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ARCHAEOLOGICAL INSTITUTE OF AMERICA

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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AUDIT

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LOUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND STREET NEW YORK, N.Y. 10017
212-697-2299 FAX: 212-649-1768

INDEPENDENT AUDITORS' REPORT

*2012
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To the Board of Trustees of
Archaeological Institute of America

We have audited the accompanying statements of financial position of Archaeological Institute of America as of June 30, 2012 and 2011, 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 Archaeological Institute of America as of June 30, 2012 and 2011, 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 13, 2012

ARCHAEOLOGICAL INSTITUTE OF AMERICA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents (Notes 1b and 10)	\$ 355,955	\$ 658,767
Unconditional promises to give (Notes 1c and 3)		
Unrestricted	\$42,015	\$159,224
Temporarily restricted	<u>205,527</u>	<u>235,200</u>
Accounts receivable, net of allowance of \$52,589 (2012) and \$55,500 (2011)	380,281	293,550
Prepaid expenses and other assets	163,930	138,820
Prepaid direct mail costs (Note 1g)	868,796	659,929
Investments (Notes 1d, 1e, 4 and 5)	8,307,474	8,732,367
Property and equipment, net (Notes 1f and 5)	<u>23,809</u>	<u>14,734</u>
Total Assets	<u><u>\$10,347,787</u></u>	<u><u>\$10,892,591</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 308,163	\$ 232,413
Accrued expenses	199,652	214,521
Deferred revenue (Note 1h)	<u>3,471,783</u>	<u>3,604,671</u>
Total Liabilities	<u>3,979,598</u>	<u>4,051,605</u>
Commitments (Notes 8 and 9)		
Net Assets (Note 6)		
Unrestricted	(1,281,739)	(1,154,116)
Temporarily restricted (Note 2b)	4,041,803	4,408,912
Permanently restricted (Note 2c)	<u>3,608,125</u>	<u>3,586,190</u>
Total Net Assets	<u>6,368,189</u>	<u>6,840,986</u>
Total Liabilities and Net Assets	<u><u>\$10,347,787</u></u>	<u><u>\$10,892,591</u></u>

See notes to financial statements.

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ARCHAEOLOGICAL INSTITUTE OF AMERICA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2012 AND 2011

	2012						2011					
	Unrestricted Funds		Temporarily Restricted	Permanently Restricted	Total	Unrestricted Funds		Temporarily Restricted	Permanently Restricted	Total		
	General Operating	Functioning as Endowments				General Operating	Functioning as Endowments					
Changes In Unrestricted Net Assets												
Revenues, Gains (Losses) and Other Support												
Subscriptions and Newsstand Revenue												
Subscriptions, net of cancellations	\$ 3,497,984	\$ -	\$ 3,497,984	\$ -	\$ -	\$ 3,497,984	\$ -	\$ -	\$ -	\$ -	\$ 3,418,003	
Newsstand revenue	229,851	-	229,851	-	-	229,851	356,531	-	-	-	356,531	
	3,727,835	-	3,727,835	-	-	3,727,835	3,772,534	-	-	-	3,772,534	
Other Earned Revenue												
Advertising revenue	895,671	-	895,671	-	-	895,671	740,013	-	-	-	740,013	
Net Investment Income (Loss) (Note 4)	2,763	(47,701)	(44,938)	(142,501)	15,401	(172,128)	8,454	270,189	276,623	1,167,531	531	
Other revenue	529,122	-	529,122	-	-	529,122	522,052	-	-	-	522,052	
	1,227,556	(47,701)	1,179,855	(142,501)	15,401	1,052,865	1,268,519	270,189	1,538,688	1,167,531	531	
Public Support												
Contributions and grants	345,046	1,000	346,046	318,993	6,534	871,573	385,965	1,000	386,965	375,097	6,864	
Benefit income	329,253	-	329,253	-	-	329,253	392,228	-	392,228	-	-	
Loss: Direct benefit expenses	(58,888)	-	(58,888)	-	-	(58,888)	(93,315)	-	(93,315)	-	-	
Donated services and materials (Note 7)	159,832	-	159,832	-	-	159,832	194,546	-	194,546	-	-	
Membership revenue	296,148	-	296,148	-	-	296,148	287,733	-	287,733	-	-	
	1,073,591	1,000	1,074,591	318,993	6,534	1,400,118	1,167,157	1,000	1,168,157	375,097	6,864	
Appropriations and Net Assets Reclassifications												
Contributions and grants released from restriction	332,833	-	332,833	(332,833)	-	-	505,165	-	505,165	(505,165)	-	
Accumulated Investment Income released from restriction	210,878	-	210,878	(210,878)	-	-	417,006	-	417,006	(417,006)	-	
Appropriations to operations	104,714	(104,714)	-	-	-	-	13,808	(13,808)	-	-	-	
	648,225	(104,714)	543,511	(543,511)	-	-	935,979	(13,808)	922,171	(922,171)	-	
Total Revenues, Gains (Losses) and Other Support	6,677,207	(151,415)	6,525,792	(387,109)	21,935	6,180,818	7,144,188	257,361	7,401,550	820,457	7,395	
Expenses												
Program Services	5,188,570	-	5,188,570	-	-	5,188,570	5,486,855	-	5,486,855	-	-	
Supporting Services												
General and administrative	598,263	-	598,263	-	-	598,263	632,707	-	632,707	-	-	
Fundraising and membership development	866,582	-	866,582	-	-	866,582	963,335	-	963,335	-	-	
Total Supporting Services	1,464,845	-	1,464,845	-	-	1,464,845	1,596,042	-	1,596,042	-	-	
Total Expenses	6,653,415	-	6,653,415	-	-	6,653,415	7,082,897	-	7,082,897	-	-	
Increase (decrease) in net assets	23,792	(151,415)	(127,623)	(387,109)	21,935	(472,787)	81,292	257,361	318,653	620,457	7,395	
Net assets, beginning of year	(1,539,636)	385,522	(1,154,114)	4,408,912	3,566,190	6,840,868	(1,800,830)	128,181	(1,472,769)	3,789,455	3,578,795	
	\$ (1,515,846)	\$ 234,107	\$ (1,281,739)	\$ 4,041,803	\$ 3,808,125	\$ 6,368,181	\$ (1,539,638)	\$ 385,522	\$ (1,154,110)	\$ 4,408,912	\$ 3,586,190	
Net Assets, End of Year												

See notes to financial statements.

ARCHAEOLOGICAL INSTITUTE OF AMERICA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities - Sources (Uses)		
Increase (decrease) in net assets	\$(472,797)	\$ 946,505
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Change in allowance for bad debts	(2,911)	42,412
Depreciation	13,933	18,725
Donated securities	(62,918)	-
Realized gain on sale of investments	(5,974)	-
Unrealized (gain) loss on investments	405,647	(1,223,882)
(Increase) decrease in:		
Unconditional promises to give	146,882	(70,728)
Accounts receivable	(83,820)	85,144
Prepaid expenses and other assets	(25,110)	11,443
Prepaid direct mail costs	(208,867)	26,950
Increase (decrease) in:		
Accounts payable	75,750	1,900
Accrued expenses	(14,869)	58,148
Deferred revenue	(132,888)	194,385
Net Cash Provided (Used) By Operating Activities	<u>(367,942)</u>	<u>91,002</u>
Cash Flows From Investing Activities - Sources (Uses)		
Purchase of property and equipment	(23,008)	-
Purchase of investments	(223,894)	(566,645)
Proceeds from sale of investments	312,032	18,000
Net Cash Provided (Used) By Investing Activities	<u>65,130</u>	<u>(548,645)</u>
Net decrease in cash and cash equivalents	(302,812)	(457,643)
Cash and cash equivalents, beginning of year	<u>658,767</u>	<u>1,116,410</u>
Cash and Cash Equivalents, End of Year	<u>\$ 355,955</u>	<u>\$ 658,767</u>

See notes to financial statements.

ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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* (the "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.

Professional and Auxiliary Programs

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. 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 designated 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.

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ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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 - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Institute. Unobservable inputs reflect the Institute's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the institute has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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

e - Investments

Investments are measured at fair value on a recurring basis. The value of the Institute's cash equivalents, fixed income mutual fund and equity securities are based on quoted market prices in active markets, and are therefore, classified within Level 1.

The value of the Institute's US Treasury bills that trade in markets that are not considered to be active, but are valued based on quoted process, dealer quotations, or alternative pricing sources by observable inputs are classified within Level 2.

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. 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.

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 increases in temporarily restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

f - 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.

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ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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

g - 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, 2012 and 2011 was \$868,796 and \$659,929, respectively. Direct mail expenses totaled \$537,427 and \$671,358 for the years ended June 30, 2012 and 2011, respectively.

h - 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.

i - 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.

j - 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.

k - 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. The Institute's tax returns prior to 2009 are no longer subject to examination by the taxing authorities.

ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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

The Institute has evaluated subsequent events through September 13, 2012, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Assetsa - Funds Functioning as Endowments

The Board of Trustees maintains designated funds for certain specific programs and activities. Appropriations are made from these funds for use in the Institute's annual operations in accordance with the Institute's spending policy. During the years ended June 30, 2012 and 2011, a total of \$104,714 and \$13,808, respectively, was appropriated from these funds for use in general operations based on this spending policy.

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:

	<u>2012</u>	<u>2011</u>
Accumulated endowment investment earnings	\$3,554,092	\$3,907,361
Grants and contributions	<u>487,711</u>	<u>501,551</u>
	<u>\$4,041,803</u>	<u>\$4,408,912</u>

For the years ended June 30, 2012 and 2011, \$210,678 and \$417,006, respectively, was released from restriction in accordance with the Institute's spending policy and pursuant to discretionary appropriations for use in programs and operations.

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.

ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2012</u>	<u>2011</u>
Due in less than one year	\$147,015	\$289,224
Due in one to five years	<u>105,000</u>	<u>110,000</u>
	252,015	399,224
Less: Discount to present value	<u>(4,473)</u>	<u>(4,800)</u>
	<u>\$247,542</u>	<u>\$394,424</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give are discounted to net present value using a discount rate of 3%.

Note 4 - Investments

Investments at June 30 consist of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Fair Value</u>
Money market funds and cash held for investment	\$ 3,093	\$ 3,093	\$ 2,721	\$ 2,721
US Treasury Bills	99,175	114,576	99,175	99,706
Fixed income mutual fund	2,714,874	2,873,079	2,697,579	2,750,437
Equity securities	<u>5,230,338</u>	<u>5,316,726</u>	<u>5,267,251</u>	<u>5,879,503</u>
	<u>\$8,047,480</u>	<u>\$8,307,474</u>	<u>\$8,066,726</u>	<u>\$8,732,367</u>

Investment income (loss) is summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$227,545	\$ 220,803
Realized gain on sale of investments	5,974	-
Unrealized gain (loss) on investments	<u>(405,647)</u>	<u>1,223,882</u>
Net Investment Income (loss)	<u>\$(172,128)</u>	<u>\$1,444,685</u>

ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 4 - Investments (continued)

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, 2012 and 2011:

	2012			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 3,093	\$ 3,093	\$ -	\$ -
US Treasury Bills	114,576	-	114,576	-
Fixed income mutual fund	2,873,079	2,873,079	-	-
Equity securities	<u>5,316,726</u>	<u>5,281,226</u>	<u>-</u>	<u>35,500</u>
	<u>\$8,307,474</u>	<u>\$8,157,398</u>	<u>\$114,576</u>	<u>\$35,500</u>
	2011			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 2,721	\$ 2,721	\$ -	\$ -
US Treasury Bills	99,706	-	99,706	-
Fixed income mutual fund	2,750,437	2,750,437	-	-
Equity securities	<u>5,879,503</u>	<u>5,842,003</u>	<u>-</u>	<u>37,500</u>
	<u>\$8,732,367</u>	<u>\$8,595,161</u>	<u>\$99,706</u>	<u>\$37,500</u>

Common stock of Real Estate Investment Trusts (Level 3 investment) totaling \$2,000 and \$18,000 were redeemed during the years ended June 30, 2012 and 2011, respectively.

Note 5 - Property and Equipment

Property and equipment at June 30 consisted of the following:

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Boston office - property and equipment	3-7 years	\$138,585	\$169,047
New York office - property and equipment	3-7 years	<u>76,878</u>	<u>120,737</u>
		215,463	289,784
Less: Accumulated depreciation		<u>(191,654)</u>	<u>(275,050)</u>
		<u>\$ 23,809</u>	<u>\$ 14,734</u>

ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 5 - Property and Equipment (continued)

Depreciation expense for years ended June 30, 2012 and 2011 was \$13,933 and \$18,725, respectively. During the year ended June 30, 2012, the Institute wrote off \$97,329 of fully depreciated property and equipment.

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 the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), 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

ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 6 - Endowment Funds (continued)

As of June 30, 2012 and 2011, the Institute's invested endowment fund composition, by type of fund and net asset classification, is summarized as follows:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (121,381)	\$3,554,092	\$3,608,125	\$7,040,836
Board designated endowment funds	<u>355,488</u>	-	-	<u>355,488</u>
Total Endowment Funds	<u>\$234,107</u>	<u>\$3,554,092</u>	<u>\$3,608,125</u>	<u>\$7,396,324</u>
	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (9,281)	\$3,907,361	\$3,586,190	\$7,484,270
Board designated endowment funds	<u>394,803</u>	-	-	<u>394,803</u>
Total Endowment Funds	<u>\$385,522</u>	<u>\$3,907,361</u>	<u>\$3,586,190</u>	<u>\$7,879,073</u>

Changes in the Institute's endowment funds for the years ended June 30, 2012 and 2011 are summarized as follows:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning of year	\$385,522	\$3,907,361	\$3,586,190	\$7,879,073
Investment return (loss)	(47,701)	(142,591)	15,401	(174,891)
Contributions received	1,000	-	6,534	7,534
Appropriation of endowment assets for expenditure	<u>(104,714)</u>	<u>(210,678)</u>	-	<u>(315,392)</u>
Endowment Funds, End of Year	<u>\$234,107</u>	<u>\$3,554,092</u>	<u>\$3,608,125</u>	<u>\$7,396,324</u>
	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning of year	\$128,161	\$3,151,836	\$3,578,795	\$6,858,792
Investment return	270,169	1,167,531	531	1,438,231
Contributions received	1,000	5,000	6,864	12,864
Appropriation of endowment assets for expenditure	<u>(13,808)</u>	<u>(417,006)</u>	-	<u>(430,814)</u>
Endowment Funds, End of Year	<u>\$385,522</u>	<u>\$3,907,361</u>	<u>\$3,586,190</u>	<u>\$7,879,073</u>

ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 6 - Endowment Funds (continued)

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 was \$121,381 and \$9,281 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriations for operations in accordance with the Institute's spending policy.

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 the calendar year-end preceding 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 and Materials

The Institute received donated services and materials in connection with its program and supporting services valued at \$159,832 and \$194,546 for the years ended June 30, 2012 and 2011, respectively. These donated services and materials consisted of the following:

	<u>2012</u>	<u>2011</u>
Legal services	\$21,432	\$ 77,000
Rent	114,400	114,400
Fundraising services	24,000	-
Gala event materials	-	3,146
	<u>\$159,832</u>	<u>\$194,546</u>

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 \$93,765 and \$88,930 for the years ended June 30, 2012 and 2011, respectively, which represents 5% of each eligible employee's salary.

ARCHAEOLOGICAL INSTITUTE OF AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 9 - Commitments

- a - The Institute occupies facilities under a lease with a term ending August 31, 2015. The future minimum annual rental obligation under this lease is as follows:

<u>Year Ending June 30,</u>	
2013	\$ 97,761
2014	100,693
2015	103,729
Two months ending August 31, 2015	17,373

Rent expense under this lease for the years ended June 30, 2012 and 2011 totaled \$95,024 and \$95,860, respectively.

- b - The Institute receives donated office space from Boston University under a lease which expired May 31, 2012, valued at \$114,400 for each of the years ended June 30, 2012 and 2011 (Note 7). As of the date of this report, the Institute is in negotiations for a new lease with Boston University.
- c - The Institute obtains its magazine printing and distribution services and paper from a vendor under a contract which expires January 31, 2015. The expenses under this agreement for the years ended June 30, 2012 and 2011 totaled \$660,696 and \$625,627, respectively.

Note 10 - Concentration of Credit Risk

The Institute maintains cash and cash equivalents at three financial institutions. The cash and cash equivalent balances up to certain limits are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. Balances commonly exceed these limits.

Note 11 - Functional Allocation of Expenses

The cost of providing the various program and 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.

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LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND STREET NEW YORK, N.Y. 10017
212-697-2299 FAX: 212-949-1768

November 15, 2012

Division of Public Charities
Department of the Attorney General
One Ashburton Place - Room 2109
Boston, MA 02108

Re: Archaeological Institute of America
EIN: 13-5669180

Dear Sir/Madam:

We hereby request an extension of the time until February 15, 2013 in which to file Form MA PC for the above named Organization for the year ended June 30, 2012.

The additional time is needed to compile information necessary for the return.

The taxpayer has requested that the extension of time be mailed to:

LUTZ AND CARR, CPA'S LLP
300 East 42nd Street
New York, NY 10017

Very truly yours,

Lutz + Carr, LLP

Lutz and Carr, LLP

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Enclosure