

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.
REPORT ON FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 2010 AND 2009

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Report of Independent Certified Public Accountants

To the Board of Trustees
Encyclopaedia Iranica Foundation, Inc.

We have audited the accompanying statements of financial position of Encyclopaedia Iranica Foundation, Inc. (a nonprofit organization) as of December 31, 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 Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Encyclopaedia Iranica Foundation, Inc. as of December 31, 2010 and 2009 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program expenses and general and administrative expenses on page 6 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

J. H. Gendler CPA P.C.
J.H. GENDLER CPA P.C.

New York, New York
November 8, 2011

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 104,009	\$ 86,183
Contributions Receivable	4,000	21,550
Sundry Receivables	26,042	41,207
Prepaid Expense	-	745
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	134,051	149,685
Equipment (net of Accumulated Depreciation \$1280 at 12/31/09	-0-	4,205
Intangible Asset	2,640	-
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<u>Other assets - Temporarily Restricted</u>		
Cash	388,081	225,471
Marketable Securities at Fair Value	13,485,832	12,083,032
Accrued Interest Receivable	24,631	38,874
	<hr/>	<hr/>
TOTAL OTHER ASSETS	13,898,544	12,347,377
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TOTAL ASSETS	\$ 14,035,235	\$ 12,501,267

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 27,718	\$ 27,168
	<hr/>	<hr/>
<u>Net Assets</u>		
Unrestricted	108,973	126,722
Temporarily Restricted	13,898,544	12,347,377
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TOTAL NET ASSETS	14,007,517	12,474,099
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TOTAL LIABILITIES AND NET ASSETS	\$ 14,035,235	\$ 12,501,267

The accompanying notes are an integral part of these Financial Statements.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDING DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Changes in Unrestricted Net Assets		
Revenue, Gains and Other Support and Reclassifications		
Special Events		
Revenue and Special Event Contributions	\$ 40,108	\$ 126,340
Expenses	<u>(26,496)</u>	<u>(33,581)</u>
Total Special Events	<u>13,612</u>	<u>92,759</u>
Contributions	321,492	258,149
Sales	40,557	95,009
Interest	<u>183</u>	<u>457</u>
Total Revenue, Gains (Losses) and Other Support	<u>375,844</u>	<u>446,374</u>
Expenses		
Cost of Goods Sold	63,146	63,274
Programs	90,298	81,034
General and Administrative	86,745	84,341
Contributions to Columbia University - Encyclopaedia Iranica Project	150,000	178,543
Board Contribution to Temporarily Restricted Funds	-	151,847
Disposition of Fixed Assets	<u>3,405</u>	<u>-</u>
Total Expenses	<u>393,594</u>	<u>559,039</u>
Change in Unrestricted Net Assets	<u>(17,750)</u>	<u>(112,665)</u>

The accompanying notes are an integral part of these Financial Statements.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDING DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Changes in Temporarily Restricted Net Assets		
Revenues and Reclassifications		
Interest and Dividend Income	446,190	339,600
Unrealized Gain (Loss) on Investments	1,504,285	2,041,430
Realized Gain (Loss) on Investments	(346,383)	(261,277)
Investment Expenses	(52,924)	(46,964)
Board Contributions to Temporarily Restricted Assets	-	151,847
	<u>1,551,168</u>	<u>2,224,636</u>
Change in Temporarily Restricted Assets		
Change in Net Assets	<u>1,533,418</u>	<u>2,111,971</u>
Net Assets, Beginning of Year	<u>12,474,099</u>	<u>10,362,128</u>
Net Assets, End of Year	<u>\$14,007,517</u>	<u>\$12,474,099</u>

The accompanying notes are an integral part of these Financial Statements.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

SUPPLEMENTAL INFORMATION

YEARS ENDING DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Program Expenses</u>		
Salaries	\$ 36,219	\$ 25,520
Payroll taxes	3,150	2,144
Administrative Expenses (In-kind)	15,009	14,510
Publishing Expenses	<u>35,920</u>	<u>38,860</u>
	<u>\$ 90,298</u>	<u>\$ 81,034</u>
<u>General and Administrative Expenses</u>		
Salaries	\$25,169	\$17,733
Payroll Taxes	2,189	1,490
Office Expenses	448	132
Postage	2,193	3,541
Administrative Expenses (In-kind)	14,420	13,940
Outside Services	31,422	6,549
Portrait Expense	-	3,000
Filing Fees	775	775
Audit and Tax Fee	7,750	8,000
Miscellaneous Expenses	<u>2,379</u>	<u>29,181</u>
	<u>\$86,745</u>	<u>\$84,341</u>

The accompanying notes are an integral part of these Financial Statements.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$1,533,418	\$2,111,971
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Unrealized (Gain) Loss on Temporarily Restricted Investments	(1,504,284)	(2,041,430)
Depreciation Expense Temporarily Restricted Investment Expense	800	1,097
(Gain) and Loss on Temporarily Restricted Investments	52,924	46,964
Net Transfer to Temporarily Restricted Funds	346,383	261,277
Interest and Dividends on Temporarily Restricted Funds	-	(151,848)
Changes in Operating Assets and Liabilities	(446,190)	(339,600)
Contributions Receivable	17,550	(16,050)
Prepaid Expenses	745	10,105
Sundry Receivables	15,165	22,727
Accounts Payable and Accrued Expenses	550	11,092
Net Cash Provided (Used) by Operating Activities	<u>17,061</u>	<u>(83,695)</u>

The accompanying notes are an integral part of these Financial Statements.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Investing Activities (Unrestricted)		
Purchase of Intangible Assets	(2,640)	-0-
Disposition of Fixed Assets	3,405	
Net Cash (Used) Provided in Investing Activities		
Unrestricted	765	-0-
Cash Flows from Investing Activities		
Temporarily Restricted		
Net Transfer to Temporarily		
Restricted Funds	-	151,847
Interest and Dividend Income		
Temporarily Restricted	446,190	339,600
Temporarily Restricted Investment		
Expense	(52,924)	(46,964)
(Increase) Decrease in Accrued Interest		
Temporarily Restricted	14,243	(16,805)
(Increase) Decrease in Temporarily		
Restricted Cash	(162,611)	64,242
(Increase) Decrease in Temporarily		
Restricted Marketable Securities	101,485	(230,643)
Gain (Loss) on Temporarily Restricted		
Marketable Securities	(346,383)	(261,277)
Net Cash (Used) Provided by Temporarily		
Restricted Investing Activities	-0-	-0-
Net Increase (Decrease) in Cash and		
Cash Equivalents	17,826	(83,695)
Cash and Cash Equivalents,		
Beginning of Year	86,183	169,878
Cash and Cash Equivalents,		
End of Year, Unrestricted	104,009	86,183
Supplemental Data-Non-Cash Transactions		
In-kind Support	\$29,389	\$33,830

The accompanying notes are an integral part of these Financial Statements.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Cash Paid for</u>		
Interest	-0-	-0-
Taxes	-0-	-0-
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The accompanying notes are an integral part of these Financial Statements.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and Business

The Encyclopaedia Iranica Foundation, Inc. ("the Foundation") was organized to conduct and carry out research on all aspects of Iranian and related studies and to promote the cause of the Encyclopaedia Iranica ("the Project"), a Columbia University project, through the establishment of an endowment fund and the publishing, dissemination and distribution of the results of their work.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less when acquired. The Foundation places its temporary cash investments with high credit quality financial institutions. At times, such amounts may exceed Federally insured limits.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pledges receivable

The Foundation recognizes as revenue the estimated realizable value of each fully paid promise to contribute to its operations in the year such promise is made.

Temporarily Restricted Assets

These funds are restricted by board of trustees resolution. They can not be disbursed until the amount of the temporarily restricted assets reaches \$15,000,000 or by resolution of the board of trustees.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Investments in marketable securities

Investments in marketable securities are carried at fair market value. The actual cost of the investments is used as the basis when computing realized gains or losses. These funds are temporarily restricted.

Depreciation

Depreciation is computed based on a straight-line method over the estimated useful life of five years.

Income taxes

The foundation is recognized as exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Summary of significant accounting policies

Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated goods and services

Donated goods and services are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted "in-kind

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

support" unless they are donor restricted to a specific purpose. Donated goods consist of donated items auctioned off by the Foundation for the sole purpose of fund raising. Donated services consist of legal and administrative services.

The Foundation does not reflect in the financial statements individual volunteer time and services in connection with the officers and trustees of the Foundation, or various committee assignments.

Financial expenditures
Certain expenses of the Foundation are allocated between program services and general and administrative in the accompanying statements of activities based on management's estimates.

Note 3 - Investments in marketable securities
Investments in marketable securities consist of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equity mut.funds	\$ 8,206,993	\$ 8,492,356	\$ 8,733,860	\$ 7,554,767
Bond mut.funds	<u>4,917,783</u>	<u>4,993,476</u>	<u>4,492,401</u>	<u>4,528,266</u>
Totals	<u>\$13,124,776</u>	<u>\$13,485,832</u>	<u>\$13,226,261</u>	<u>\$12,083,033</u>

The maturities of fixed income securities held at December 31, 2010 are between one to five years.

Note 4 - Related party transactions
The Foundation partially funds the Project which is administered by Columbia University. The Foundation contributed \$150,000 and \$178,543 in support of the Project in 2010 and 2009, respectively. Certain trustees of the Foundation are also trustees of the Persian Heritage Foundation, which is a not-for-profit organization also established to receive and distribute funds in support of the Project and other cultural and academic endeavors.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5 - Contributions receivable
At December 31, 2010 and 2009 unconditional contributions receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	<u>\$4,000</u>	<u>\$21,550</u>

Note 6 - In-kind support
In 2010 and 2009, in-kind support consists of administrative fees and program expenses in the amount of \$29,344 and \$28,450 respectively.

Note 7 - Legal matters
The United States Attorney asked the foundation to pay \$16,000 to a victims compensation fund. The demand for payment arose from contributions of \$16,000 to the foundation made by a donor who subsequently pleaded guilty to a large scale fraud. These moneys have been accrued.

Note 8 - Subsequent events
Management has evaluated subsequent events through November 8, 2011, the date at which the financial statements became available for issuance. No events have occurred that would require adjustments to, or disclosure in, the financial statements.