THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
(A Non-Profit Corporation)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

WITH INDEPENDENT AUDITORS' REPORT

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
(A Non-Profit Corporation)

TABLE OF CONTENTS

SEPTEMBER 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Ayn Rand Institute: The Center for the Advancement of Objectivism
Irvine, California

We have audited the accompanying statement of financial position of The Ayn Rand Institute: The Center for the Advancement of Objectivism (a non-profit corporation) (the "Institute"), as of September 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Institute'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the Institute as of September 30, 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.

White Nelson Diehl Evans LLP

Irvine, California
January 15, 2013

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012

ASSETS

Current Assets:	
Cash and Cash Equivalents	$ 1,152,991
Investments in Marketable Securities	125,364
Current Portion of Contributions Receivable	2,017,818
Inventories	139,139
Prepaid Expenses	60,021
Current Portion of Investments - Split Interest Agreements (Note 6)	139,208
Total Current Assets	3,634,541
Other Assets:	
Investments - Split Interest Agreements, Net of Current Portion (Note 6)	2,213,934
Contributions Receivable, Net of Current Portion	190,656
Beneficial Interests in Insurance Policy and Trusts	737,477
Property and Equipment, at Net Book Value (Note 4)	232,735
Deposits and Other Assets	84,620
457(b) Plan Participant Accounts (Note 11)	537,702
Investments in Marketable Securities - James G. Comer Scholarship Fund	145,404
Total Other Assets	4,142,528
Total Assets	$ 7,777,069

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	$ 668,109
Accrued Compensation and Related	1,003,273
Accrued Liabilities	214,713
Current Portion of Liabilities Under Split Interest Agreements (Note 6)	139,208
Total Current Liabilities	2,025,303
Other Liabilities:	
Liabilities under Split-Interest Agreements, Net of Current Portion (Note 6)	2,663,935
457(b) Plan Participant Accounts (Note 11)	537,702
Total Liabilities	5,226,940
Net Assets (Deficit):	
Unrestricted	(1,796,259)
Temporarily Restricted (Note 9)	4,346,388
Total Net Assets	2,550,129
Total Liabilities And Net Assets	$ 7,777,069

The accompanying notes are an integral part of these financial statements.

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support:				
Contributions	$ 4,941,631	$ 2,842,464	$ -	$ 7,784,095
Professional Outreach Support	23,275	-	-	23,275
Other Income	93,343	-	-	93,343
Realized and Unrealized Gains -				
Investments in Marketable Securities	14,394	20,137	-	34,531
Net Decrease in Split Interest Agreements	(434,310)	-	-	(434,310)
Book Sales	398,623	-	-	398,623
Tuition Income	9,750	-	-	9,750
Conferences	255,816	-	-	255,816
Net Assets Released From Restrictions (Note 9)	3,282,659	(3,282,659)	-	-
Total Revenues and Support	8,585,181	(420,058)	-	8,165,123
Expenses:				
Program Services:				
Education and Research	2,458,249	-	-	2,458,249
Essay Contests and Free Books To Teachers	2,313,015	-	-	2,313,015
Outreach	2,823,414	-	-	2,823,414
Other	1,096,834	-	-	1,096,834
Total Program Services	8,691,512	-	-	8,691,512
Fundraising	897,257	-	-	897,257
Management and General	437,486	-	-	437,486
Total Expenses	10,026,255	-	-	10,026,255
Change in Net Assets	(1,441,074)	(420,058)	-	(1,861,132)
Total Net Assets (Deficit) at September 30, 2011, as Previously Reported	(530,679)	4,514,464	148,231	4,132,016
Prior-Period Adjustments (Note 13)	175,494	251,982	(148,231)	279,245
Total Net Assets (Deficit) at September 30, 2011, as Restated	(355,185)	4,766,446	-	4,411,261
Net Assets (Deficit) at September 30, 2012	$ (1,796,259)	$ 4,346,388	$ -	$ 2,550,129

The accompanying notes are an integral part of these financial statements.

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Program Services							
	Education and Research	Essay Contest and Free Books To Teachers	Outreach	Other	Total	Fundraising	Management and General	Total
Accounting	$ -	$ -	$ -	$ -	$ -	$ 21,592	$ 27,634	$ 49,226
Advertising and Promotion	191	2,899	149,511	2,229	154,830	12	-	154,842
Books	20,013	873,422	282,485	87,646	1,263,566	40,947	6,742	1,311,255
Burden	199,590	62,205	194,325	66,172	522,292	60,862	36,075	619,229
Depreciation	48,991	5,437	15,247	4,998	74,673	4,108	1,780	80,561
Design	-	50	2,060	567	2,677	5,191	-	7,868
Editing	-	7,063	25,707	10,428	43,198	2,818	-	46,016
Equipment	14,670	4,943	9,770	7,603	36,986	5,323	18,293	60,602
Events	6,130	12,812	95,725	65,478	180,145	103,617	5,318	289,080
Insurance	-	-	-	319	319	-	18,809	19,128
Interest	135	40	105	37	317	27	16	360
Internet	36,164	7,330	92,119	4,762	140,375	8,801	13,913	163,089
Legal	25,277	-	1,500	-	26,777	3,192	8,424	38,393
List Rental	-	45,924	250	-	46,174	202	-	46,376
Meetings, Training and Conferences	44,414	11,597	13,822	5,701	75,534	4,266	10,154	89,954
Other	1,304	1,049	2,619	1,075	6,047	(2)	1,872	7,917
Outreach	8,925	9,803	6,123	2,026	26,877	7,744	2,608	37,229
Outside Services	301,125	289,054	116,021	191,402	897,602	15,247	27,272	940,121
Postage and Freight	5,840	303,238	33,096	29,396	371,570	14,726	2,338	388,634
Printing and Mailing	806	100,420	79,703	6,715	187,644	40,490	98	228,232
Prizes, Grants and Scholarships	130,920	104,800	85,000	-	320,720	-	-	320,720
Rent	219,413	69,469	198,081	83,585	570,548	35,044	31,822	637,414
Repairs and Maintenance	34,391	12,008	26,868	11,150	84,417	7,225	4,383	96,025
Royalties	525	495	2,914	4,466	8,400	390	-	8,790
Salaries	1,284,828	337,715	1,255,037	419,219	3,296,799	403,329	197,624	3,897,752
Supplies	14,757	7,509	10,860	8,471	41,597	6,730	3,926	52,253
Taxes, Licenses and Fees	1,921	1,123	1,865	16,306	21,215	25,095	14,017	60,327
Telephone	3,070	761	4,018	821	8,670	2,764	2,090	13,524
Transportation	1,193	490	4,941	1,472	8,096	1,457	373	9,926
Travel	53,656	41,359	113,642	64,790	273,447	76,060	1,905	351,412
	$ 2,458,249	$ 2,313,015	$ 2,823,414	$ 1,096,834	$ 8,691,512	$ 897,257	$ 437,486	$ 10,026,255

The accompanying notes are an integral part of these financial statements.

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Cash Flows from Operating Activities:	
Change in Net Assets	$ (1,861,132)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Contributions of Marketable Securities	(156,180)
Provision for Bad Debt Expense	650
Offset of Bad Debt Allowance	(573)
Non-Cash Gift Intended for Auction	(3,000)
Loss on Disposal of Fixed Assets	625
Depreciation	80,561
Net Decreases in Split-Interest Agreements	434,310
Unrealized and Realized (Gains) Losses - Investments in Marketable Securities	(37,325)
Changes in:	
Receivables	1,065,379
Inventories	(27,195)
Prepaid Expenses	13,070
Beneficial Interest in Insurance Policy	32,684
Beneficial Interest in Trusts	(13,445)
Deposits and Other Assets	3,999
Accounts Payable and Accrued Liabilities	309,147
Net Cash Used in Operating Activities	(158,425)
Cash Flows from Investing Activities:	
Proceeds from Sale of Investments in Marketable Securities	144,359
Purchase of Property and Equipment	(49,716)
Net Cash Provided by Investing Activities	94,643
Cash Flows from Financing Activities:	
Proceeds Received on Loans from Affiliate	200,000
Payments Made on Loans from Affiliate	(200,000)
Net Cash Used in Financing Activities	-
Net Decrease in Cash	(63,782)
Cash and Cash Equivalents at Beginning of Year	1,216,773
Cash and Cash Equivalents at End of Year	$ 1,152,991
Supplemental Information to Cash Flows:	
Cash Paid for:	
Income Taxes	$ -
Interest	$ 362

The accompanying notes are an integral part of these financial statements.

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule of Non-Cash Operating, Investing, and Financing Activities:

During the year ended September 30, 2012, the Institute offset accounts payable and accrued liabilities with gains (losses) on investments in marketable securities related to a charitable remainder trust (see Note 1).	$	11,434
During the year ended September 30, 2012, the Institute disposed of fully depreciated property and equipment, for no proceeds as follows:		
Furniture and Fixtures	$	805
Computer Equipment		2,314
	$	3,119

The accompanying notes are an integral part of these financial statements.

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Ayn Rand Institute: The Center for the Advancement of Objectivism ("ARI" or the "Institute") is a Pennsylvania non-profit corporation organized and operated exclusively for educational, literacy and other charitable purposes. ARI advances the study of the philosophy of Objectivism and the education of the general public with respect to Objectivism.

The following are descriptions of the programs ARI offers to promote Objectivism:

Education And Research

Outreach: ARI's outreach programs for college professors and students aim at raising awareness and increasing knowledge of Ayn Rand's ideas and their impact on various academic fields. These programs include hosting conferences and workshops, exhibiting at academic conferences, distributing copies of Ayn Rand books and essays, writing newsletters, running an internship program, and providing intellectual support for Ayn Rand researchers.

Ayn Rand Institute Campus: The Ayn Rand Institute Campus is an online education website that offers courses from beginner to advanced levels on Ayn Rand's fiction works and on her philosophy and its application, as well as supplementary educational content and discussion boards. The courses are largely free and open to anyone interested in Ayn Rand's ideas; however, the target audiences include students, educators, and other intellectuals.

Advanced Training: In order to train the next generation of Objectivist intellectuals, the Academic Division runs the Objectivist Academic Center. The OAC, now in its 11th year, offers the only systematic program of instruction in the essentials of Objectivism. The Core Program focuses on students exploring the possibility of an intellectual career; the Advanced Education Program offers instruction to committed students, as well as career guidance, mentoring, and financial assistance.

Policy: The Policy group generates intellectual content (books, articles, speeches, talks, interviews, etc.) focusing on public policy issues (under the banner of ARI's Ayn Rand Center for Individual Rights), applying Objectivist ideas to cultural-political issues, thereby fostering broader understanding of Objectivism, its crucially valuable role in human life, and the moral principles necessary for a free society. On a regular basis, ARI's blogs analyze and comment on current events from the perspective of Ayn Rand's philosophy of reason, individualism and capitalism.

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Nature of Operations - (Continued)

Essay Contest And Free Books to Teachers

The mission of the Essay Contest & Free Books to Teachers programs is to increase the awareness and use of Ayn Rand's novels in high school classrooms and among high school students. ARI's annual essay contests on Ayn Rand's novels receive tens of thousands of entries each year. ARI provides teachers with hundreds of thousands of free classroom book sets of Ayn Rand's novels and resources to help teachers present Ayn Rand's works and ideas in the classroom. ARI identifies and cultivates student organizations that are prime audiences for Ayn Rand's ideas, e.g., the high school debate organizations. ARI works with campus clubs throughout the country, facilitating speaker events and providing a lending library of recorded lectures and courses.

Outreach

Ayn Rand Center: ARI's media and public policy center in Alexandria, Virginia - the Ayn Rand Center for Individual Rights - argues the philosophical case for a free market to the public policy and business communities, the media, the general public and policy makers.

Publishing: The Publishing department develops, supports and proposes marketing strategies and advertising to the publishers of Ayn Rand's books. The department also supports the publication of books based on ARI programs or written by staff writers, or based on material from the Ayn Rand Archives, primarily through outside publishers.

Media: ARI distributes op-eds and letters to the editor to print and web publications, reaching tens of millions of readers each year. ARI spokesmen appear regularly on major news networks.

Professional Outreach: ARI is developing a leadership development program for business executives. The explicit purpose of the program will be to show how the ideas of Objectivism can provide the basis for success in business. The speakers will deliver numerous lectures to community groups including political groups, alumni associations, area clubs and civic organizations.

Public Talks: ARI speakers deliver free public talks on topics ranging from ethics to foreign policy to history. A complete collection of video recordings of these lectures is available online.

Impact: The Institute's monthly *Impact* newsletter provides news of ARI's programs and successes. It also prints interviews with prominent Objectivist intellectuals, and provides brief information about various aspects of Ayn Rand's philosophy.

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Nature of Operations - (Continued)

Outreach (Continued)

Website: ARI's main website is aynrand.org; in addition, the Institute operates numerous other sites designed for specific audiences and topics. A list of ARI's websites can be found at www.aynrand.org/other_sites.

Other

The Institute's other programs include the Ayn Rand Archives, Bookstore, and Conference programs.

Ayn Rand Archives: The Ayn Rand Archives collects and preserves documents by and about Ayn Rand, including individuals and organizations influenced by her philosophy. The department functions as a full-service repository that hosts researchers, answers reference questions and assists journalists. In addition, the Archives produces projects to advance public awareness of Rand's development and cultural impact. The Ayn Rand Archives is the world's definitive Ayn Rand-themed collection.

Bookstore: The Ayn Rand Bookstore ("ARB") is responsible for the sale of printed and recorded material related to Ayn Rand and Objectivism. ARB purchases some of these materials from publishing houses, and publishes other materials itself, particularly recorded lectures and courses.

Conference: Each summer ARI hosts a multi-day summer conference open to the public, for Objectivist scholars to present courses and lectures on a variety of topics related to Objectivism.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Institute's activities and operations at the discretion of the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Institute and/or the passage of time.

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Basis of Presentation - (Continued)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Institute. At September 30, 2012, there were no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Public Support and Revenue

Contributions are recognized when the donor makes an unconditional promise to give to the Institute. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Certain contributions are in the form of split-interest agreements, see Note 6 for more details.

Contributed securities and other non-cash donations are recorded as donations at their estimated fair values at the date of donation.

In-kind contributions are recognized in the financial statements if the services or goods received enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended September 30, 2012, there were no such contributions.

The Institute may also receive a significant amount of contributed time from volunteers that does not meet the recognition criteria described. Accordingly, the value of such contributed time is not reflected in the accompanying financial statements.

Cash and Cash Equivalents

The Institute considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Investments in Marketable Securities

Investments consist of short-term investments, mutual funds and exchange traded funds, bonds and equity securities that are carried at fair value (see Note 3). These investments are managed by third-party professionals or held by third-party trustees. Net appreciation (depreciation) in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is shown in the statement of activities.

Fair Value Measurements

The Institute has adopted accounting guidance related to fair value measurements. This guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal market, or in the absence of a principal market, the most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. This guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs in priority that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, credit risks, and default rates) or other inputs that are principally derived from or corroborated by observable market data by correlation or by other means; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The inputs used to determine the fair value of investments are discussed in Note 3.

Charitable Remainder Trust

The Institute is the trustee of a revocable charitable remainder unitrust established by two donors. The donors receive quarterly distributions during their lives equal to a specified percentage of the fair market value of the trust's assets, determined annually. If the trust is not revoked before the death of both donors, the remaining assets of the trust will be distributed to the Institute. As the trust is revocable by the donors, the Institute recognizes a liability equal to the trust's assets. The Institute offsets all investment gains/losses, expenses, and quarterly payments to donors against this liability.

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Contributions Receivable

The Institute uses the allowance method to determine uncollectible contributions receivable. The allowance is based on historical experience, current economic conditions and management's analysis of outstanding contributions receivable. Management has determined that no allowance is necessary as of September 30, 2012.

During the year ended September 30, 2010, the Institute received a $5,000,000 promise to give from a related-party donor for a new program currently included in the Education and Research Division in the accompanying statement of functional expenses. As of September 30, 2012, the remaining amount outstanding of $1,363,000 is expected to be received in 2013.

During the year ended September 30, 2008, the Institute received a contingent contribution from a corporation to be paid in eight annual installments of $500,000 through 2015. The contribution is subject to annual approval by the corporation's contributions committee and is only recorded by the Institute as it is approved annually. To date, the corporation has paid all installments in accordance with the commitment.

Long-term contributions receivable are discounted using the Institute's lowest borrowing rate of 3.25% at September 30, 2012. Contributions receivable are due in future periods as follows:

Amounts receivable in less than one year	$ 2,017,818
Amounts receivable in one to five years	200,000
Unamortized discounts on long-term contributions receivable	(9,344)
Total	$ 2,208,474

Inventories

Inventories consist of purchased merchandise and materials for resale and are stated at the lower of cost or market value. Cost is determined on the average cost method, which approximates the first-in, first-out method. Market value is determined by comparison with recent purchases or net realizable value.

Beneficial Interest in Insurance Policy and Trusts

In 2006, the Institute received a beneficial interest in a $1,000,000 insurance policy. The asset is recorded at its fair value (discounted at the Institute's lowest borrowing rate of 3.25% at September 30, 2012 using applicable mortality tables) as the donor contributed the entire policy to the Institute. At September 30, 2012, the fair value of this asset is $494,787.

In 2012, the Institute switched to the Annuity 2000 mortality table. The decrease in the value of the policy of $32,684 is recorded as contribution income in the accompanying statement of activities for the year ended September 30, 2012.

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Beneficial Interest in Insurance Policy and Trusts - (Continued)

The Institute is a remainder beneficiary of an irrevocable trust, held by a third party. The Institute is to receive a share of the principal upon the death of the two current income beneficiaries. The Institute's share of the assets is recorded at their fair value (discounted at the Institute's lowest borrowing rate of 3.25% at September 30, 2012 using applicable mortality tables). At September 30, 2012, the fair value of these assets is $242,690. The change in value of the trust of $8,655 is recorded as contribution income in the accompanying statement of activities for the year ended September 30, 2012.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their fair market value when received. The cost of purchased assets or fair market value of donated assets is depreciated using the straight-line method over the estimated useful lives of the related assets which range from three to seven years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the related lease term. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized.

Income Taxes

The Institute is a public charity that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and under similar code sections for each state.

Accordingly, no provision has been made for federal or state income taxes. The Institute is subject, however, to Federal and California income taxes on unrelated business taxable income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the year ended September 30, 2012, the Institute had no unrelated business taxable income.

The Institute annually evaluates tax positions as part of the preparation of its exempt tax return. This process includes an analysis of whether tax positions the Institute takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position under current accounting guidance. The Institute believes its tax positions are appropriate based on current facts and circumstances. The Institute's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. At September 30, 2012, the Institute did not have any unrecognized tax benefits. The Institute is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for fiscal years ended before 2008.

NOTE 1: Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimated usage. Usage is calculated using an appropriate methodology such as percentage of staff time. The Institute incurs joint costs for mailings, events, and travel which are allocated between fundraising and program costs. Joint mailing costs totaled $100,300 and were allocated $39,486 to fundraising and $60,814 to program services for the year ended September 30, 2012. The amounts are accounted for in printing and mailing, events, and travel expense in the accompanying statement of functional expenses.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant estimates include the collectability and timing of collection of contributions receivable, the realizability of inventories and property and equipment, the value of beneficial interest in insurance policy and trusts, the liability to beneficiaries under split-interest agreements and allocations of expenses including salaries to programs. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "*Fair Value Measurement (Topic 820)*". ASU 2011-04 clarifies the FASB's intent about the application of existing fair value measurement and disclosure requirements and changes some principles or requirements for measuring fair value or disclosing information about fair value measurements to coincide with International Financial Reporting Standards (IFRS). ASU 2011-04 is effective for annual periods beginning after December 15, 2011. The Institute is currently evaluating the impact of the provisions of ASU 2011-04 on the presentation of its financial statements.

NOTE 2: Concentrations, Risks, and Uncertainties

The Institute maintains its cash balances at various financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. In addition to the basic insurance coverage, effective December 31, 2010, the FDIC is providing temporary unlimited coverage for noninterest bearing transaction accounts through December 31, 2012. At September 30, 2012, the Institute did not have any balances in excess of the federally insured limit.

NOTE 2: Concentrations, Risks, and Uncertainties - (Continued)

The Institute obtains a substantial portion of contribution revenue from a foundation which is controlled by a member of the board of directors. Total contributions from this donor for the year ended September 30, 2012 was $1,737,000. At September 30, 2012, amounts due from this donor and included in contributions receivable is $1,363,000.

The Institute has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The Institute indemnifies its directors, officers, employees and agents, as permitted under the laws of the States of California and Pennsylvania. In connection with its facility leases, the Institute has indemnified its lessors for certain claims arising from the use of the facilities. Additionally, the Institute indemnified a financial institution under the line of credit agreement against certain claims as a result of breach of representation made to the financial institution. The duration of the guarantees and indemnities varies, and is generally tied to the life of the agreement. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Institute could be obligated to make. Historically, the Institute has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities and guarantees in the accompanying statement of financial position.

NOTE 3: Assets and Liabilities Measured at Fair Value

The following is a description of the valuation methodologies used for investments in marketable securities, bonds, and investments - split-interest agreements measured at fair value, as well as the fair value measurements for beneficial interests in trusts and liabilities under split-interest agreements, including the general classification of such instruments pursuant to the valuation hierarchy.

Short-Term Investments

Short-term investments consist of instruments with original purchased maturities of less than one year. These investments have been classified within Level 2 of the valuation hierarchy. Short term investments include money market and other short-term investments.

Bonds

Bonds are generally valued by using pricing models (e.g., discounted cash flows), quoted prices of securities with similar characteristics or broker quotes. These investments have been included in Level 2 of the valuation hierarchy.

NOTE 3: Assets and Liabilities Measured at Fair Value - (Continued)

Mutual Funds and Exchange Traded Funds

The fair value of investments in mutual funds and exchange traded funds are based upon quoted prices in active markets. The quoted prices of the mutual fund shares represent their closing net asset value. These investments have been classified within Level 1 of the valuation hierarchy.

Beneficial Interests in Insurance Policy and Trusts

Beneficial interests in insurance policy and trusts are valued by using pricing models (e.g., discounted cash flows). These assets have been included in Level 2 of the valuation hierarchy.

Liabilities Under Split-Interest Agreements

Liabilities under split-interest agreements are valued by using pricing models (e.g., discounted cash flows). These liabilities have been included in Level 3 of the valuation hierarchy. A detailed listing of activity for the year ended September 30, 2012 is included in Note 6.

Fair Value Hierarchy

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2012:

	Quoted Priced In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Short-Term Investments	$ -	$ 139,254	$ -	$ 139,254
Bonds	-	1,005,988	-	1,005,988
Mutual Funds And Exchange Traded Funds	1,478,667	-	-	1,478,667
Beneficial Interests in Insurance Policy and Trusts	-	737,477	-	737,477
Total	$ 1,478,667	$ 1,882,719	$ -	$ 3,361,386

NOTE 3: Assets and Liabilities Measured at Fair Value - (Continued)

The following table presents the fair value hierarchy for those liabilities measured at fair value on a recurring basis as of September 30, 2012:

	Quoted Priced In Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Liabilities Under Split Interest Agreements	$ -	$ -	$ (2,803,143)	$ (2,803,143)

Investment returns consisted of the following during the year ended September 30, 2012:

Interest and dividends on investments in marketable securities	$ 1,204
Gain (loss) on sale of marketable securities (see below)	33,327
Total	$ 34,531

Investments - split-interest agreements consist of Wells Fargo charitable gift annuity funds totaling $2,104,054 and pooled-income funds totaling $249,088 as of September 30, 2012 (see Note 6).

During the year ended September 30, 2012, the Institute received contributed marketable securities with a fair market value on the date of contribution totaling $156,180. The contributed marketable securities were sold during the year ended September 30, 2012 for a gain of $1,626. The gain (loss) on sales of investments is recorded as part of realized and unrealized gains (losses) - investments in marketable securities and the selling fees are recorded as taxes, licenses and fees in the accompanying statement of functional expenses.

NOTE 4: Property and Equipment

Property and equipment consist of the following at September 30, 2012:

Computers and software	$ 112,493
Office equipment	129,017
Furniture	63,306
Leasehold improvements	132,078
	436,894
Less accumulated depreciation	(204,159)
Total	$ 232,735

NOTE 5: Commitments and Contingencies

Obligations Under Operating Leases

The Institute operates from facilities leased under two non-cancelable operating leases expiring through August 2017. The future minimum payments under these operating leases are as follows:

2013	$ 692,000
2014	696,000
2015	575,000
2016	577,000
2017 and thereafter	480,000
Total	$3,020,000

Total rent expense for the year ended September 30, 2012 was $637,414.

Conference Agreements

The Institute has entered into binding agreements with unrelated third parties whereby it is committed to certain fees related to conferences the Institute will hold through September 30, 2013. Minimum costs associated with these commitments as of September 30, 2012 totaled approximately $54,012.

NOTE 6: Split-Interest Agreements

Charitable Gift Annuities

Under charitable gift annuity contracts, a donor gives the Institute a lump-sum donation at the beginning of the contract and the Institute makes predetermined payments to the donor and/or the designated beneficiary for his/her lifetime. If the donor does not specify when the payments are to begin, the Institute records the largest liability amount among the range of annuity options available to the donor. At the end of the annuitant's life, the Institute keeps any remaining assets not used in making required payments and recognizes revenue for the termination of the remaining liability, if any. These contracts are guaranteed by all of the Institute's assets. In the contract, the donor may specify how the Institute must use the remaining assets, if any, at the termination of the contract. On an annual basis, the Institute adjusts the value of the assets to fair value and revalues the liabilities to make distributions to the designated beneficiaries based on actuarial assumptions.

The present value of the estimated future payments is calculated using a 1.00% discount rate for the year ended September 30, 2012, as required by law, and applicable mortality tables.

NOTE 6: Split-Interest Agreements - (Continued)

During the year ended September 30, 2012, the Institute switched to the Annuity 2000 mortality table. The Institute issues gift annuities in various states, certain of which have criteria and registration requirements. Among these states, the Institute is registered in California and Florida (the "States"), which impose certain asset reserve requirements on issuers of gift annuities. The Institute meets the reserve requirements for the States' annuitants by placing the required funds in trust with a third-party trustee (see Note 3), which are to be held and invested in accordance with the applicable restrictions until the annuitant's death. As of September 30, 2012, the Institute was in compliance with the States' requirements for minimum reserves as follows:

	Regulating State	
	California	Florida
Assets on reserve	$ 198,480	$ 154,429
Required reserve amount	175,558	126,143
Excess	$ 22,922	$ 28,286

Pooled Income Funds

Pooled income funds are arrangements whereby many donors' life income gifts are invested and pooled together, and each income beneficiary is assigned a relative number of units in the pool. Contribution revenue is recorded at the fair value of the assets received, discounted at an annual rate of 5.10% for the year ended September 30, 2012, as required by law, for the estimated time period until each donor's death. The discount is recorded as a liability under split-interest agreements and amortized over the donor's expected life based on applicable mortality tables. Until a donor's death, the donor is paid the actual income earned on the donor's units in the pooled income fund. Upon a donor's death, the value of the donor's units reverts to the Institute.

Initial net values of the contributions from pooled income funds are recorded as contributions in the accompanying statement of activities. Increases/decreases resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases/decreases in split interest agreements in the accompanying statement of activities.

NOTE 6: Split-Interest Agreements - (Continued)

Summary

Charitable gift annuity and pooled income fund activity for the years ended September 30, 2012 is as follows:

	Investments In Charitable Gift Annuities	Investments In Pooled Income Funds	Liabilities To Beneficiaries Under Charitable Gift Annuities	Deferred Revenue Under Pooled Income Funds	Net Activity
Balance, September 30, 2011	$ 1,911,445	$ 235,348	$ (2,014,031)	$ (151,169)	$ (18,407)
Changes in value	275,887	21,067	(705,928)	(25,336)	(434,310)
New split-interest Agreements	10,901	2,000	(9,332)	(853)	2,716
Payments on split-Interest agreements	(94,179)	(9,327)	94,179	9,327	-
Balance, September 30, 2012	$ 2,104,054	$ 249,088	$ (2,635,112)	$ (168,031)	$ (450,001)

Amounts immediately recognized from split-interest agreements contributed during the year ended September 30, 2012 was $2,716, which are recorded as contribution revenue in the accompanying statement of activities.

NOTE 7: Related-Party Transactions

Note Payable to Affiliate

The Institute enters into various unsecured note agreements with an affiliate bearing interest at an annual rate of 1.5% due on demand. At September 30, 2012, there is no balance outstanding on note payable to affiliate in the accompanying statements of financial position. Interest expense for the year ended September 30, 2012 was $362.

Royalties and Other Services

The Institute has several transactions with affiliated entities, including The Objectivist Forum, RYB Enterprises and others. These transactions involve payments for royalties, teaching fees and other services. For the year ended September 30, 2012, royalty fees totaled $947 and teaching fees and other services totaled $98,428, which are recorded in outside services in the accompanying statement of functional expenses.

NOTE 7: Related-Party Transactions - (Continued)

Contributions

Various board members make contributions to the Institute through donations, fundraising events and volunteer time. General contributions recorded from board members (or their affiliated foundations) during the year ended September 30, 2012 totaled $1,951,834, which is recorded in contributions in the accompanying statement of activities. Contributions receivable from related parties, including board members, as of September 30, 2012 totaled approximately $1,363,000.

Services/Rent

During the year ended September 30, 2012, the Institute received reimbursement of $168,712 for administrative services and other expenses and $2,200 for rent from affiliates, which is included in contribution revenue in the accompanying statement of activities. As of September 30, 2012, $55,701 is recorded in contributions receivable in the accompanying statement of financial position.

NOTE 8: Line of Credit

At September 30, 2012, the Institute had a $1,000,000 unsecured revolving line of credit agreement with a financial institution. The line of credit matured on November 18, 2011, was extended to February 16, 2012, and was renewed on April 17, 2012. Advances bear interest at the bank's prime rate (totaling 3.25% at September 30, 2012). There were no borrowings under the line of credit outstanding as of September 30, 2012. The line of credit provides for various covenants and restrictions. As of September 30, 2012, the Institute was in compliance with its covenants.

NOTE 9: Temporarily Restricted Net Assets

Temporarily restricted net assets to be used for the benefit of the Institute or its operations are as follows as of and for the year ended September 30, 2012:

	Available September 30, 2011	Contributions	Expenditures	Available September 30, 2012
Anthem Staged Reading	$ -	$ 15,000	$ 15,000	$ -
Archives	-	21,358	21,358	-
Archives - Smith	46,882	50,000	-	96,882
Atlas documentary	-	60,000	60,000	-
Atlas Shrugged to Troops	-	225	225	-
Ayn Rand Center	37,059	172,967	116,853	93,173
Ayn Rand Institute Campus	3,483,530	-	1,352,956	2,130,574
Campus Clubs	2,416	658	3,074	-
Chicago Chapter	134,982	150,000	129,532	155,450
Chicago lecture series	19,901	59,548	78,994	455
Digital Strategy	447,873	325,190	133,852	639,211
DIM Book Promotion	-	75,000	10,000	65,000
Essay Contest	-	35,333	35,333	-
FMR Book promotion	-	91,025	91,025	-
Free Books to Students	1,119	50,000	4,754	46,365
Free Books to Teachers	155,505	828,099	983,604	-
Israel	-	25,750	750	25,000
Memorial Scholarship Funds	208,538	90,699	7,585	291,652
OAC	-	150	150	-
OAC Scholarships	58,955	-	27,790	31,165
Podcast	42,971	60,000	70,432	32,539
Policy Recruitment	-	14,832	11,677	3,155
Technical Assistance	-	1,000	1,000	-
Restricted for Use in Future Periods	126,715	735,767	126,715	735,767
Total	$ 4,766,446	$ 2,862,601	$ 3,282,659	$ 4,346,388

NOTE 10: Special Events

The Institute holds several large annual dinners for donors and others, which are for both program and fundraising purposes. Revenue from these events for the year ended September 30, 2012 totaled $727,773 of which $55,285 is included in other income and $638,739 is included in contributions in the accompanying statement of activities. Expenses from these events for the year ended September 30, 2012 totaled $55,285, which are included in events in the accompanying statement of functional expenses.

NOTE 11: Retirement Plan

The Institute's employees participate in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the Institute. The Institute will match 50% of employee's elective deferrals, to an annual maximum of $3,000 per employee. The employees may also make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Institute contributed $54,358 to the plan during the year ended September 30, 2012, which are recorded in payroll taxes and fringe benefits in the accompanying statement of functional expenses.

Several Institute employees participate in a tax-deferred plan qualified under Section 457(b) of the Internal Revenue Code. The plan is available to a select group of management employees, and is funded solely by employee contributions. The Institute may make discretionary contributions to the plan as determined each year by the Institute. For the year ended September 30, 2012, there were no Institute contributions to the plan.

NOTE 12: Non-Capitalized Assets

The Institute has collections that are housed in the Ayn Rand Archives. These collections include the Ayn Rand Papers as well as other artifacts of historical significance and works of art. In accordance with accounting principles generally accepted in the United States of America, these items are not capitalized on the financial statements.

NOTE 13: Prior-Period Adjustments

The Institute’s net assets, as of September 30, 2011 has been adjusted to include the value of a remainder interest in a beneficial interest in trust of $229,245 and a bequest receivable of $50,000. The net effect of this adjustment increased total net assets for the year ended September 30, 2011 by $279,245.

The Institute also adjusted the classification of net assets as of September 30, 2011 for the correction of errors made in prior years. In prior years, a donation was considered to be a permanently restricted endowment fund, however upon further review of the donor restrictions, this donation should be considered temporarily restricted. The effect of this correction of an error was a reduction in permanently restricted net assets at September 30, 2011 of $148,231, an increase in temporarily restricted net assets at September 30, 2011 of $125,267, and an increase in unrestricted net assets at September 30, 2011 of $22,964.

Additionally, in prior years, the Institute did not record unrestricted pledges to be received in future periods as temporarily restricted assets as required by generally accepted accounting principles. The Institute made an adjustment for the correction of this error, the effect of which was a reduction in unrestricted net assets at September 30, 2011 of $126,715 and an increase in temporarily restricted net assets for the same amount.

NOTE 14: Change In Estimate

During 2012, the Institute changed their valuation method for split interest agreements which provides for a more conservative estimate of the ending liability. Management believes this estimate is more representative of the liability owed to donors. As a result of this change in estimate, the split interest agreements liability was increased by $476,433 as of September 30, 2012, with a corresponding effect on the statement of activities of a reduction in revenues of the same amount for the year ended September 30, 2012.

NOTE 15: Subsequent Events

The Institute evaluated subsequent events after the balance sheet date of September 30, 2012 through January 15, 2013, the date the financial statements were issued, and believes that no additional financial statement disclosures are necessary.