment income totaling \$182,057 and \$213,003, respectively, was released from restriction and transferred to unrestricted funds functioning as endowments. In accordance with the Institute's spending policy, a total of \$374,819 and \$359,406 was appropriated from funds functioning as endowments for use in general operations for the years ended June 30, 2009 and 2008, respectively.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**Note 5 - Property and Equipment**

Property and equipment at June 30 consisted of the following:

	<u>Life</u>	<u>2009</u>	<u>2008</u>
Boston office - property and equipment	3-7 years	\$169,047	\$158,748
New York office - property and equipment	3-7 years	<u>120,737</u>	<u>120,168</u>
		289,784	278,916
Less: Accumulated depreciation		<u>(228,305)</u>	<u>(187,980)</u>
		<u>\$ 61,479</u>	<u>\$ 90,936</u>

Depreciation expense for years ended June 30, 2009 and 2008 was \$40,325 and \$43,993, respectively.

**Note 6 - Endowment Funds**

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 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 board-designated unrestricted net assets until those amounts are appropriated for expenditure by the Institute.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (300,269)	\$2,003,084	\$3,547,897	\$5,250,712
Board designated endowment funds	<u>1,306,587</u>	-	-	<u>1,306,587</u>
Total Endowment Funds	<u>\$1,006,318</u>	<u>\$2,003,084</u>	<u>\$3,547,897</u>	<u>\$6,557,299</u>

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	\$1,920,629	\$3,016,204	\$3,463,890	\$8,400,723
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	(182,057)	-	-
Appropriation of endowment assets for expenditure	(374,819)	-	-	(374,819)
Other transfers/changes	-	-	-	-
Endowment Funds, End of Year	<u>\$1,006,318</u>	<u>\$2,003,084</u>	<u>\$3,547,897</u>	<u>\$6,557,299</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 \$300,269 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for operations.

The Institute has adopted investment and spending policies for endowment assets that endeavor to provide a stream of funding for the Organization'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% percent 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 and \$135,596 for the years ended June 30, 2009 and 2008, respectively. These donated services consisted of legal services of \$18,004 (2009) and \$21,200 (2008) and donated rent of \$114,396 for each year.

**ARCHAEOLOGICAL INSTITUTE OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**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 \$82,907 and \$69,203 for the years ended June 30, 2009 and 2008, 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 as follows:

Year ended June 30, 2010	\$98,964
Thereafter, through May 31, 2011	93,225

Rent expense under this lease for the years ended June 30, 2009 and 2008 totaled \$95,172 and \$93,256, respectively.

- 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, 2009 and 2008, respectively (Note 6).
- c) The Institute obtains its magazine printing and distribution services and paper from a vendor under a contract which expires December 31, 2009. The expense under this agreement for the years ended June 30, 2009 and 2008 totaled \$761,628 and \$716,400, respectively.

**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**

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**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 2009 and 2008 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, 2009 with comparative totals for 2008 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 15, 2009

## ARCHAEOLOGICAL INSTITUTE OF AMERICA

## SCHEDULE OF GENERAL OPERATING REVENUE AND EXPENSES

YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	Program Services				Supporting Services			2009	2008 *
	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	\$ 3,059,867	\$ 309,403	\$ -	\$ -	\$3,369,270	\$ -	\$ -	\$ -	\$3,369,270
Newsstand revenue	233,566	-	-	-	233,566	-	-	-	233,566
	<u>3,293,433</u>	<u>309,403</u>	<u>-</u>	<u>-</u>	<u>3,602,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,602,836</u>
Other Earned Revenue									
Advertising revenue	605,613	8,350	8,795	-	622,758	-	-	622,758	666,785
Net investment income	-	-	-	-	-	7,028	-	7,028	7,028
List rental	90,136	2,148	425	-	92,709	-	-	92,709	190,738
Annual Meeting registration	-	-	181,937	-	181,937	-	-	181,937	161,767
Tours	-	-	-	109,031	109,031	-	-	109,031	142,558
Other income	7,465	12,603	1,939	8,725	30,732	290	65,923	66,213	96,945
	<u>703,214</u>	<u>23,101</u>	<u>193,096</u>	<u>117,756</u>	<u>1,037,167</u>	<u>7,318</u>	<u>65,923</u>	<u>73,241</u>	<u>1,110,408</u>
Public Support									
Contributions and grants, including net assets released from restriction	23,013	26,760	201,289	31,623	282,685	-	394,024	394,024	676,709
Gala income	-	-	-	-	-	-	322,350	322,350	322,350
Less: Direct Gala expense	-	-	-	-	-	-	(78,740)	(78,740)	(78,740)
Donated services	7,727	21,330	25,008	7,723	61,788	29,422	41,190	70,612	132,400
Membership revenue	-	-	-	-	-	-	335,528	335,528	335,528
	<u>30,740</u>	<u>48,090</u>	<u>226,297</u>	<u>39,346</u>	<u>344,473</u>	<u>29,422</u>	<u>1,014,352</u>	<u>1,043,774</u>	<u>1,388,247</u>
Appropriation of investment earnings to operations	-	118,471	243,343	-	361,814	173	12,832	13,005	374,819
	<u>-</u>	<u>118,471</u>	<u>243,343</u>	<u>-</u>	<u>361,814</u>	<u>173</u>	<u>12,832</u>	<u>13,005</u>	<u>374,819</u>
Total Revenues, Gains and Other Support	<u>4,027,387</u>	<u>499,065</u>	<u>662,736</u>	<u>157,102</u>	<u>5,346,290</u>	<u>36,913</u>	<u>1,093,107</u>	<u>1,130,020</u>	<u>6,476,310</u>
Expenses									
Salaries and commissions	864,284	124,328	170,825	94,438	1,253,875	215,256	338,156	553,412	1,807,287
Payroll taxes and employee benefits	170,461	23,195	32,883	19,083	245,622	51,165	63,395	114,560	360,182
Contract labor	101,271	28,399	10,082	6,536	146,288	25,111	10,653	35,764	182,052
Editorial and content	117,052	6,946	5,060	1,675	130,733	-	9,376	9,376	140,109
Paper	376,873	20,140	-	-	397,013	-	-	-	397,013
Printing	264,156	37,401	9,370	2,324	313,251	275	51,420	51,695	364,946
Distribution and postage	524,444	18,380	-	1,269	544,093	-	23,542	23,542	567,635
Direct mail	979,926	-	-	-	979,926	-	830	830	980,756
Fulfillment	204,139	3,578	-	13,290	221,007	-	-	-	221,007
Renewal and collections	301,460	1,939	-	-	303,399	-	-	-	303,399
Honoraria and stipends	-	6,000	140,660	-	146,660	-	-	-	146,660
Fellowships	-	-	122,390	-	122,390	-	-	-	122,390
Insurance	21,695	3,870	4,537	1,401	31,503	5,337	7,472	12,809	44,312
Donated legal and occupancy	7,727	21,330	25,008	7,723	61,788	29,421	41,190	70,611	132,399
Professional fees	41,345	5,639	12,111	2,042	61,137	7,778	10,889	18,667	79,804
Rent expense	95,172	-	-	-	95,172	-	-	-	95,172
Travel, meals and lodging	37,440	2,525	113,577	16,243	169,785	42,127	46,577	88,704	258,489
Gala event expenses	-	-	-	-	-	-	135,225	135,225	135,225
Annual Meeting receptions	3,624	771	33,369	441	38,205	7,603	15,841	23,444	61,649
Marketing and research	71,348	4,987	6	6	76,347	100	42	142	76,489
IT costs	22,216	5,867	6,767	2,169	37,019	7,826	19,621	27,447	64,466
Equipment rental	1,402	1,778	28,172	644	31,996	2,952	3,433	6,385	38,381
Bank charges	25,799	-	-	128	25,927	5,734	10,415	16,149	42,076
Other expenses	114,490	10,323	60,787	27,896	213,496	13,711	72,576	86,287	299,783
Depreciation	12,726	4,722	5,536	1,710	24,694	6,512	9,119	15,631	40,325
Total Expenses	<u>4,359,050</u>	<u>332,118</u>	<u>781,140</u>	<u>199,018</u>	<u>5,671,326</u>	<u>420,908</u>	<u>869,772</u>	<u>1,290,680</u>	<u>6,962,006</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>
Increase (Decrease) in Net Assets from Operating Activities, 2008	<u>\$ (51,275)</u>	<u>\$ 184,165</u>	<u>\$ (151,958)</u>	<u>\$ 43,642</u>	<u>\$ 24,574</u>	<u>\$ (342,493)</u>	<u>\$ 319,569</u>	<u>\$ (22,924)</u>	<u>\$ 1,650</u>

\* Certain amounts have been reclassified for comparative purposes.

See independent auditors' report on additional information.