

MIDDLE EAST STUDIES ASSOCIATION OF NORTH AMERICA, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2004ASSETS

Current assets:	
Cash and cash equivalents	\$ 71,446
Marketable securities	494,747
Accounts receivable, net of \$-0- allowance	24,166
Prepaid expenses and other current assets	<u>11,778</u>
Total current assets	602,137
Office furniture and equipment	88,756
Less accumulated depreciation	<u>(79,588)</u>
Office furniture and equipment, net	9,168
Total assets	<u>\$ 611,305</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 14,050
Membership dues and other deferred revenue	21,020
Accrued expenses	<u>3,066</u>
Total current liabilities	38,136
Net assets:	
Unrestricted	492,298
Permanently restricted	<u>80,871</u>
Total net assets	573,169
Total liabilities and net assets	<u>\$ 611,305</u>

STATEMENT OF ACTIVITIES
For the year ended December 31, 2004

	Unrestricted	Permanently Restricted	Total
Revenue and support:			
Membership dues - individual	\$ 193,753	\$ -	\$ 193,753
Membership dues - institutional	28,000	-	28,000
Contributions	12,390	3,950	16,340
Annual meeting	166,960	-	166,960
Donated services, University of Arizona	27,758	-	27,758
Publication sales	8,615	-	8,615
Other revenue	10,532	-	10,532
Advertising	19,422	-	19,422
Investment income, net	<u>35,868</u>	<u>5,118</u>	<u>40,986</u>
Total revenue and support	503,298	9,068	512,366
Expenses:			
Program services	416,404	-	416,404
General and administrative	29,554	-	29,554
Fundraising activities	<u>9,563</u>	<u>-</u>	<u>9,563</u>
Total expenses	455,531	-	455,531
Change in net assets	47,767	9,068	56,835
Net assets, beginning of year	<u>444,531</u>	<u>71,803</u>	<u>516,334</u>
Net assets, end of year	<u>\$ 492,298</u>	<u>\$ 80,871</u>	<u>\$ 573,169</u>

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2004

	Program Services	General and Administrative	Fundraising Activities	Total Expenses
Contracted services provided by the University of Arizona	\$ 160,783	\$ 12,298	\$ 7,929	\$ 181,010
Publication costs, Cambridge University Press	65,519	-	-	65,519
Direct annual meeting expenses	61,933	-	-	61,933
Secretarial services provided by the University of Arizona	26,501	1,257	-	27,758
Other publication and distribution costs	20,399	-	-	20,399
Awards and grants	14,931	-	-	14,931
Conference participation and board meetings	912	10,319	-	11,231
Salaries and related costs	10,015	1,079	34	11,128
Professional services	8,379	1,531	279	10,189
Office supplies and expense	7,253	564	242	8,059
Telephone	6,946	540	232	7,718
Postage	6,817	530	227	7,574
Maintenance	5,992	466	200	6,658
Merchant fees	4,918	382	164	5,464
Insurance	2,834	220	94	3,148
Staff training	2,884	-	-	2,884
Dues and subscriptions	2,590	-	-	2,590
Website	1,890	-	-	1,890
Security	1,014	79	34	1,127
Other fees	335	27	11	373
Total functional expenses before depreciation	412,845	29,292	9,446	451,583
Depreciation	3,559	272	117	3,948
Total functional expenses	<u>\$ 416,404</u>	<u>\$ 29,564</u>	<u>\$ 9,563</u>	<u>\$ 455,531</u>

STATEMENT OF CASH FLOWS
For the year ended December 31, 2004

Cash flows from operating activities:	
Change in net assets	\$ 56,835
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	3,948
Unrealized net gain on marketable securities	(23,656)
Change in operating assets and liabilities:	
Accounts receivable	(9,729)
Prepaid expenses and other current assets	(384)
Accounts payable	7,413
Membership dues and other deferred revenue	(54,996)
Accrued expenses	2,266
Total adjustments	<u>(75,138)</u>
Net cash used in operating activities	(18,303)
Cash flows from investing activities:	
Proceeds from the sale of marketable securities	77,851
Purchases of marketable securities	(96,440)
Purchases of equipment	(7,172)
Net cash used in investing activities	<u>(25,761)</u>
Net change in cash and cash equivalents	(44,064)
Cash and cash equivalents, beginning of year	115,510
Cash and cash equivalents, end of year	<u>\$ 71,446</u>

NOTES TO FINANCIAL
STATEMENTS1. Organization

Middle East Studies Association of North America, Inc. ("MESA") 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 persons and organizations concerned with the scholarly study of the Middle East. Membership includes subscriptions to the International Journal of Middle East Studies, the Bulletin and the Newsletter.

2. Summary of Significant Accounting PoliciesFinancial Statement Presentation

MESA 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) based upon the existence or absence of donor-imposed restrictions.

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of MESA and/or the passage of time. When a 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. There are no temporarily restricted net assets at December 31, 2004.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by MESA. Generally, the donors of these assets permit MESA to use all or part of the income earned on any related investments for general or specific purposes.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MESA considers cash and highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

Marketable Securities

MESA records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Accounts Receivable

The majority of accounts receivable represent amounts due from advertisers in various MESA publications. Management believes that substantially all accounts receivable are collectible and, accordingly, no allowance for bad debt has been established.

2. Summary of Significant Accounting Policies, Continued

Office Furniture and Equipment

Office furniture and equipment is recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of three to seven years.

The cost of major improvements and additions are capitalized. Repairs and maintenance are charged to operations. The costs and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any resulting gain or loss is reflected in the statement of activities in the year of disposition.

Membership Dues and Other Deferred Revenue

Membership dues and other deferred revenue represent membership fees and amounts collected in advance of the annual meeting. Membership revenue is recognized in the financial statements over the related membership period.

Income Taxes

MESA is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Internal Revenue Service has determined that MESA is not a "private foundation" within the meaning of section 509(a) of the Internal Revenue Code.

Donated Services

Donated services are recorded at their fair market value as contributions when they create or enhance non-financial assets or when they would be purchased by MESA if not donated and require specialized skills possessed by the donor providing service.

Use of Estimates

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

Functional Expenses

MESA allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by other reasonable methods.

3. Concentration of Risk

MESA maintains a cash balance at a financial institution in Tucson, Arizona. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2004, the Company's uninsured cash balance was \$-0-.

NOTES TO FINANCIAL STATEMENTS

4. Marketable Securities

Marketable securities consist of the following at December 31, 2004:

	Cost or Donated Value	Market Value
Fidelity stocks	\$ 53,701	\$ 61,168
Fidelity stock funds	325,992	368,425
Fidelity bond funds	11,497	11,333
Fidelity income funds	53,821	53,821
	<u>\$ 445,011</u>	<u>\$ 494,747</u>

Cost or donated value represents the cost basis of the original funds invested adjusted for realized and reinvested gains and losses.

Investment income for the year is as follows:

Interest and dividends	\$ 4,610
Unrealized gains, net	23,656
Capital gain distributions and realized gains, net	13,981
Investment fees	<u>(1,261)</u>
Investment income, net	<u>\$ 40,986</u>

5. Commitments and Agreements

MESA has an agreement through December 31, 2009 with the Syndicate of the Press of Cambridge University to publish and distribute *The International Journal of Middle East Studies* and *MESA Bulletin* to each member. Publication cost expense during the year ended December 31, 2004 was \$65,519.