

Encyclopaedia Iranica Foundation, Inc.

Financial Statements

December 31, 2012

Independent Auditors' Report**The Board of Directors of the
Encyclopaedia Iranica Foundation, Inc.**

We have audited the accompanying financial statements of the Encyclopaedia Iranica Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Encyclopaedia Iranica Foundation, Inc. at December 31, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



October 21, 2013

O'CONNOR DAVIES, LLP

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Encyclopaedia Iranica Foundation, Inc.

Statement of Financial Position
December 31, 2012

ASSETS

Cash and cash equivalents	\$ 344,508
Promises to give receivable	10,500
Accounts receivable	25,647
Accrued interest receivable	26,305
Investments	15,189,397
Art work	<u>182,800</u>
	<u>\$ 15,779,157</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 37,477
Grants payable	<u>83,631</u>
Total Liabilities	<u>121,108</u>
Unrestricted Net Assets	
Operating	442,347
Board designated	<u>15,215,702</u>
Total Net Assets	<u>15,658,049</u>
	<u>\$ 15,779,157</u>

Encyclopaedia Iranica Foundation, Inc.

Statement of Activities Year Ended December 31, 2012

SUPPORT AND REVENUE

Contributions and gifts	\$ 524,918
Donated facilities	56,000
Book sales, net of costs of goods sold	28,950
Auction income	6,000
Interest and dividends	738,228
Realized and unrealized gains on investments	<u>1,212,095</u>
Total Support and Revenue	<u>2,566,191</u>

EXPENSES

Grants	383,631
Salary	172,855
Professional fees	19,000
Investment management fees	57,952
Occupancy	56,000
Publishing and editorial expenses	54,316
Office expense	1,979
Event expenses	4,987
Miscellaneous	<u>723</u>
Total Expenses	<u>751,443</u>
Change in Net Assets	1,814,748

NET ASSETS

Beginning of year, restated	<u>13,843,301</u>
End of year	<u>\$15,658,049</u>

Encyclopaedia Iranica Foundation, Inc.

Statement of Cash Flows
Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$1,814,748
Adjustments to reconcile change in net assets to cash flows from operating activities	
Realized and unrealized gains on investments	(1,212,095)
Donation of art work received	(182,800)
Change in operating assets and liabilities	
Promises to give receivable	30,279
Accounts receivables	5,060
Accrued interest receivable	(7,535)
Accounts payable and accrued expenses	11,064
Grants payable	<u>83,631</u>
Cash Flows from Operating Activities	<u>542,352</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(5,266,448)
Sale of investments	<u>4,593,958</u>
Cash Flows from Investing Activities	<u>(672,490)</u>
Net Change in Cash and Cash Equivalents	(130,138)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>474,646</u>
End of year	<u>\$ 344,508</u>

Encyclopaedia Iranica Foundation, Inc.

Notes to Financial Statements
December 31, 2012

1. Organization

The Encyclopaedia Iranica Foundation, Inc., 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.

The Foundation is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments with a maturity of three months or less at the time of purchase; with the exception of cash held with the Foundation’s investment custodian, which is recorded as an investment. The Foundation places its cash and cash equivalents with highly rated financial institutions.

Promises to Give and Accounts Receivables

Unconditional promises to give are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Foundation believes all receivables are current and collectible within one year.

Fair Value of Financial Instruments

The Foundation follows FASB guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into 3 levels based on the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Encyclopaedia Iranica Foundation, Inc.

Notes to Financial Statements
December 31, 2012

2. Summary of Significant Accounting Policies (*continued*)

Investments and Investment Income

Investments are stated at fair value except for cash and cash equivalents. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Net Asset Presentation

Net assets and revenues are classified based on the existence or absence of donor imposed restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in the Foundation's operations. Temporarily restricted amounts are those which are stipulated by donors for specific purposes or time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted amounts contain donor imposed restrictions to be maintained permanently by the Foundation. The Foundation's net assets are neither permanently nor temporarily restricted by donor imposed restrictions and are classified as unrestricted.

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. Marketable securities contributed are recorded at the fair value at the date of contribution. Conditional promises to give are not recognized until the conditions are substantially met.

Donated Services and Facilities

Donated services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. Donated services and facilities are reflected in the financial statements at the estimated fair value at the time of donation.

Accounting for Uncertainty in Income Taxes

The Foundation's current accounting policy is to disclose liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2009.

Encyclopaedia Iranica Foundation, Inc.

Notes to Financial Statements
December 31, 2012

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is October 21, 2013.

3. Concentration of Credit Risk

The Foundation's financial instruments that are potentially exposed to concentration of credit risk consist of cash and cash equivalents, receivables and investments. The Foundation places its cash, cash equivalents and investments with quality financial institutions. At times, cash balances may be in excess of the federally insured limits. The Foundation believes no significant concentration of credit risk exists with respect to its cash and cash equivalents and investments. The Foundation believes that no significant concentration of credit risk exists with respect to receivables and pledges.

4. Investments and Investment Return

The following are major categories of investments measured at fair values (other than temporary cash investments, which are carried at cost) at December 31,

Equity mutual funds	
Large value	\$ 2,372,133
Large growth	2,355,192
Foreign large blend	1,939,434
Other	2,392,482
Fixed income mutual funds	
Intermediate term bond	4,512,729
Short term bond	801,937
High yield bond	<u>642,445</u>
Total at fair value	15,016,351
Temporary cash investments, at cost	<u>173,046</u>
Total	<u>\$15,189,397</u>

All of the Foundation's investments measured at fair value were Level 1 inputs under the fair value hierarchy measurement.

5. Donated Facilities

In 2012, in kind support consists of office space rental expense of \$56,000 which was provided by Columbia University to the Foundation to conduct program related activities.

Encyclopaedia Iranica Foundation, Inc.

Notes to Financial Statements
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6. Related Party Transactions

The Foundation partially funds the Project which is administered by Columbia University. The Foundation contributed \$383,631 in support of the Project in 2012. Certain trustees of the Foundation are also trustees of the Persian Heritage Foundation, which is a not-for-profit organization established to receive and distribute funds in support of the Project and other cultural and academic endeavors.

7. Board Designated Fund

The Foundation's board has designated funds that are not to be disbursed until the amount of the board designated funds reach a total of \$15,000,000. The following is a reconciliation of the board designated fund:

Balance, January 1, 2012	\$13,323,331
Interest and dividends	738,228
Realized and unrealized gains	1,212,095
Management fees	<u>(57,952)</u>
Balance, December 31, 2012	<u>\$15,215,702</u>

8. Prior Period Adjustment

In fiscal 2012, after further review of its documents, the Foundation determined that net assets previously classified as temporarily restricted did not have donor imposed restrictions. As a result of this information, the Foundation restated its December 31, 2011 net assets to decrease temporarily restricted net assets and increase unrestricted net assets by \$13,323,582.

9. Legal Matters

The United States Attorney in the Southern District of New York asked the Foundation to pay \$16,000 to a victims compensation fund. The demand for payment arose from contributions to the Foundation made by a donor who subsequently pleaded guilty to a large scale fraud. These monies have since been accrued.

10. Art Work

During the year the Foundation received donated art work. The works were not appraised at the time of donation; however management determined its estimated value to be approximately \$182,200 in consultation with art experts. The paintings will be sold at an appropriate time and venue.

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