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

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

WITH INDEPENDENT AUDITORS' REPORT

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
(A Non-Profit Corporation)
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WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

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 financial statements of The Ayn Rand Institute: The Center for the Advancement of Objectivism (a non-profit corporation) (the "Institute"), which comprise the statements of financial position as of September 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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 from 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 auditors' 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 auditors consider 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.

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

Offices located in Orange and San Diego Counties

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's 2012 financial statements, and our report dated January 15, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

White Nelson Diehl Evans LLP

Irvine, California
January 22, 2014

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012

ASSETS

	2013	2012
Current Assets:		
Cash and cash equivalents	$ 465,491	$ 1,152,991
Investments in marketable securities	96,477	125,364
Real estate investments available for sale	1,246,261	-
Current portion of contributions receivable	1,384,226	2,017,818
Inventories	85,604	139,139
Prepaid expenses	57,027	60,021
Current portion of investments - split-interest agreements (Note 6)	144,317	139,208
Total Current Assets	3,479,403	3,634,541
Other Assets:		
Investments - split-interest agreements, net of current portion (Note 6)	2,377,570	2,213,934
Contributions receivable, net of current portion	116,222	190,656
Beneficial interests in insurance policy and trusts	759,566	737,477
Property and equipment, at net book value (Note 4)	174,153	232,735
Deposits and other assets	81,620	84,620
457(b) plan participant accounts (Note 11)	656,470	537,702
Investments in marketable securities - James G. Comer scholarship fund	138,192	145,404
Total Other Assets	4,303,793	4,142,528
Total Assets	$ 7,783,196	$ 7,777,069

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$ 594,047	$ 668,109
Accrued compensation and related	519,539	1,003,273
Accrued liabilities	175,022	214,713
Note payable to affiliate (Note 7)	110,000	-
Loan payable	4,500	-
Current portion of liabilities under split-interest agreements (Note 6)	144,317	139,208
Total Current Liabilities	1,547,425	2,025,303
Other Liabilities:		
Line of credit (Note 8)	600,000	-
Liabilities under split-interest agreements, net of current portion (Note 6)	2,585,013	2,663,935
457(b) plan participant accounts (Note 11)	656,470	537,702
Total Other Liabilities	3,841,483	3,201,637
Total Liabilities	5,388,908	5,226,940
Net Assets (Deficit):		
Unrestricted	(1,315,645)	(1,796,259)
Temporarily restricted (Note 9)	3,709,933	4,346,388
Total Net Assets	2,394,288	2,550,129
Total Liabilities And Net Assets	$ 7,783,196	$ 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
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	For The Year Ended September 30, 2013				For The Year Ended September 30, 2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Summarized)
Revenues and Support:					
Contributions	$ 5,982,995	$ 3,848,438	$ -	$ 9,831,433	$ 7,784,095
Professional outreach support	8,144	-	-	8,144	23,275
Other income	125,095	-	-	125,095	93,343
Realized and unrealized gains -					
Investments in marketable securities	(390)	3,302	-	2,912	34,531
Net increase (decrease) in split-interest agreements	223,253	-	-	223,253	(434,310)
Book sales	141,050	-	-	141,050	398,623
Tuition income	3,750	-	-	3,750	9,750
Conferences	270,732	-	-	270,732	255,816
Net assets released from restrictions (Note 9)	4,488,195	(4,488,195)	-	-	-
Total Revenues and Support	11,242,824	(636,455)	-	10,606,369	8,165,123
Expenses:					
Program Services:					
Education and research	2,388,760	-	-	2,388,760	2,458,249
Essay contests and free books to teachers	1,669,890	-	-	1,669,890	2,313,015
Outreach	4,254,602	-	-	4,254,602	2,823,414
Other	1,039,517	-	-	1,039,517	1,096,834
Total Program Services	9,352,769	-	-	9,352,769	8,691,512
Fundraising	966,071	-	-	966,071	897,257
Management and general	443,370	-	-	443,370	437,486
Total Expenses	10,762,210	-	-	10,762,210	10,026,255
Change in Net Assets	480,614	(636,455)	-	(155,841)	(1,861,132)
Net Assets (Deficit) at September 30, 2012	(1,796,259)	4,346,388	-	2,550,129	4,411,261
Net Assets (Deficit) at September 30, 2013	$ (1,315,645)	$ 3,709,933	$ -	$ 2,394,288	$ 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
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	Program Services							Total	
	Education and Research	Essay Contest and Free Books to Teachers	Outreach	Other	Total	Fundraising	Management and General	For the Year Ended September 30, 2013	For The Year Ended September 30, 2012 (Summarized)
Accounting	$ -	$ -	$ -	$ -	$ -	$ 24,062	$ 27,662	$ 51,724	$ 49,226
Advertising and promotion	20,990	6,005	163,038	622	190,655	1,473	-	192,128	154,842
Books	29,401	195,734	57,459	28,298	310,892	6,421	7,360	324,673	1,311,255
Burden	246,799	69,910	234,773	81,592	633,074	78,257	35,505	746,836	619,229
Depreciation	46,338	5,437	13,382	6,234	71,391	2,661	2,099	76,151	80,561
Design	290	650	1,461	494	2,895	4,924	-	7,819	7,868
Editing	6,075	4,601	6,005	9,025	25,706	1,425	-	27,131	46,016
Equipment	14,558	3,505	57,755	4,785	80,603	3,555	8,414	92,572	60,602
Events	9,820	16,812	59,491	62,203	148,326	118,223	7,548	274,097	289,080
Insurance	-	-	573	381	954	-	19,540	20,494	19,128
Interest	4,662	1,595	3,801	1,752	11,810	729	603	13,142	360
Legal	8,533	-	1,500	-	10,033	10,071	15,154	35,258	38,393
List rental	-	46,772	420	-	47,192	3,735	-	50,927	46,376
Meetings, training and conferences	3,603	5,977	4,333	346	14,259	3,223	4,222	21,704	89,954
Online services	12,862	2,985	80,655	5,200	101,702	7,157	12,179	121,038	163,089
Other	1,437	639	801	967	3,844	-	13,678	17,522	7,917
Outreach	4,962	10,656	3,558	7,052	26,228	21,783	8,137	56,148	37,229
Outside services	160,886	250,861	1,175,719	157,442	1,744,908	14,610	8,495	1,768,013	940,121
Postage and freight	8,507	322,545	24,085	16,432	371,569	13,897	2,395	387,861	388,634
Printing and mailing	3,134	81,467	67,218	6,812	158,631	35,606	478	194,715	228,232
Prizes, grants and scholarships	145,504	119,714	656,758	325	922,301	-	-	922,301	320,720
Rent	214,732	63,424	205,435	88,581	572,172	33,597	37,942	643,711	637,414
Repairs and maintenance	36,328	10,949	27,478	13,309	88,064	6,891	5,000	99,955	96,025
Royalties	5,474	1,164	5,005	7,085	18,728	1,564	-	20,292	8,790
Salaries	1,341,251	385,459	1,302,250	449,068	3,478,028	430,992	196,383	4,105,403	3,897,752
Supplies	15,450	8,367	12,274	8,354	44,445	4,105	1,987	50,537	52,253
Taxes, licenses and fees	1,303	11,250	1,356	17,529	31,438	23,196	14,595	69,229	60,327
Telephone	18,013	5,613	15,170	11,966	50,762	7,254	5,704	63,720	13,524
Transportation	1,083	1,033	3,118	827	6,061	4,327	71	10,459	9,926
Travel	26,765	36,766	69,731	52,836	186,098	102,333	8,219	296,650	351,412
	$ 2,388,760	$ 1,669,890	$ 4,254,602	$ 1,039,517	$ 9,352,769	$ 966,071	$ 443,370	$ 10,762,210	$ 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities:		
Change in Net Assets	$ (155,841)	$ (1,861,132)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Contributions of marketable securities	(245,454)	(156,180)
Contributions of real estate investments	(1,246,261)	-
Provision for bad debt expense	10,123	650
Offset of bad debt allowance	-	(573)
Non-cash gift intended for auction	-	(3,000)
Loss on disposal of fixed assets	375	625
Depreciation	76,151	80,561
Net (increases) decreases in split-interest agreements	(242,558)	434,310
Unrealized and realized (gains) losses - investments in marketable securities	(815)	(37,325)
Changes in:		
Receivables	697,903	1,065,379
Inventories	53,535	(27,195)
Prepaid expenses	2,994	13,070
Beneficial interest in insurance policy	(16,081)	32,684
Beneficial interest in trusts	(6,008)	(13,445)
Deposits and other assets	3,000	3,999
Accounts payable and accrued liabilities	(593,568)	309,147
Net Cash Used in Operating Activities	(1,662,505)	(158,425)
Cash Flows from Investing Activities:		
Proceeds from sale of investments in marketable securities	280,536	144,359
Dividend and interest income from marketable securities	(2,087)	-
Purchase of property and equipment	(17,944)	(49,716)
Net Cash Provided by Investing Activities	260,505	94,643
Cash Flows from Financing Activities:		
Proceeds received on loans payable	4,500	-
Proceeds received on loans from affiliate	350,000	200,000
Payments made on loans from affiliate	(240,000)	(200,000)
Proceeds received on line of credit	600,000	-
Net Cash Provided by Financing Activities	714,500	-
Net Decrease in Cash and Cash Equivalents	(687,500)	(63,782)
Cash and Cash Equivalents at Beginning of Year	1,152,991	1,216,773
Cash and Cash Equivalents at End of Year	$ 465,491	$ 1,152,991

(Continued)

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

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Supplemental Information to Cash Flows:		
Cash Paid for:		
Income taxes	$ -	$ -
Interest	$ 13,142	$ 362
Schedule of Non-Cash Operating, Investing, and Financing Activities:		
During the year, 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).	$ (3,919)	$ 11,434
During the year, the Institute disposed of fully depreciated property and equipment, for no proceeds as follows:		
Office Equipment	$ 710	$ 805
Computer Equipment	12,986	2,314
	$ 13,696	$ 3,119

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

THE AYN RAND INSTITUTE:
THE CENTER FOR THE ADVANCEMENT OF OBJECTIVISM
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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 Institute runs the Objectivist Academic Center. The OAC 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 philosophical content (books, articles, speeches, talks, interviews, etc.) focusing on public policy issues, 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 and 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

Policy and Business Outreach: ARI's media and public policy center in Alexandria, Virginia 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.

Public Talks: ARI speakers deliver free public talks on topics ranging from ethics to foreign policy to history. Video recordings of many of these lectures are available online.

Impact: The Institute's *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.

Website: ARI's website is aynrand.org.

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

Nature of Operations (Continued)

Other

The Institute's other programs include the Ayn Rand Archives, eStore, 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.

eStore: The Ayn Rand Institute eStore sells downloadable multimedia content related to Ayn Rand and Objectivism.

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.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Institute. At September 30, 2013 and 2012, there were no permanently restricted net assets.

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

Basis of Presentation (Continued)

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 years ended September 30, 2013 and 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.

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 statements of activities.

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

Investments in Marketable Securities (Continued)

Investment returns consisted of the following during the years ended September 30, 2013 and 2012:

	2013	2012
Interest and dividends on investments in marketable securities	$ 21	$ 1,204
Gain (loss) on sale of marketable securities	2,891	33,327
Total	$ 2,912	$ 34,531

During the years ended September 30, 2013 and 2012, the Institute received contributed marketable securities with a fair market value on the date of contribution totaling $245,454 and $156,180, respectively. The contributed marketable securities were sold during the years ended September 30, 2013 and 2012 for a loss of $1,390 and gain of $1,626, respectively. 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 statements of functional expenses.

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 assets and liabilities are discussed in Note 3.

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

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.

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, 2013 and 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 statements of functional expenses. As of September 30, 2013 and 2012, the remaining amounts outstanding were $313,000 and $1,363,000, respectively.

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 non-related borrowing rate of 3.25% at September 30, 2013 and 2012. Contributions receivable are due in future periods as follows:

	2013	2012
Amounts receivable in less than one year	$ 1,384,226	$ 2,017,818
Amounts receivable in one to five years	120,000	200,000
Unamortized discounts on long-term contributions receivable	(3,778)	(9,344)
Total	$ 1,500,448	$ 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.

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

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 non-related borrowing rate of 3.25% at September 30, 2013 and 2012 using applicable mortality tables) as the donor contributed the entire policy to the Institute. At September 30, 2013 and 2012, the fair value of this asset is $510,868 and $494,787, respectively.

In 2012, the Institute switched to the Annuity 2000 mortality table. The change in value of the insurance policy of $16,081 and $32,684 is recorded as *contributions* in the accompanying statements of activities for the years ended September 30, 2013 and 2012, respectively.

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 values (discounted at the Institute's non-related borrowing rate of 3.25% at September 30, 2013 and 2012 using applicable mortality tables). At September 30, 2013 and 2012, the fair value of these assets is $248,698 and $242,690, respectively. The change in value of the remainder interest in the trust of $6,008 and $8,655 is recorded as *contributions* in the accompanying statements of activities for the year ended September 30, 2013 and 2012, respectively.

Real Estate Investments

During the year ended September 30, 2013, the Institute received two donations of real estate, which are held for sale. The Institute valued the properties based on sales prices and appraisals less selling costs. The value of these properties as of September 30, 2013 is $1,246,261.

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 years ended September 30, 2013 and 2012, the Institute had no unrelated business taxable income.

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

Income Taxes (Continued)

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, 2013 and 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 2009.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and statements 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. For the year ended September 30, 2013, joint mailing costs totaled $31,153, and were allocated $7,005 to fundraising and $24,148 to program services. For the year ended September 30, 2012, joint mailing costs totaled $100,300, and were allocated $39,486 to fundraising and $60,814 to program services. The amounts are accounted for in *printing and mailing, events*, and *travel* expenses in the accompanying statements of functional expenses.

Summarized Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended September 30, 2012, from which the information was derived.

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 interests in insurance policy and trusts, the liability to beneficiaries under split-interest agreements, and the allocations of expenses including salaries to programs. Actual results could differ from those estimates.

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 up to $250,000 per institution. At September 30, 2013, the Institute had $209,183 in excess of the federally insured limit. The Institute has investments in securities at various financial institutions that are members of the Securities Investor Protection Corporation, which provides limited protection for cash and securities up to a maximum of $500,000, including a maximum of $250,000 of cash balances.

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 years ended September 30, 2013 and 2012 was $3,251,000 and $1,737,000, respectively. At September 30, 2013 and 2012, amounts due from this donor and included in *contributions receivable* is $829,000 and $1,363,000, respectively.

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 statements 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.

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

Common Stocks

The fair value of investments in common stocks are based upon quoted prices in active markets. These investments have been classified within Level 1 of the valuation hierarchy.

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.

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.

Property Investments

Donated property is valued based on the selling price of comparable properties and property appraisals less selling costs. 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 years ended September 30, 2013 and 2012 is included in Note 6.

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

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, 2013:

	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	$ -	$ 360,141	$ -	$ 360,141
Common Stocks	22,287	-	-	22,287
Bonds	-	917,274	-	917,274
Mutual Funds and Exchange Traded Funds	1,456,854	-	-	1,456,854
Beneficial Interests in Insurance Policy and Trusts	-	759,566	-	759,566
Property Investments	-	1,246,261	-	1,246,261
Total	$ 1,479,141	$ 3,283,242	$ -	$ 4,762,383

The following table presents the fair value hierarchy for those liabilities measured at fair value on a recurring basis as of September 30, 2013:

	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	$ -	$ -	$ (2,729,330)	$ (2,729,330)

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

Fair Value Hierarchy (Continued)

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

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	$ -	$ -	$ (2,803,144)	$ (2,803,144)

NOTE 4: Property and Equipment

Property and equipment consist of the following at September 30, 2013 and 2012:

	2013	2012
Computers and software	$ 113,329	$ 112,493
Office equipment	129,806	129,017
Furniture	63,306	63,306
Leasehold improvements	134,700	132,078
	441,141	436,894
Less accumulated depreciation	(266,988)	(204,159)
Total	$ 174,153	$ 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:

2014	$ 696,352
2015	574,520
2016	576,825
2017	480,330
Total	$ 2,328,027

Total rent expense for the years ended September 30, 2013 and 2012 was $643,711 and $637,414, respectively.

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 July 6, 2014. Minimum costs associated with these commitments as of September 30, 2013 totaled approximately $113,837.

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 1.40% and 1.00% discount rate for the years ended September 30, 2013 and 2012, respectively, as required by law, and applicable mortality tables.

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 , which are to be held and invested in accordance with the applicable restrictions until the annuitant's death. As of September 30, 2013 and 2012, the Institute was in compliance with the States' requirements for minimum reserves as follows:

	2013		2012	
	Regulating State		Regulating State	
	California	Florida	California	Florida
Assets on reserve	$ 196,152	$ 158,864	$ 198,480	$ 154,429
Required reserve amount	170,201	123,984	175,558	126,143
Excess	$ 25,951	$ 34,880	$ 22,922	$ 28,286

NOTE 6: Split-Interest Agreements (Continued)

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 4.627% and 5.10% for the years ended September 30, 2013 and 2012, respectively, as required by law, for the estimated time period until each donor's death. Until a donor's death, the donor is paid the actual income earned on the donor's units in the pooled income fund. The estimated discounted cash outflows of the pooled income funds is recorded as a liability under split-interest agreements and amortized over the donor's expected life based on applicable mortality tables. 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 statements of activities. Increases/decreases resulting from changes in actuarial assumptions and accretions of the discount are recorded as *net increases/decreases in split-interest agreements* in the accompanying statements of activities.

Summary

Charitable gift annuity and pooled income fund activity for the years ended September 30, 2013 and 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)
Changes in value	183,447	(1,478)	33,807	7,479	223,255
New split-interest agreements	96,326	-	(77,020)	-	19,306
Payments on split-interest agreements	(99,517)	(10,034)	99,517	10,034	-
Balance, September 30, 2013	$ 2,284,310	$ 237,576	$ (2,578,808)	$ (150,518)	$ (207,440)

NOTE 7: Related-Party Transactions

Note Payable to Affiliate

The Institute entered into various unsecured note agreements with an affiliate bearing interest at an annual rate of 1.5% due on demand. At September 30, 2013, a note payable to affiliate in the amount of $110,000 is included in the accompanying statements of financial position. At September 30, 2012, there was no balance outstanding on note payable to affiliate. Interest expense for the years ended September 30, 2013 and 2012 was $1,032 and $362, respectively.

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 years ended September 30, 2013 and 2012, royalty fees totaled $1,452 and $947, respectively, and teaching fees and other services totaled $26,102 and $98,428, respectively, which are recorded in *outside services* in the accompanying statements of functional expenses.

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 years ended September 30, 2013 and 2012 totaled $3,309,000 and $1,951,834, respectively, which is recorded in *contributions* in the accompanying statements of activities. Contributions receivable from related parties, including board members, as of September 30, 2013 and 2012 totaled $836,500 and $1,363,000, respectively.

Services/Rent

During the years ended September 30, 2013 and 2012, the Institute received reimbursement of $56,393 and $168,712, respectively, for administrative services and other expenses and $2,200, for each year, for rent from affiliates, which is netted against the related expenses in the accompanying statements of activities. As of September 30, 2013 and 2012, $2,479 and $55,701, respectively, is recorded in *contributions receivable* in the accompanying statements of financial position.

NOTE 8: Line of Credit

At September 30, 2013 and 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 rate of 3.25% at September 30, 2013 and 2012. As of September 30, 2013, the outstanding line of credit was $600,000. 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, 2013 and 2012, the Institute was in compliance with its covenants.

NOTE 9: Temporarily Restricted Net Assets

Changes in the 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, 2013:

	Available September 30, 2012	Contributions	Expenditures	Available September 30, 2013
Anthem Staged Production	$ -	$ 51,000	$ 51,000	$ -
Archives	-	23,373	21,333	2,040
Archives - Estate of Allan Gotthelf	-	90,721	-	90,721
Archives - Smith	96,882	-	-	96,882
Ayn Rand Center	93,173	83,810	158,325	18,658
Ayn Rand Institute Campus	2,130,574	-	1,139,545	991,029
Campus Clubs	-	1,235	592	643
Chicago Chapter	155,450	200,000	155,450	200,000
Chicago lecture series	455	-	455	-
Digital Strategy	639,211	1,439,476	1,271,143	807,544
DIM Book Promotion	65,000	-	21,497	43,503
Essay Contests	-	46,333	46,333	-
FMR Book promotion	-	53,000	53,000	-
Free Books to Students	46,365	-	26,534	19,831
Free Books to Teachers	-	606,062	606,062	-
Israel	25,000	100,000	100,000	25,000
Memorial Scholarship Funds	291,652	10,046	16,471	285,227
OAC Scholarships	31,165	59,714	20,409	70,470
Podcast	32,539	80,000	61,124	51,415
Policy Recruitment	3,155	-	3,155	-
Restricted for use in future periods	735,767	1,006,970	735,767	1,006,970
Total	$ 4,346,388	$ 3,851,740	$ 4,488,195	$ 3,709,933

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, 2013 totaled $706,500, of which $48,806 is included in *other income* and $517,694 is included in *contributions* in the accompanying statements of activities. 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 statements of activities. Expenses from these events for the years ended September 30, 2013 and 2012 totaled $48,806 and $55,285, respectively, which are included in *events* in the accompanying statements of functional expenses.

The Institute also held a small raffle for fundraising purposes. Revenue from the event for the year ended September 30, 2013 totaled $385, which is included in other income in the accompanying statements of activities. Expenses from the event for the year ended September 30, 2013 totaled $139, which are included in events in the accompanying statements 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 $76,871 and $54,358 to the plan during the years ended September 30, 2013 and 2012, respectively, which are recorded in *burden* in the accompanying statements of functional expenses. The assets of this plan are the legal assets of the participants in the plan, and therefore, there is no assets or liabilities reported in the statements of financial position for this plan.

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 years ended September 30, 2013 and 2012, there were no Institute contributions to the plan. The assets of this plan are the legal assets of the Institute until they are distributed to the participants, and therefore the plan assets and a corresponding liability are reported in the statements of financial position.

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: Change in Estimate

During 2012, the Institute changed its valuation method for split-interest agreements which provides for a more conservative estimate of the related liability. Management believes that 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 reduction in revenues of the same amount in the statements of activities for the year ended September 30, 2012.

NOTE 14: Subsequent Events

The Institute evaluated subsequent events after the balance sheet date of September 30, 2013 through January 22, 2014, the date the financial statements were available to be issued, and believes that no additional financial statements disclosures are necessary.