Audited Financial Statements 2012

The following financial statement was prepared by the firm, BeachFleischman PC in Tucson, Arizona. They have issued an unqualified opinion.

Statement of Financial Position
December 31, 2012
Assets

Current Assets:	
Cash and cash equivalents	$656,884
Investments	601,595
Accounts receivable	10,103
Interest receivable	245
Prepaid expenses	26,943
Total current assets	$1,295,770
Property and equipment, net	4,468
Endowment investments	22,534
Endowment cash and cash equivalents	3,000
	$1,325,772

Liabilities and Net Assets

Current liabilities:	
Accounts payable	$18,676
Deferred revenue	48,155
Other current liabilities	2,359
Total current liabilities	$69,190
Commitments	
Net assets:	
Unrestricted:	
Undesignated	$1,053,485
Invested in property and equipment	4,468
	$1,057,953
Temporarily restricted	173,095
Permanently restricted	25,534
	1,256,582
	$1,325,772

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Statement of Activities
Year ended December 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support:				
Advertising	$23,300	-	-	$23,300
Annual Meeting	292,731	5,896	-	298,627
Contributions	37,315	5,970	-	43,285
Donated servics & facilities, University of Arizona	24,540	-	-	24,540
Individual membership dues	256,900	-	-	256,900
Institutional membership dues	36,000	-	-	36,000
Investment income, net	45,260	9,382	-	54,642
Other revenue	828	-	-	828
Publication sales	482	-	-	482
Gain on disposal of asset	1,313	-	-	1,313
Net assets released from restrictions	9,940	(9,940)	-	-
Total revenues and support	727,296	11,308	-	738,604
Expenses:				
Program services	560,630	-	-	560,630
Fundraising	22,404	-	-	22,404
General and administrative	45,504	-	-	45,504
Total expenses	628,538	-	-	628,538
Increase in net assets	98,758	11,308	-	110,066
Net assets, beginning	959,195	161,787	25,534	1,146,516
Net assets, ending	$1,057,953	$173,095	$25,534	$1,256,582

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Statement of Functional Expenses
Year ended December 31, 2012

	Program Services			Supporting Services			
	Annual Meeting	Other Program Services	Total Program Services	Fundraising	General & Administrative	Total Supporting Services	Total Expenses
Awards and grants		$9,677	$9,677				$9,677
Board meetings					$12,031	$12,031	12,031
Contracted services from the University of Arizona	$97,110	183,666	280,776	$16,859	24,602	41,461	322,237
Depreciation	695	1,320	2,015	116	185	301	2,316
Direct annual meeting expense	94,513		94,513				94,513
Dues	1,610	3,060	4,670	268	429	697	5,367
Fees	7,300	13,870	21,170	1,217	1,947	3,164	24,334
Office supplies and expense	16,301	33,096	49,397	2,717	4,347	7,064	56,461
Other publication costs		15,972	15,972				15,972
Publication costs Cambridge University Press		61,090	61,090				61,090
Rent expense donated by the University of Arizona	7,362	13,988	21,350	1,227	1,963	3,190	24,540
	$224,891	$335,739	$560,630	$22,404	$45,504	$67,908	$628,538

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Statement of Cash Flows
Year ended December 31, 2012

Cash flows from operating activities:	
Increase in net assets	$110,066
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	2,316
Net realized gains on investments	(5,227)
Net unrealized gains on investments	(41,770)
Changes in operating assets and liabilities	
Accounts receivable	337
Interest receivable	3,037
Prepaid expenses	1,590
Accounts payable	(79,172)
Deferred revenue	6,540
Other current liabilities	1,684
Net adjustments	(110,665)
Net cash provided by operating activities	(599)
Cash flows from investing activities:	
Purchases of property and equipmnt	(4,063)
Proceeds from sale of investments	217,997
Purchases of investments	(213,293)
Change in endowment cash and cash equivalents	2,214
Net cash used in investing activities	2,855
Net increase in cash and cash equivalents	2,256
Cash and cash equivalents, beginning	654,628
Cash and cash equivalents, ending	$656,884

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

1. Description of organization and summary of significant accounting policies:

Organization:

Middle East Studies Association of North America, Inc. (MESA, the Organization) was organized in 1966 by a group of American and Canadian scholars to promote high standards of scholarship and instruction in Middle East studies, to facilitate communication among scholars through meetings and publications and to foster cooperation among people and organizations concerned with the scholarly study of the Middle East. Membership includes subscriptions to the International Journal of Middle East Studies, the Review of Middle East Studies and the Newsletter.

Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation:

The Organization 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.

Recognition of contributions:

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

All 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 statement of activities as net assets released from restrictions. Endowment contributions are reported as additions to permanently restricted net assets.

Donated goods, services and facilities:

Support arising from donated goods, services and facilities is recognized in the financial statements at its fair value. Donated services are recognized when the services received:

(a) create or enhance nonfinancial assets or
(b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

1. Description of organization and summary of significant accounting policies (continued):

Property, equipment and depreciation:
Property and equipment are stated at cost except for donated equipment, which is recorded at its fair market value at the date of gift. Property and equipment with a value of greater than or equal to $2,000 is capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Endowments:
The Organization's endowments consist of four individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of MESA has interpreted Arizona's version (titled the "Management of Charitable Funds Act" (the Act)) of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 the 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 board of directors in a manner consistent with the standard of prudence prescribed by the Act.

Deferred revenue:
Deferred revenue represents membership dues, annual meeting registration fees and international postage fees received for future years. Revenues are recognized in their related period.

Allocation of indirect expenses:
Expenses that can be identified with a specific program or support service are charged directly to the program according to their natural expense classification. Indirect expenses are allocated to the various programs and supporting services benefited based on salaries as a function of staff time by functional area.

Tax exempt status:
The Organization is exempt from income taxes under both federal (Internal Revenue Code Section 501(c)(3)) and Arizona income tax laws, and is classified as other than a private foundation. Accordingly, no provision for federal and state income taxes is made. Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI).

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

1. Description of organization and summary of significant accounting policies (continued):

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

1. Description of organization and summary of significant accounting policies (continued):

Tax exempt status (continued):

GAAP requires management to perform an evaluation of all tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for federal and state purposes.

The Organization is only subject to income taxes on UBTI as applicable. As a result, the Organization is required to file informational returns for federal and state purposes and, if it has UBTI, federal and state income tax returns. With limited exceptions, the Organization is no longer subject to tax examination for any years earlier than 2009 for federal and 2008 for state. Management has performed its evaluation of tax positions taken on all open tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard.

From time to time, the Organization may be subject to penalties assessed by various taxing authorities, which are classified as general and administrative expenses if they occur.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to December 31, 2012 through May 15, 2013, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Investments:

The Organization's fair value of investments at December 31, 2012 are as follows:

Bonds	$ 33,555
Mutual funds	274,310
Stocks	316,264
Total investments	624,129
Less restricted for endowments	22,534
Unrestricted and temporarily restricted investments	$ 601,595

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

2. Investments (continued):

Investment income for 2012 is as follows:

Dividends and interest	$ 18,618
Investment fees	(10,973)
Net realized gains on investments	5,227
Net unrealized gains on investments	41,770
	$ 54,642

The fair value of the investments above have been measured on a recurring basis using the market approach and priced based on quoted market information (level 1).

3. Property and equipment:

Office furniture and equipment	$ 31,787
Less accumulated depreciation	27,319
	$ 4,468

4. Temporarily restricted net assets:

Temporarily restricted net asset activity for 2012 is as follows:

	Beginning balance	Contributions/ investment gains	Releases	Ending balance
Academic freedom	$ 84,865	$ 7,211	$ (1,512)	$ 90,564
Aramex visiting scholar	3,105	5,250		8,355
Bacharach service award	11,162	1,282	(1,301)	11,143
Hourani book award	6,903	859	(1,021)	6,741
Owen economic book award	8,782			8,782
PERMES project	44,128		(187)	43,941
Pourshariati award		4,500	(2,021)	2,479
Other	2,842	1,056	(3,898)	
Endowment net assets		1,090		1,090
	$ 161,787	$ 21,248	$ (9,940)	$ 173,095

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

5. Endowments:

The endowment net asset composition by type of fund at December 31, 2012 is as follows:

	Temporarily restricted	Permanently restricted
Bacharach service award		$ 2,500
Hourani award	$ 960	15,000
Kerr dissertation award		3,000
Mentoring award	130	5,034
	$ 1,090	$ 25,534

Changes in endowment net assets for 2012 are as follows:

	Temporarily restricted	Permanently restricted
Endowment net assets, beginning		$ 25,534
Investment income	$ 1,090	
Endowment net assets, ending	$ 1,090	$ 25,534

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires to retain as a fund of perpetual duration. As of December 31, 2012, there were no deficiencies of this nature.

Return objectives and risk parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce modest income while not exposing the corpus to significant market or credit risk. Actual returns in any given year may vary from this parameter.

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MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2012

5. Endowments (continued):

Spending policy and how the investment objectives relate to spending policy:
The management of the Organization and its Board of Directors did not have a specific written spending policy in accordance with the Act. However, the Organization has a spending policy in practice whereby amounts are appropriated based on determination of certain criteria to include the preservation of the endowment corpus, consideration of economic conditions, effects of inflation and deflation and the expected return from income and appreciation of investments. This is consistent with the Organization's objective to preserve the endowment assets held in perpetuity.

6. Commitments:

MESA has an agreement through December 31, 2015 with the Syndicate of the Press of Cambridge University to publish and distribute The International Journal of Middle East Studies and the Review of Middle East Studies to each member. Publication expense for 2012 was $61,090.

The Organization has entered into several agreements with various hotels to hold their annual meetings through 2018. In the event that the Organization cancels any of these agreements, they could be subject to cancellation fees calculated in accordance with the agreement at the time of cancellation.

7. Concentration:

MESA has no employees and contracts its professional and office labor from the University of Arizona.

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