

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.  
REPORT ON FINANCIAL STATEMENTS  
YEARS ENDING DECEMBER 31, 2011 AND 2010

Index

	<u>Page</u>
Report of Independent Public Accountants	2
Statements of Financial Position December 31, 2011 and 2010	3
Statements of Activities Years Ending December 31, 2011 and 2010	4 - 5
Supplemental Information Schedule of Program Expenses Schedule of General and Administrative Expenses Years Ending December 31, 2011 and 2010	6
Statements of Cash Flows Years Ending December 31, 2011 and 2010	7 - 9
Notes to Financial Statements	10 - 13

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, 2011 and 2010 and the related statements of activities, cash flows and supplemental information 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, 2011 and 2010 and the changes in its net assets, cash flows and supplemental information 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.

New York, New York  
June 8, 2012

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 474,646	\$ 104,009
Contributions Receivable	40,779	4,000
Sundry Receivables	30,707	26,042
Prepaid Expense	88	-
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	546,220	134,051
Intangible Asset	2,640	2,640
	<hr/>	<hr/>
<u>Other Assets - Temporarily Restricted</u>		
Cash	44,181	388,081
Marketable Securities at Fair Value	13,260,631	13,485,832
Accrued Interest Receivable	18,770	24,631
	<hr/>	<hr/>
TOTAL OTHER ASSETS	13,323,582	13,898,544
	<hr/>	<hr/>
TOTAL ASSETS	\$ 13,872,442	\$ 14,035,235

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 29,141	\$ 27,718
	<hr/>	<hr/>
<u>Net Assets</u>		
Unrestricted	519,719	108,973
Temporarily Restricted	13,323,582	13,898,544
	<hr/>	<hr/>
TOTAL NET ASSETS	13,843,301	14,007,517
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$13,872,442	\$ 14,035,235

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

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDING DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Changes in Unrestricted Net Assets		
Revenue, Gains and Other Support and Reclassifications		
Special Events		
Revenue and Special Event Contributions	\$ 81,854	\$ 40,108
Expenses	<u>(17,679)</u>	<u>(26,496)</u>
Total Special Events	<u>64,175</u>	<u>13,612</u>
Contributions	477,578	321,492
Sales	75,525	40,557
Interest	261	183
Board Transfer of Funds from Temporarily Restricted Funds	<u>350,000</u>	<u>-</u>
Total Revenue, Gains (Losses) and Other Support	<u>967,539</u>	<u>375,844</u>
Expenses		
Cost of Goods Sold	62,241	63,146
Programs	116,174	90,298
General and Administrative	78,378	86,745
Contributions to Columbia University - Encyclopaedia Iranica Project	300,000	150,000
Disposition of Fixed Assets	<u>-</u>	<u>3,405</u>
Total Expenses	<u>556,793</u>	<u>393,594</u>
Change in Unrestricted Net Assets	<u>410,746</u>	<u>(17,750)</u>

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

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDING DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Changes in Temporarily Restricted Net Assets		
Revenues and Reclassifications		
Interest and Dividend Income	464,133	446,190
Unrealized Gain (Loss) on Investments	(612,454)	1,504,285
Realized Gain (Loss) on Investments	(19,934)	(346,383)
Investment Expenses	(56,707)	(52,924)
Transfer of Funds to Unrestricted Assets	<u>(350,000)</u>	<u>-</u>
Change in Temporarily Restricted Assets	<u>(574,962)</u>	<u>1,551,168</u>
Change in Net Assets	<u>(164,216)</u>	<u>1,533,418</u>
Net Assets, Beginning of Year	<u>14,007,517</u>	<u>12,474,099</u>
Net Assets, End of Year	<u>\$13,843,301</u>	<u>\$14,007,517</u>

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

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

SUPPLEMENTAL INFORMATION

YEARS ENDING DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Program Expenses</u>		
Salaries	\$ 62,430	\$ 36,219
Payroll Taxes	5,662	3,150
Administrative Expenses (In-kind)	15,499	15,009
Publishing Expenses	32,583	35,920
	<u>\$116,174</u>	<u>\$ 90,298</u>
 <u>General and Administrative Expenses</u>		
Salaries	\$43,384	\$25,169
Payroll Taxes	3,935	2,189
Office Expenses	206	448
Postage	668	2,193
Administrative Expenses (In-kind)	14,685	14,420
Outside Services	4,823	31,422
Filing Fees	775	775
Audit and Tax Fee	8,000	7,750
Miscellaneous Expenses	1,902	2,379
	<u>\$78,378</u>	<u>\$86,745</u>

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

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (164,216)	\$ 1,533,418
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Unrealized (Gain) Loss on Temporarily Restricted Investments	612,454	(1,504,284)
Depreciation Expense Temporarily Restricted Investment Expense	-	800
(Gain) or Loss on Temporarily Restricted Investments	56,707	52,924
Net Transfer from Temporarily Restricted Funds	19,934	346,383
Interest and Dividends on Temporarily Restricted Funds	350,000	-
Changes in Operating Assets and Liabilities	(464,133)	(446,190)
Contributions Receivable	(36,779)	17,550
Prepaid Expenses	(88)	745
Sundry Receivables	(4,665)	15,165
Accounts Payable and Accrued Expenses	1,423	550
Net Cash Provided (Used) by Operating Activities	<u>370,637</u>	<u>17,061</u>

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



ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Investing Activities (Unrestricted)		
Purchase of Intangible Assets	-	(2,640)
Disposition of Fixed Assets	-	3,405
Net Cash (Used) Provided in Investing Activities Unrestricted	-	765
Cash Flows from Investing Activities Temporarily Restricted		
Net Transfer from Temporarily Restricted Funds to Operating Account	(350,000)	-
Interest and Dividend Income Temporarily Restricted	464,133	446,190
Temporarily Restricted Investment Expense	(56,707)	(52,924)
(Increase) Decrease in Accrued Interest Temporarily Restricted	5,861	14,243
(Increase) Decrease in Temporarily Restricted Cash	343,900	(162,611)
(Increase) Decrease in Temporarily Restricted Marketable Securities	(387,253)	101,485
Gain (Loss) on Temporarily Restricted Marketable Securities	(19,934)	(346,383)
Net Cash (Used) Provided by Temporarily Restricted Investing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	370,637	17,826
Cash and Cash Equivalents, Beginning of Year	104,009	86,183
Cash and Cash Equivalents, End of Year, Unrestricted	\$ 474,646	\$104,009

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

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDING DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Supplemental Data–Non-Cash Transactions		
In-kind Support	\$ 30,183	\$29,389
<u>Cash Paid for</u>		
Interest	-	-
Taxes	-	-
	<hr/>	<hr/>

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 cannot be disbursed until the amount of the temporarily restricted assets reaches \$15,000,000 or by resolution of the Board of Trustees. On May 7, 2011 the Board of Trustees resolved to

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

transfer \$350,000 of temporarily restricted assets to the operating account of the Foundation.

**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.

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.

ENCYCLOPAEDIA IRANICA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Such donations are reported as unrestricted "in-kind 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>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equity mut.funds	\$ 8,353,699	\$ 8,012,891	\$ 8,206,993	\$ 8,492,356
Bond mut.funds	<u>5,158,330</u>	<u>5,247,740</u>	<u>4,917,783</u>	<u>4,993,476</u>
Totals	<u>\$13,512,029</u>	<u>\$13,260,631</u>	<u>\$13,124,776</u>	<u>\$13,485,832</u>

The maturities of fixed income securities held at December 31, 2011 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 \$300,000 and \$150,000 in support of the Project in 2011 and 2010, 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, 2011 and 2010 unconditional contributions receivable consist of the following:

	<u>2011</u>	<u>2010</u>
Receivables collected in less than one year	<u>\$40,779</u>	<u>\$4,000</u>

All receivables are considered fully collectible.

Note 6 - In-kind support  
In 2011 and 2010, in-kind support consists of administrative fees and program expenses in the amount of \$30,183 and 29,344, 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  
The Foundation has evaluated events and transactions that occurred between December 31, 2011 and June 8, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. Any material events or transactions discovered during the evaluation are disclosed and recognized in the financials.