Financials

Treasurer's Report, Fiscal Year 2009

Fiscal 2009 was a difficult year for the AlA. The economic downturn, financial market stresses and *Archaeology* magazine cost pressures combined to cause an operating deficit of $486 thousand and a decline in total net assets of $1.9 million. At the same time seeds of recovery are evident in a number of areas. These dynamics are highlighted in the following discussion points:

- Archaeology magazine, which accounts for 62% of AlA's revenue, generated a loss of $244 thousand versus a small surplus in fiscal 2008 and $520 thousand worse than fiscal 07. Lower advertising revenue and list rentals combined with higher direct mail subscription renewal and collection expenses were the principal causes of the decline.

  On the other hand, American Journal of Archaeology sustained its excellent record, generating a net surplus of $229 thousand on revenues of $505 thousand.

- Contributed revenue for operations, at $1.4 million was $113 thousand better than the prior year principally because of net proceeds from AlA's highly successful first gala, which raised nearly $400 thousand gross and $180 thousand net. Additionally, grants for site preservation ($273 thousand) and for lectures ($276 thousand) were responsible for a $353 thousand increase in temporarily restricted contributed revenue.

- Total expenses, at $7.0 million, came in almost exactly on budget, although $577 thousand (9%) higher than the previous year. Vacant positions filled, increased direct mail costs and gala expenses were mainly responsible for the increase.

- Investment losses of $1.6 million (approximately -20%, adjusted for the endowment draw) reduced endowment funds to $6.7 million at June 30, 2009. A comprehensive restructuring of the investment assets is underway.

- As a consequence of direct mail activity cash balances increased substantially in 2009 to $829 thousand. Lowered receivables and higher payables also contributed to the increased liquidity. However, deferred revenue and cash received for subscriptions remain vulnerable to a decrease in direct mail expenditures.

- Net asset balances available for endowed lectures, AJA and fellowships/scholarships all declined during the year. However, non-endowed net asset balances increased for site preservation and for lectures thanks to a five year Kress Foundation grant of $275 thousand.

While AIA emerged from this challenging year with reduced financial resources, liquidity remained strong, and as we look forward to fiscal 2010 the following

- Developments offer encouragement:
- A potential, if moderate, economic recovery.
- Positive investment returns (equity values have increased significantly since March) and restructured investment policies.
- A series of initiatives to enhance the profitability of *Archaeology* magazine. Plans for two galas, one in New York and one in San Francisco.
- Enhanced AlA WEB capabilities.
- A strengthened, committed staff.

ARCHAEOLOGICAL INSTITUTE OF AMERICA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

	2009		2008	
Assets				
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	7,950	355,184	7,950	118,188
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)		61,479		90,936
Total Assets		$9,585,473		$11,227,547
Liabilities and Net Assets				
Liabilities				
Accounts payable		$ 227,136		$ 238,094
Accrued expenses		201,812		142,910
Deferred revenue (Note 1g)		3,279,828		3,041,238
Total Liabilities		3,708,776		3,422,242
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)		3,555,847		3,471,840
Total Net Assets		5,876,697		7,805,305
Total Liabilities and Net Assets		$9,585,473		$11,227,547

ARCHAEOLOGICAL INSTITUTE OF AMERICA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2009 AND 2008

	2009						2008					
		Unrestricted Funds						Unrestricted Funds				
	General Operating	Functioning as Endowments	Total	Temporarily Restricted	Permanently Restricted	Total	General Operating	Functioning as Endowments	Total	Temporarily Restricted	Permanently Restricted	Total
Changes in Unrestricted Net Assets												
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
	3,602,836	-	3,602,836	-	-	3,602,836	3,425,534	-	3,425,534	-	-	3,425,534
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
	1,110,408	(801,434)	308,974	(851,244)	2,684	(539,586)	1,315,732	(219,679)	1,096,053	(692,884)	8,097	411,266
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
	1,093,110	79,885	1,172,995	715,830	81,323	1,970,148	978,092	2,283	980,375	432,896	187,782	1,601,053
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)	-	-	-	-
	669,956	(192,762)	477,194	(477,194)	-	-	667,981	(146,403)	521,578	(521,578)	-	-
Total Revenues, Gains and Other Support	6,476,310	(914,311)	5,561,999	(612,608)	84,007	5,033,398	6,387,339	(363,799)	6,023,540	(781,566)	195,879	5,437,853
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	1,290,680	-	1,290,680	-	-	1,290,680	1,046,596	-	1,046,596	-	-	1,046,596
Total Expenses	6,962,006	-	6,962,006	-	-	6,962,006	6,385,689	-	6,385,689	-	-	6,385,689
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	(1,018,512)	1,946,287	927,775	3,405,690	3,471,840	7,805,305	(1,020,162)	2,310,086	1,289,924	4,187,256	3,275,961	8,753,141
Net Assets, End of Year	$(1,504,208)	$ 1,031,976	$ (472,232)	$2,793,082	$ 3,555,847	$5,876,697	$(1,018,512)	$ 1,946,287	$ 927,775	$3,405,690	$ 3,471,840	$7,805,305

Archaeological Institute of America
Summary Income Statement
As of June 30, 2009

	FY09 Actual	Better (Worse) Than Prior Year	Better (Worse) Than Budget
Operating Revenue			
Earned	$ 4,702	$ (79)	$ (47)
Contributed	1,399	113	(154)
Endowment Draw	375	55	(59)
Total Operating Revenue	**6,476**	**89**	**(259)**
Cost of Goods Sold	3,015	(177)	(59)
Operating Expenses	3,947	(399)	42
Total Expenses	**6,962**	**(577)**	**(16)**
Net Operating Income	**$ (486)**	**$ (488)**	**$ (276)**
Non-Operating Restricted Revenue			
Grants	715	340	
Grants released to operations	(295)	13	
Board-Designated Gifts	80	40	
Endowment Gifts	81	(107)	
Endowment Draw	(375)	(15)	
Investment Income	(1,650)	(982)	
Total Non-Operating Income	**(1,444)**	**(711)**	
Change in Net Assets	**$ (1,929)**	**$ (1,199)**	

Key Observations/Issues Compared to FY08:

● Earned Revenue is down due to lower list rental, newsstand, advertising and tours, partially offset by increased subscription revenue associated with increased direct mail

● Contributed Revenue is higher due to the Gala ($254k) and Annual Fund ($22k), partially offset by one-time $125k bequest in FY08 and lower membership revenue ($23k).

● Endowment draw is higher due to change in the spending policy from 4.25% to 5%,

● Cost of goods sold is $177K higher due to larger subscriber base plus increases in the costs of: billing & renewing subscribers, new subscriber acquisition and postage.

● Operating expenses are higher due to increased mission fulfillment in site preservation and education; Gala expenses ($135k); higher travel costs for the lecture program, increased investment in development and staffing positions that were vacant for part of

● Grants are higher due to the renewal of the Kress Lectureship ($275k over the next 5 years) and matching of the $250k Site Preservation challenge grant.

Key Observations/Issues Compared to FY09 Budget:

● Earned income is lower than the revised budget mainly due to decreased newsstand

● Contributed Income is $154K unfavorable as $70k of Gala proceeds were restricted so they do not count toward operations, lower membership revenue, and lower-than-anticipated

Archaeological Institute of America
Functional Income Statement
As of June 30, 2009

		FY09 Actual	Better (Worse) Than Prior Year	Better (Worse) Than Budget
Arky Magazine	Gross	$ 4,034	$ 56	$ (34)
	Net	(244)	(264)	(32)
AJA	Gross	505	17	(24)
	Net	229	6	6
Annual Meeting	Gross	219	(5)	(12)
	Net	17	6	(7)
Tours	Gross	109	(34)	(17)
	Net	109	(32)	(15)
Programs	Gross	479	15	(59)
	Net	(208)	(43)	(9)
Development	Gross	655	120	(82)
	Net	72	(172)	(134)
Membership Fulfillment	Gross	336	(26)	(35)
	Net	194	4	(4)
General & Admin	Gross	141	(55)	5
	Net	(655)	9	(80)
Total	Gross	6,476	89	(258)
	Net	$ (486)	$ (487)	$ (276)

Key Observations/Issues Compared to FY08:

- Arky net income is lower due to lower renewal rates, increased loss of renewals to fraudulent agents, lower list rental and ad sales and increased investment in the web.
- Tour income is lower as the economy has decreased bookings and forced the cancellation of some tours.
- Greater expenditures in programs reflect increased mission fulfillment in site preservation, archaeology fairs, web content and other education initiatives, plus increased travel costs for existing lecture program.
- Development variance relates to one-time $125k bequest in FY08, higher salaries due to vacant positions in FY08, increased donor visits and recognition events, and a drop in the number of annual fund gifts due to the economy. These decreases are partially offset by some large gifts to the A/F and the proceeds from the gala. Note that restricted gifts are not shown here - please see the Contributed Income Statement.

Key Observations/Issues Compared to Budget:

- Arky missed its revised budget due to lower-than-expected newsstand sales.
- Tour income was lowered in the revised budget, but total bookings fell more than we anticipated.
- Development missed budget because $70k of gala proceeds are restricted and therefore do not count toward the operating budget, the gala netted $180k compared to a budget of $200k and we invested more in donor visits and events than originally planned.
- G&A is unfavorable due to contract employment and higher audit costs associated with CFO transition, the cost of staff vision meetings to plan five year goals, and governing board events.

Archaeological Institute of America
Investments
As of June 30, 2009

	Assets		Performance*		
	6/30/2009	6/30/2008	Fiscal YTD $ Return*	Fiscal YTD % Fund Return	Variance to Benchmark
Equities					
Vanguard 500 Index*	$ 1,601	$ 2,153	$ (473)	**-26.1%**	0.0%
Gabelli	1,175	1,667	(493)	**-29.6%**	-3.4%
Vanguard Mid Cap Index*	540	810	(249)	**-31.5%**	0.0%
Marsico Growth Fund	967	1,411	(444)	**-31.4%**	-5.2%
Total Equities	4,283	6,041	(1,658)	**-29.7%**	**-2.3%**
	65%	**69%**			
Cash/ Fixed Income					
Gabelli Cash	20	7	13	**-**	-
Northern Trust*	2,310	2,688	(5)	**-0.2%**	-1.4%
Total Cash/ Fixed Income	2,330	2,694	8	**0.3%**	**-1.4%**
	35%	**31%**			
Total Managed Investments	**6,613**	**8,736**	**(1,650)**	**-21.5%**	**-2.0%**
Donated REITS	**58**	**58**	**0****	**0.0%**	
Total Investments	**$ 6,671**	**$ 8,793**	**$ (1,650)**	**-21.3%**	

Key Observations/ Issues

* adjusted for endowment draw
** REITS, while they do have a return, it has not been posted at this time

Archaeological Institute of America

Financial Report - October 2009

For the first four months of the fiscal 2010 the Institute had a net operating deficit of $40 thousand. This was within $8 thousand of the budgeted amount, although $127 worse than the prior year. On the other hand, non-operating income, at $524 thousand, was $1.4 million better than last year, principally because of significant gains in the endowment investment portfolio.

The most significant variances from the 2010 budget and from last year were as follows:

- Revenue from *Archaeology* magazine, which comprises approximately 60% of AIA's total revenue, was right on budget at $1.3 million, but $116 thousand, or 8.8% below last year as both advertising and subscriptions declined. Cost savings, however, slightly exceeded the revenue dip so that the magazine still managed a small surplus of $23 thousand.

- Other operating activities, including the *American Journal of Archaeology*, touring, programmatic initiatives and the annual meeting, in general operated close to budget, although somewhat below last year because of the depressed economy and certain timing differences.

- Thanks, mainly to a trustee's $100 thousand gift to AIA's education outreach programs and to a $58 thousand bequest, contributed income, at $446 thousand, was $136 thousand or 30%, greater than last year. A negative variance to budget of $57 thousand is mostly attributable to the timing of the annual fund campaign.

- Total operating costs and expenses for the four months were $2.3 million, $40 thousand below budget and $35 thousand less than last year. *Archaeology* magazine cost savings noted earlier more than offset small increases in compensation and professional fees.

- Operating cash balances, at $665 thousand compare favorably to last year's $623 thousand despite a planned reduction in direct mail subscription activity.

- Of major importance was the switch during the four months to a $765 thousand gain in the investment portfolio versus $668 thousand loss in the year earlier period. This brought AIA's investments up to $7.4 million. Total net assets of $6.4 million on October 31st continue to be devoted mainly to publications, including AJA, and to lectures, fellowships and scholarships.

Among the many initiatives underway to further improve AIA's financial position as the rest of fiscal 2010 unfolds are sustained cost consciousness, increased *Archaeology* magazine revenue and a restructuring of the investment portfolio. A revised budget forecast reflecting these and other challenges will be completed early in the new calendar year.

Archaeological Institute of America
Summary Income Statement
As of October 31, 2009

	YTD Oct 31 2009	Better (Worse) Than Prior Year	Better (Worse) Than Budget	Whole Year Budget FY10
Operating Revenue				
Earned	$ 1,539	$ (174)	$ (0)	$ 4,685
Board Designated Transfer	-	-	-	-
Contributed	258	17	(48)	1,782
Endowment Draw	429	(4)	-	429
Total Operating Revenue	**2,226**	**(162)**	**(48)**	**6,896**
Cost of Goods Sold	928	116	49	2,998
Operating Expenses	1,338	(81)	(9)	3,970
Total Expenses	**2,266**	**35**	**40**	**6,968**
Net Operating Income	**$ (40)**	**$ (127)**	**$ (8)**	**$ (72)**
Non-Operating Restricted Revenue				
Restricted Gifts	129	60		
Gifts released to operations	-	-		
Board-Designated Gifts	58	58		
Endowment Gifts	1	1		
Endowment Draw	(429)	4		
Investment Income	765	1,433		
Total Non-Operating Income	**524**	**1,557**		
Change in Net Assets	**$ 484**	**$ 1,430**		

Key Observations/Issues Compared to FY09:

- Earned Revenue is $174K lower due to lower advertising sales and lower subscription revenue which relates to lower direct mail investment
- Contributed income $17k better due to the timing of Annual fund donations
- Cost of goods sold is favorable due to a reduction in production costs associated with lower volume and lower paper prices
- Operating expenses are $81K higher mainly due to recruitment fees and the timing of fellowship, lecture and site preservation awards
- Restricted Gifts are favorable due to a generous $100k contribution from Doug Tilden
- Investment gains are due to overall market improvement

Key Observations/Issues Compared to FY10 Budget:

- Contributed income is unfavorable as the annual fund appeal went out later than planned
- Cost of goods sold are favorable due to lower Arky production expenses

Archaeological Institute of America
Functional Income Statement
As of October 31, 2009

		YTD Oct 31 2009	Better (Worse) Than Prior Year	Better (Worse) Than Budget	Whole Year Budget FY10
Arky Magazine	Gross	$ 1,319	$ (116)	$ (5)	$ 4,045
	Net	23	18	14	51
AJA	Gross	297	11	13	557
	Net	183	4	27	244
Annual Meeting	Gross	0	(37)	0	201
	Net	(38)	(49)	(10)	(3)
Tours	Gross	34	(22)	2	99
	Net	34	(22)	1	99
Programs	Gross	304	(14)	(8)	810
	Net	(16)	(69)	23	(233)
Development	Gross	124	14	(43)	712
	Net	(25)	(11)	(17)	153
Membership Fulfillment	Gross	103	3	(4)	331
	Net	61	14	18	160
General & Admin	Gross	46	(1)	(2)	141
	Net	(262)	(11)	(64)	(542)
Total	Gross	2,226	(162)	(47)	6,896
	Net	$ (40)	$ (127)	$ (8)	$ (72)

Key Observations/Issues Compared to FY09:

- Arky net income is higher due to cost savings offsetting revenue shortfalls
- Annual meeting shortfall is due to timing differences, which should resolve by January
- Tours are down, but several lower-priced tours are being introduced to increase future revenues
- Increased Programs expense reflects our commitment to increase mission fulfillment, which will also help us run a successful fundraising campaign in the coming years
- Development reflects higher expenses because there were staff vacancies in 2009

Key Observations/Issues Compared to Budget FY10:

- The AJA continues to do well with subscription revenue and the sale of e-publications while saving on salaries, travel, cost of goods sold, postage and marketing
- Programs are favorable due to timing of expenses
- Development reflects lower annual fund giving due to timing of the appeal partially offset by lower salary expenses for open positions
- G&A is unfavorable due to contract employment for CFO transition and recruiting fees

Archaeological Institute of America
Balance Sheet
As of October 31, 2009

	10/31/2009	6/30/2009	6/30/2008	6/30/2007
Assets				
Cash	$ 665	$ 829	$ 104	$ 583
Receivables	637	429	679	808
Pledges	353	355	118	192
Deferred Direct Mail	1,005	1,087	1,212	1,019
Investments	7,435	6,670	8,793	9,581
Prepaid Expenses and Other Assets	213	153	230	136
Fixed assets (net)	47	62	91	93
Total Assets	**$ 10,354**	**$ 9,585**	**$ 11,228**	**$ 12,412**
Liabilities				
Deferred Revenue	$ 3,458	$ 3,280	$ 3,041	$ 3,172
Payables & Accruals	535	429	381	487
Total Liabilities	**3,993**	**3,709**	**3,422**	**3,658**
Net Assets				
Operating	(1,544)	(1,504)	(1,019)	(1,020)
Board Designated	1,286	1,032	1,951	2,310
Subtotal Unrestricted	**(258)**	**(472)**	**932**	**1,290**
Temporarily Restricted	3,062	2,793	3,401	4,187
Permanently Restricted	3,557	3,556	3,472	3,276
Total Net Assets	**6,362**	**5,877**	**7,805**	**8,753**
Total Liabilities & Net Assets	**$ 10,354**	**$ 9,585**	**$ 11,228**	**$ 12,412**

Archaeological Institute of America
Investments
As of October 31, 2009

	Assets		Performance*		
	10/31/2009	6/30/2009	Fiscal YTD $ Return*	Fiscal YTD % Fund Return	Variance to Benchmark
Equities					
Vanguard 500 Index*	$ 1,333	$ 1,175	$ 158	**24.2%**	0.0%
Gabelli	1,828	1,601	227	**14.2%**	-10.0%
Vanguard Mid Cap Index*	628	540	88	**32.2%**	0.0%
Marsico Growth Fund	1,143	967	176	**18.2%**	-6.0%
Total Equities	4,932	4,283	649	**22.2%**	**-5.1%**
	67%	**65%**			
Cash/ Fixed Income					
Gabelli Cash	62	20	43	**-**	-
Northern Trust*	2,384	2,310	74	**3.2%**	-0.7%
Total Cash/ Fixed Income	2,446	2,330	116	**4.9%**	**-0.6%**
	33%	**35%**			
Total Managed Investments	**7,378**	**6,613**	**765**	**10.9%**	**-3.6%**
Donated REITS	**58**	**58**	**0****	**0.0%**	
Total Investments	**$ 7,436**	**$ 6,671**	**$ 765**	**10.8%**	

Key Observations/ Issues

* Headquarters is in the process of transferring the endowment,
per the Investment committee's instructions, to the Ameritrade brokerage account

** REITS, while they do have a return, it has not been posted at this time