



**THE ASIA SOCIETY**

Financial Statements and Schedule

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154

## Independent Auditors' Report

The Board of Trustees  
The Asia Society:

We have audited the accompanying balance sheets of The Asia Society (the Society) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 misstatements. 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 Society'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 audits provide 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 Asia Society as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 10 to the financial statements, the Society adopted the Accounting Standards Codification 958-205, *Reporting Endowment Funds*, in 2011 due to the enactment of the New York Prudent Management of Institutional Funds Act.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

December 21, 2011

# THE ASIA SOCIETY

## Balance Sheets

June 30, 2011 and 2010

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 3,973,170	4,985,627
Contributions and grants receivable (note 2)	9,906,865	12,104,945
Prepaid expenses and other assets (note 5)	1,262,099	1,430,346
Investments (note 3)	65,905,086	57,181,562
Land, building, and equipment (notes 4 and 5)	26,687,954	28,591,050
Collection	—	—
Total assets	<u>\$ 107,735,174</u>	<u>104,293,530</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities (note 9)	\$ 2,521,107	2,716,664
Interest rate swap liability (note 5)	1,336,891	1,646,525
Loan payable (note 5)	19,505,000	20,185,000
Total liabilities	<u>23,362,998</u>	<u>24,548,189</u>
Net assets (deficit):		
Unrestricted:		
Available for operations	(2,621,335)	(2,628,070)
Designated for investment (note 10)	(5,963,106)	(10,399,077)
Invested in and designated for fixed assets	6,448,266	7,369,470
Total unrestricted	<u>(2,136,175)</u>	<u>(5,657,677)</u>
Temporarily restricted (notes 6 and 10)	35,272,854	34,167,521
Permanently restricted (notes 6 and 10)	51,235,497	51,235,497
Total net assets	<u>84,372,176</u>	<u>79,745,341</u>
Commitments and contingencies (notes 5 and 8)		
Total liabilities and net assets	<u>\$ 107,735,174</u>	<u>104,293,530</u>

See accompanying notes to financial statements.

**THE ASIA SOCIETY**  
Statement of Activities  
Year ended June 30, 2011

	Available for operations	Designated for investment	Invested in and designated for fixed assets	Unrestricted total	Temporarily restricted	Permanently restricted	Total
Revenue, gains, and other support:							
Contributions and grants	\$ 9,161,684	—	—	9,161,684	1,781,539	—	10,943,223
Membership	1,967,679	—	—	1,967,679	—	—	1,967,679
Special events, net of direct donor benefits of \$740,902	2,309,119	—	—	2,309,119	—	—	2,309,119
Program service fees	2,346,929	—	—	2,346,929	—	—	2,346,929
Investment return, net (note 3)	2,683,583	7,740,629	—	10,424,212	1,862,173	—	12,286,385
Miscellaneous	474,327	—	—	474,327	—	—	474,327
	<u>18,943,321</u>	<u>7,740,629</u>	<u>—</u>	<u>26,683,950</u>	<u>3,643,712</u>	<u>—</u>	<u>30,327,662</u>
Net assets released from restrictions	4,963,598	550,000	879,439	6,393,037	(6,393,037)	—	—
Total revenue, gains, and other support	<u>23,906,919</u>	<u>8,290,629</u>	<u>879,439</u>	<u>33,076,987</u>	<u>(2,749,325)</u>	<u>—</u>	<u>30,327,662</u>
Expenses:							
Program services:							
Cultural programs	4,725,925	—	745,300	5,471,225	—	—	5,471,225
Policy and business	4,009,053	—	313,700	4,322,753	—	—	4,322,753
Education	4,709,159	—	109,479	4,818,638	—	—	4,818,638
Communications	725,160	—	40,002	765,162	—	—	765,162
U.S. regional centers	1,059,659	—	3,683	1,063,342	—	—	1,063,342
Asian activities	181,100	—	—	181,100	—	—	181,100
Auxiliary services	1,738,150	—	381,071	2,119,221	—	—	2,119,221
Total program services	<u>17,148,206</u>	<u>—</u>	<u>1,593,235</u>	<u>18,741,441</u>	<u>—</u>	<u>—</u>	<u>18,741,441</u>
Supporting services:							
Management and general	3,459,510	—	286,820	3,746,330	—	—	3,746,330
Marketing	759,982	—	71,828	831,810	—	—	831,810
Fund-raising	2,532,486	—	158,394	2,690,880	—	—	2,690,880
Total supporting services	<u>6,751,978</u>	<u>—</u>	<u>517,042</u>	<u>7,269,020</u>	<u>—</u>	<u>—</u>	<u>7,269,020</u>
Total expenses	<u>23,900,184</u>	<u>—</u>	<u>2,110,277</u>	<u>26,010,461</u>	<u>—</u>	<u>—</u>	<u>26,010,461</u>
Increase (decrease) in net assets before other changes	6,735	8,290,629	(1,230,838)	7,066,526	(2,749,325)	—	4,317,201
Other changes:							
Change in fair value of interest rate swap (note 5)	—	—	309,634	309,634	—	—	309,634
Increase (decrease) in net assets, before reclassification	6,735	8,290,629	(921,204)	7,376,160	(2,749,325)	—	4,626,835
Reclassification due to enactment of NYPMIFA (note 10)	—	(3,854,658)	—	(3,854,658)	3,854,658	—	—
Increase (decrease) in net assets	6,735	4,435,971	(921,204)	3,521,502	1,105,333	—	4,626,835
Net (deficit) assets at beginning of year	(2,628,070)	(10,399,077)	7,369,470	(5,657,677)	34,167,521	51,235,497	79,745,341
Net (deficit) assets at end of year	<u>\$ (2,621,335)</u>	<u>(5,963,106)</u>	<u>6,448,266</u>	<u>(2,136,175)</u>	<u>35,272,854</u>	<u>51,235,497</u>	<u>84,372,176</u>

See accompanying notes to financial statements.

**THE ASIA SOCIETY**  
Statement of Activities  
Year ended June 30, 2010

	Available for operations	Designated for investment	Invested in and designated for fixed assets	Unrestricted total	Temporarily restricted	Permanently restricted	Total
Revenue, gains, and other support:							
Contributions and grants	\$ 8,877,981	—	—	8,877,981	2,775,606	134,371	11,787,958
Membership	1,748,321	—	—	1,748,321	—	—	1,748,321
Special events, net of direct donor benefits of \$581,658	1,469,884	—	—	1,469,884	—	—	1,469,884
Program service fees	2,117,814	—	—	2,117,814	—	—	2,117,814
Investment return, net (note 3)	2,930,143	3,731,108	—	6,661,251	896,553	—	7,557,804
Miscellaneous	463,923	—	—	463,923	—	—	463,923
	<u>17,608,066</u>	<u>3,731,108</u>	<u>—</u>	<u>21,339,174</u>	<u>3,672,159</u>	<u>134,371</u>	<u>25,145,704</u>
Net assets released from restrictions	7,166,140	—	782,985	7,949,125	(7,949,125)	—	—
Total revenue, gains, and other support	<u>24,774,206</u>	<u>3,731,108</u>	<u>782,985</u>	<u>29,288,299</u>	<u>(4,276,966)</u>	<u>134,371</u>	<u>25,145,704</u>
Expenses:							
Program services:							
Cultural programs	5,988,289	—	743,771	6,732,060	—	—	6,732,060
Policy and business	4,618,309	—	313,056	4,931,365	—	—	4,931,365
Education	4,218,729	—	109,254	4,327,983	—	—	4,327,983
Communications	770,874	—	39,920	810,794	—	—	810,794
U.S. regional centers	1,088,130	—	4,442	1,092,572	—	—	1,092,572
Asian activities	189,137	—	—	189,137	—	—	189,137
Auxiliary services	1,593,113	—	380,289	1,973,402	—	—	1,973,402
Total program services	<u>18,466,581</u>	<u>—</u>	<u>1,590,732</u>	<u>20,057,313</u>	<u>—</u>	<u>—</u>	<u>20,057,313</u>
Supporting services:							
Management and general	3,575,902	—	286,335	3,862,237	—	—	3,862,237
Marketing	559,956	—	71,732	631,688	—	—	631,688
Fund-raising	2,163,298	—	158,171	2,321,469	—	—	2,321,469
Total supporting services	<u>6,299,156</u>	<u>—</u>	<u>516,238</u>	<u>6,815,394</u>	<u>—</u>	<u>—</u>	<u>6,815,394</u>
Total expenses	<u>24,765,737</u>	<u>—</u>	<u>2,106,970</u>	<u>26,872,707</u>	<u>—</u>	<u>—</u>	<u>26,872,707</u>
Increase (decrease) in net assets before other changes	8,469	3,731,108	(1,323,985)	2,415,592	(4,276,966)	134,371	(1,727,003)
Other changes:							
Change in fair value of interest rate swap (note 5)	—	—	(542,424)	(542,424)	—	—	(542,424)
Increase (decrease) in net assets	8,469	3,731,108	(1,866,409)	1,873,168	(4,276,966)	134,371	(2,269,427)
Net (deficit) assets at beginning of year	<u>(2,636,539)</u>	<u>(14,130,185)</u>	<u>9,235,879</u>	<u>(7,530,845)</u>	<u>38,444,487</u>	<u>51,101,126</u>	<u>82,014,768</u>
Net (deficit) assets at end of year	<u>\$ (2,628,070)</u>	<u>(10,399,077)</u>	<u>7,369,470</u>	<u>(5,657,677)</u>	<u>34,167,521</u>	<u>51,235,497</u>	<u>79,745,341</u>

See accompanying notes to financial statements.

**THE ASIA SOCIETY**

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 4,626,835	(2,269,427)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(12,019,758)	(7,165,274)
Change in fair value of interest rate swap	(309,634)	542,424
Depreciation and amortization	2,110,277	2,106,971
Permanently restricted contributions and contributions restricted for capital projects	—	(134,371)
Change in contributions and grants receivable, net of amounts classified as financing	2,113,080	1,326,122
Change in prepaid expenses and other assets	154,255	(406,100)
Change in accounts payable and accrued expenses	(195,557)	(14,501)
Net cash used in operating activities	(3,520,502)	(6,014,156)
Cash flows from investing activities:		
Proceeds from sales of investments	14,681,721	12,903,575
Investment purchases	(11,385,487)	(10,062,038)
Capital expenditures	(193,189)	(125,482)
Net cash provided by investing activities	3,103,045	2,716,055
Cash flows from financing activities:		
Loan principal payments	(680,000)	(650,000)
Permanently restricted contributions and contributions restricted for capital projects	—	134,371
Decrease in contributions and grants receivable related to permanently restricted contributions and contributions restricted for capital projects	85,000	700,629
Net cash (used in) provided by financing activities	(595,000)	185,000
Net decrease in cash and cash equivalents	(1,012,457)	(3,113,101)
Cash and cash equivalents at beginning of year	4,985,627	8,098,728
Cash and cash equivalents at end of year	\$ 3,973,170	4,985,627
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 637,273	653,840

See accompanying notes to financial statements.

## THE ASIA SOCIETY

### Notes to Financial Statements

June 30, 2011 and 2010

#### (1) Organization and Summary of Significant Accounting Policies

##### Organization

The Asia Society (the Society) is a New York not-for-profit company chartered by State Education Department of New York. It was founded in 1956 by John D. Rockefeller III. The Society is an international, nonprofit, nonpartisan organization dedicated to strengthening relationships and deepening understanding among the peoples of Asia and the United States. The Society presents a wide range of public programs, including major art exhibitions, performances, lectures, international conferences, and kindergarten through grade 12 educational initiatives about Asia and international education. Headquartered in New York City, the organization has centers in Los Angeles, San Francisco, and Washington, D.C. and a representative in Shanghai.

Additionally, the Society has affiliate offices in Houston – Texas, Hong Kong, Manila, Melbourne, Mumbai, and Seoul. Each affiliate operates in concert with the Society based on a Global Operating Agreement and pays an annual participation fee to the Society in consideration of being part of the Society organization and the global services provided by the Society. In addition, the Society has entered into an agreement with each affiliate under which the Society has granted a royalty-free license to use the Society's trademark and related marks and trade names.

##### Summary of Significant Accounting Policies

###### (a) *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis.

###### (b) *Basis of Presentation*

The Society's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

**Unrestricted net assets – available for operations** – Net assets that are not subject to donor-imposed stipulations and are available for the organization's ongoing operations.

**Unrestricted net assets – designated for investment** – Net assets that are not subject to donor-imposed stipulations but have been designated by the board for investment.

**Unrestricted net assets – invested in and designated for fixed assets** – Unrestricted net assets that are invested in or designated for the organization's long-lived assets.

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

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

## THE ASIA SOCIETY

### Notes to Financial Statements

June 30, 2011 and 2010

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), except for those restrictions met in the same year as received, which are reported as revenues of the unrestricted net asset class, are reported as net assets released from restrictions. Contributions of cash or other assets that must be used to acquire long-lived assets are recorded as temporarily restricted net assets until the assets are placed in service.

**(c) Contributions**

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Contributions to be received after one year are discounted at an adjusted risk-free rate. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

**(d) Revenue Recognition**

Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Society records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Society received goods and services valued at \$42,780 and \$46,960 in 2011 and 2010, respectively, for use at auctions held by the Society. These items included goods, services, and vacation packages. The auctions of these items yielded revenue of \$17,970 and \$49,725 in 2011 and 2010, respectively, which is included in special events revenue in the statements of activities.

**(e) Collection Items**

The Mr. and Mrs. John D. Rockefeller 3rd Collection of Asian Art (the Rockefeller Collection) is noted for both its large number of masterpiece-quality objects and the scholarly import awarded to these pieces. The Rockefeller Collection is pan-Asian and includes approximately 300 objects, ranging in date from the second millennium B.C.E. to the 18th century, from such diverse nations as India, Pakistan, Bangladesh, Nepal, Myanmar, Thailand, Cambodia, Vietnam, Indonesia, China, Korea, and Japan. It includes a large number of bronze sculptures and ceramics, as well as paintings, wooden sculptures, and other decorative arts. Most of the Rockefeller Collection was donated to the Society in 1979. Additions since that time consist principally of donations from the estate of Mrs. Blanchette Rockefeller.



## THE ASIA SOCIETY

### Notes to Financial Statements

June 30, 2011 and 2010

In addition to frequent displays in the exhibition galleries at the Society, selected works from the Rockefeller Collection are also shown as part of special exhibitions either at the Society or in museums throughout the world. When not on display at the Society or on loan to museums for temporary exhibitions, the objects are maintained in climate-controlled storage. The Society maintains policies and procedures addressing the Rockefeller Collection's upkeep as well as other aspects of its management, including accession/deaccession policies. The Society has adopted the policy of not capitalizing its collection. During 2011, art was acquired with donor-restricted funds at a cost of \$20,000. During 2010, art was acquired at a cost of \$14,000. This expenditure was included as an operating expense.

**(f) Cash Equivalents**

Cash equivalents represent debt instruments with original maturities of three months or less, except for those short-term investments managed by the Society's investment managers as part of their long-term investment strategies. Included in the cash balances are deposits that exceed the Federal Deposit Insurance Coverage (FDIC) of \$250,000.

**(g) Depreciation**

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Building is depreciated over a 40-year estimated useful life. Building improvements and other equipment are depreciated over a 10-year estimated useful life, and audio/video equipment is depreciated over a 5-year estimated useful life, and computer equipment is depreciated over a 3-year estimated useful life.

**(h) Accounting Estimates**

The preparation of 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. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; the valuation of investments, inventory, fixed assets, and contributions receivable; and reserves for other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

**(i) Tax Status**

The Society is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income activities. In addition, the Society is tax-exempt from state and local income tax for related activities, property taxes, and sales tax. During the years ended June 30, 2011 and 2010, the Society was not subject to unrelated business income taxes. The Society has evaluated its tax positions and has determined that it is more likely than not that there are no significant uncertain tax positions and that it will continue to be exempt from taxes.

## THE ASIA SOCIETY

### Notes to Financial Statements

June 30, 2011 and 2010

(j) ***Investments***

Investments are stated at fair value based upon quoted market prices except for the fair values of alternative investments, primarily hedge and absolute return funds, which are based on net asset values provided by the fund managers based upon the underlying net assets of the funds. These values are reviewed and evaluated by management.

(k) ***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Financial Accounting Standards Board (FASB) guidance on fair value measurements establishes a hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable for the asset or liability.

The Society follows the provisions of Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which, as a practical expedient, allows for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent as reported by the investment managers. In addition, because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Society's interest therein, its classification in Level 2 or 3 is based on the Society's ability to redeem its interest at or near the date of the balance sheet. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment underlying assets and liabilities.

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Notes to Financial Statements

June 30, 2011 and 2010

**(2) Contributions and Grants Receivable**

Unconditional promises to give are reported in the financial statements as contributions and grants receivable and as revenue of the appropriate net asset class. These receivables are recorded net of a discount to reflect the present value of future cash flows and are expected to be collected as follows at June 30, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Amounts expected to be collected in:		
Less than one year	\$ 6,289,659	5,843,280
One to five years	3,985,206	6,521,665
Thereafter	—	150,000
Total	10,274,865	12,514,945
Less:		
Allowance for doubtful accounts	(173,000)	(150,000)
Less discount to present value (at discount rates ranging from 1.64% to 5.12%)	(195,000)	(260,000)
	\$ 9,906,865	12,104,945

Included in contributions receivable are pledges of approximately \$5.3 million and \$7.1 million from two donors at June 30, 2011 and 2010, respectively.

**(3) Investments and Fair Value**

The overall goal of the Society's investment policy is capital preservation through long-term asset appreciation combined with a reasonable level of liquidity to meet spending needs.

In addition to traditional stock, fixed-income, and mutual fund securities, the Society holds investments in alternative investments, consisting primarily of hedge and absolute return funds, which invest in long and short publicly traded equities, debt and credit related instruments, private equity situations, and real estate, for which no ready market exists. The Society's investments in alternative investments are recorded at fair values provided by the fund managers and general partners. The values assigned to the holdings do not necessarily represent amounts that might ultimately be realized upon the sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. The Society reviews the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

**THE ASIA SOCIETY**

Notes to Financial Statements

June 30, 2011 and 2010

Financial assets and liabilities, at fair value, consist of the following at June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,966,139	—	—	2,966,139
Fixed income:				
Mutual funds	4,383,339	—	—	4,383,339
Domestic equities:				
Domestic equity securities	16,180,786	—	—	16,180,786
Domestic equity mutual funds	11,959,759	—	—	11,959,759
Total domestic equities	<u>28,140,545</u>	<u>—</u>	<u>—</u>	<u>28,140,545</u>
Global equities:				
Developed market equity securities	753,280	—	—	753,280
Developed market mutual fund	2,822,638	—	—	2,822,638
Developed market equity trust (a)	—	3,522,304	—	3,522,304
Emerging markets equities (including Asia) (b)	3,387,181	4,684,888	—	8,072,069
Total global equities	<u>6,963,099</u>	<u>8,207,192</u>	<u>—</u>	<u>15,170,291</u>
Hedge funds:				
Long/short funds (c) (d)	—	2,348,008	1,611,517	3,959,525
Absolute return funds (e)	—	3,944,842	5,682,350	9,627,192
Fund of funds (f)	—	—	1,658,055	1,658,055
Total hedge funds	<u>—</u>	<u>6,292,850</u>	<u>8,951,922</u>	<u>15,244,772</u>
Total investments	<u>\$ 42,453,122</u>	<u>14,500,042</u>	<u>8,951,922</u>	<u>65,905,086</u>
Interest rate swap liability	\$ —	1,336,891	—	1,336,891

**THE ASIA SOCIETY**

Notes to Financial Statements

June 30, 2011 and 2010

Financial assets and liabilities, at fair value, consist of the following at June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 311,041	—	—	311,041
Fixed income:				
Mutual funds	6,195,913	—	—	6,195,913
Domestic equities:				
Domestic equity securities	11,621,434	—	—	11,621,434
Domestic equity mutual funds	9,701,336	—	—	9,701,336
Total domestic equities	<u>21,322,770</u>	<u>—</u>	<u>—</u>	<u>21,322,770</u>
Global equities:				
Developed market equity securities	1,132,112	—	—	1,132,112
Developed market mutual fund	2,148,687	—	—	2,148,687
Developed market equity trust (a)	—	2,790,302	—	2,790,302
Emerging markets equities (including Asia) (b)	5,097,380	2,088,346	—	7,185,726
Total global equities	<u>8,378,179</u>	<u>4,878,648</u>	<u>—</u>	<u>13,256,827</u>
Hedge funds:				
Long/short funds (c) (d)	—	3,514,852	1,885,308	5,400,160
Absolute return funds (e)	—	1,012,872	8,192,194	9,205,066
Fund of funds (f)	—	—	1,489,785	1,489,785
Total hedge funds	<u>—</u>	<u>4,527,724</u>	<u>11,567,287</u>	<u>16,095,011</u>
Total investments	<u>\$ 36,207,903</u>	<u>9,406,372</u>	<u>11,567,287</u>	<u>57,181,562</u>
Interest rate swap liability	\$ —	1,646,525	—	1,646,525

(a) Invested in international equity securities.

(b) Invested in international equity securities and debt securities.

(c) Level 2 funds are primarily invested in U.S. publicly traded securities.

(d) Level 3 funds include offshore funds that invest in international publicly traded and nontraded equity and equity-related securities.

(e) Funds primarily invested in long and short positions in securities and financial instruments.

(f) Invested in domestic and international hedge funds.

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Notes to Financial Statements

June 30, 2011 and 2010

The following table presents the Society's activity for 2011 and 2010 for the investments classified as Level 3 within the fair value hierarchy.

	<b>2011</b>		
	<b>Absolute return funds</b>	<b>Long/short funds</b>	<b>Fund of funds</b>
Fair value as of beginning of year	\$ 8,192,194	1,885,308	1,489,785
Dispositions	(3,250,000)	(30,778)	—
Transfers to Level 2	—	(554,451)	—
Transfers to Level 3 from Level 2	—	121,009	—
Net appreciation in fair value of investments	740,156	190,429	168,270
Fair value as of end of the year	<u>\$ 5,682,350</u>	<u>1,611,517</u>	<u>1,658,055</u>
	<b>2010</b>		
	<b>Absolute return funds</b>	<b>Long/short funds</b>	<b>Fund of funds</b>
Fair value as of beginning of year	\$ 9,738,392	2,278,998	—
Acquisitions	—	1,500,000	1,500,000
Dispositions	(2,000,000)	(1,899,296)	—
Transfers to Level 2	(1,012,872)	—	—
Net appreciation in fair value of investments	1,466,674	5,606	(10,215)
Fair value as of end of the year	<u>\$ 8,192,194</u>	<u>1,885,308</u>	<u>1,489,785</u>

As of June 30, 2011, the Society had total investments with a fair value of \$65,905,086; of that value, \$63,275,812 can be redeemed in fiscal year 2012. The remainder represents investments that have an initial lock-up period that extends beyond June 30, 2012 or private placement investments, which will be accessible to the Society as the investments are liquidated by the fund manager. The limitations and restrictions on the Society's ability to redeem or sell any of its investments vary by investment and ranges from daily access to required notice periods (generally 30 to 90 days after initial lock-up periods) and specific redemption frequency. Based on the terms and conditions in effect at June 30, 2011, the Society's investments can be redeemed or sold as follows:

	<b>Investment fair values</b>	<b>Level 3</b>
Investment redemption or sale period:		
Daily	\$ 42,453,122	—
Semimonthly	2,298,445	—
Monthly	5,908,747	—
Quarterly	6,292,850	—
Annually	6,322,648	6,322,648
Subject to rolling lock-ups	1,108,903	1,108,903
Illiquid	1,520,371	1,520,371
Total	<u>\$ 65,905,086</u>	<u>8,951,922</u>

**THE ASIA SOCIETY**

Notes to Financial Statements

June 30, 2011 and 2010

The following summarizes investment return components for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 592,812	674,399
Net realized gains (losses)	1,233,165	(1,419,679)
Net unrealized gains	<u>10,786,593</u>	<u>8,584,953</u>
Total net gains	<u>12,019,758</u>	<u>7,165,274</u>
Net investment gains	12,612,570	7,839,673
Less investment advisory fees	<u>(326,185)</u>	<u>(281,869)</u>
Investment return, net	<u>\$ 12,286,385</u>	<u>7,557,804</u>

Investment returns are included in the statements of activities as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Investment return:		
Operating:		
Investment earnings utilized in operations	\$ 2,683,583	2,930,143
Nonoperating activities:		
Investment return, net of amounts used in operations	7,740,629	3,731,108
Changes in temporarily restricted net assets:		
Investment return	<u>1,862,173</u>	<u>896,553</u>
Investment return, net	<u>\$ 12,286,385</u>	<u>7,557,804</u>

**(4) Land, Building, and Equipment**

At June 30, 2011 and 2010, the cost and accumulated depreciation of land, building, and equipment were as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 2,032,010	2,032,010
Building and building improvements	38,334,974	38,334,974
Equipment and furniture	<u>11,185,335</u>	<u>10,992,146</u>
	51,552,319	51,359,130
Less accumulated depreciation	<u>24,864,365</u>	<u>22,768,080</u>
	<u>\$ 26,687,954</u>	<u>28,591,050</u>

**THE ASIA SOCIETY**

Notes to Financial Statements

June 30, 2011 and 2010

**(5) Loan Payable**

On March 1, 2000, the Society entered into a loan agreement with the Trust for Cultural Resources of the City of New York (the Trust), primarily to provide long-term financing of the cost of renovating and refurbishing the Society's headquarters building at 725 Park Avenue.

In connection with the loan agreement, on April 14, 2000, the Trust issued \$25,000,000 of Revenue Bonds, Series 2000 (the Bonds), due 2030, loaning the proceeds of the issuance to the Society. While the Bonds are not the debt of the Society, the loan agreement obligates the Society to make payments equal to the debt service (principal and interest) of the Bonds.

The principal of the loan is payable annually beginning April 1, 2002 in increasing amounts through April 1, 2030. The loan can be prepaid, without penalty, at any time. Minimum principal payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2012	\$ 705,000
2013	735,000
2014	760,000
2015	795,000
2016	825,000
2017 and thereafter	<u>15,685,000</u>
	<u>\$ 19,505,000</u>

The issuance costs associated with the Bonds are being amortized over the term of the Bonds. The unamortized balance of \$263,022 and \$277,014 at June 30, 2011 and 2010, respectively, is included in prepaid expenses and other assets.

The Bonds bear interest at a weekly rate, not to exceed 12.00% per annum. Interest is payable monthly. For the years ended June 30, 2011 and 2010, the interest rate varied from 0.07% to 0.33% and 0.10% to 0.35%, respectively, and at June 30, 2011 and 2010 was 0.07% and 0.24%, respectively. Interest expense for the years ended June 30, 2011 and 2010 was \$46,927 and \$47,789, respectively.

The Society's payment obligation under the loan agreement is secured by a Letter of Credit and Reimbursement Agreement (the L/C Agreement) between the Society and a financial institution. The scheduled termination date of the L/C Agreement is April 13, 2014, which may be extended indefinitely. In accordance with the L/C Agreement, the Society is required to meet certain reporting, insurance, and financial covenants. As of June 30, 2011, the Society is in compliance with all covenants.

In April 2008, the Society entered into an interest rate swap with an initial notional amount of \$21,465,000. The swap is intended to convert the variable interest rate on the Bonds to a fixed rate of 3.10%. Because the swap is based on a LIBOR, while the interest rate on the Bonds is determined by a weekly auction, the actual effective interest rate may vary from the swap rate of 3.10%. The notional amount declines to 60.00% of the outstanding Bond principal after five years, to 40.00% after 10 years, and expires in



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Notes to Financial Statements

June 30, 2011 and 2010

March 2023. As of June 30, 2011 and 2010, the total fair value of the swap agreement is a liability of \$1,336,891 and \$1,646,525, respectively. Net swap interest expense for the years ended June 30, 2011 and 2010 was \$588,059 and \$606,051, respectively.

The interest rate swap agreement requires that collateral be posted if the Society's liability in the swap exceeds a threshold of \$1,700,000. During 2011, the Society was required to post a total of \$280,000 of collateral, all of which had been returned to the Society by June 30, 2011. In 2010, the Society was not required to post collateral.

On January 12, 2011, the Society entered into a one-year line of credit agreement with a bank. During fiscal 2011, the Society borrowed \$700,000 to finance cash flow needs at an annualized interest rate of 1.25% to 1.35%. All borrowings under the line of credit were repaid by June 30, 2011.

**(6) Temporarily Restricted and Permanently Restricted Net Assets**

Temporarily restricted net assets at June 30, 2011 and 2010 were available for the following purposes or periods:

	<u>2011</u>	<u>2010</u>
Education	\$ 7,756,530	9,353,264
Building renovations	5,352,779	6,225,099
Cultural programs	6,178,733	4,412,273
Policy and business	13,885,910	12,597,570
New media	63,716	123,917
Art acquisitions	1,368,385	825,715
U.S. centers	130,814	125,749
Future periods	535,987	503,934
	<u>\$ 35,272,854</u>	<u>34,167,521</u>

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Notes to Financial Statements

June 30, 2011 and 2010

The investment income earned on the balances of permanently restricted net assets is restricted to the following uses at June 30, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Permanent collection	\$ 7,100,000	7,100,000
Cultural programs	16,411,007	16,411,007
Policy and business	19,699,241	19,699,241
Education	1,642,000	1,642,000
Art acquisitions	650,000	650,000
Country funds (a)	2,055,667	2,055,667
Internship funds	2,480,000	2,480,000
Unrestricted	1,197,582	1,197,582
	\$ 51,235,497	51,235,497

(a) Comprised of four separate funds to support programming of any discipline of the Society related to four Asian countries.

**(7) Pension Plan**

The Society has a defined contribution retirement plan covering substantially all employees. The plan is fully funded by the purchase of annuity contracts. Pension expense for the years ended June 30, 2011 and 2010 was approximately \$215,560 and \$223,454, respectively.

**(8) Operating Leases**

The Society rents office space to house programming and Center employees outside of New York. Additionally, it leases copiers for its New York office. The total lease expense associated with these commitments was \$231,808 and \$272,257 in fiscal years 2011 and 2010, respectively. Future minimum lease payments under noncancelable operating leases with remaining lease terms in excess of one year are as follows:

	<b>Amount</b>
Year ending June 30:	
2012	\$ 179,228
2013	128,329
2014	105,404
2015	44,583
	\$ 457,544

**(9) Related-Party Transactions**

The affiliated offices, described in note 1, pay the Society an annual participation fee in accordance with a Global Operating Agreement. The Society has recognized participation fee revenue of \$64,351 and

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### Notes to Financial Statements

June 30, 2011 and 2010

\$79,170 for the years ended June 30, 2011 and 2010, respectively, which is included in miscellaneous revenue in the accompanying statements of activities. In addition, the Society shares certain fees with and makes grants to the affiliated offices. At June 30, 2011 and 2010, the Society owed the affiliated offices \$337,923 and \$212,133, respectively, which is included in accounts payable, accrued expenses, and other liabilities in the accompanying balance sheets.

#### (10) Endowment Funds

The Society's endowment consists of approximately 40 individual donor-restricted funds, 4 term endowments, and the building fund, which is temporarily restricted as to purpose, to support its operating and capital needs. Net assets associated with the endowment funds, including the term endowments and the building fund, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of the Uniform Management of Institutional Funds Act (UMIFA) important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds. The Society has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. In accordance with the accounting guidance associated with the adoption of NYPMIFA, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure. The impact of this adoption was the reclassification of \$3,854,658 from unrestricted net assets to temporarily restricted net assets.

In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Society and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society

**THE ASIA SOCIETY**

Notes to Financial Statements

June 30, 2011 and 2010

- Where appropriate and the circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect such alternatives may have on the Society
- The investment policies of the Society

The investment objective of the Society’s investment portfolio is to provide that future growth of the portfolio is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment fund with prudent level of risk. The assets are managed on a total return basis. The Investment Committee of the Board of Trustees has adopted a long-term asset allocation policy with mid-range targets for equities, fixed income, and alternative investments (which consist of hedge, equity, and absolute return funds).

To provide a predictable flow of funds to support operations, the Society’s Board of Trustees has authorized a general policy permitting the use of income from endowment investments to be used for operations at an approved blended spending rate of up to 5.4% and 5.2% of the preceding 36-month average fair value of the portfolio for fiscal years 2011 and 2010, respectively. In fiscal years 2011 and 2010, the following amount and rates were allocated in accordance with this policy:

	<b>2011</b>	<b>2010</b>
Investment income allocated to:		
Unrestricted net assets for operations	\$ 2,681,539	2,937,249
Temporarily restricted net assets	14,676	13,776
	\$ 2,696,215	2,951,025
Representing a spending rate of	5.4%	5.2%

Furthermore, the policy of the Society is that the appropriated spending should not exceed 6.0% or be less than 4.5% of the 12-month average value through the fiscal year preceding the fiscal year in which the distribution is planned.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the law requires to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets totaled \$5,565,403 and \$10,523,964 as of June 30, 2011 and 2010, respectively. These deficiencies result from unfavorable market fluctuations subsequent to the investment of permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets. On these deficiencies, donors have given explicit consent for the Society to authorize endowment spending for \$5,507,790 and \$9,959,944 for 2011 and 2010, respectively, per the parameters outlined above, even if the value of the endowment they contributed falls below the original value of their gifts.

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Notes to Financial Statements

June 30, 2011 and 2010

Endowment net assets, exclusive of pledge receivables of \$499,998, consist of the following as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (5,331,676)	3,849,034	50,735,499	49,252,857
Long-term temporarily restricted funds	—	916,921	—	916,921
Term endowment funds	(233,727)	4,000,000	—	3,766,273
Board-designated endowment	353,750	—	—	353,750
Building fund	(691,764)	5,332,780	—	4,641,016
Total endowment net assets	<u>\$ (5,903,417)</u>	<u>14,098,735</u>	<u>50,735,499</u>	<u>58,930,817</u>

Endowment net assets, exclusive of pledge receivables of \$584,998, consist of the following as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (7,803,005)	13,776	50,650,499	42,861,270
Long-term temporarily restricted funds	(76,719)	880,800	—	804,081
Term endowment funds	(894,349)	4,550,000	—	3,655,651
Building fund	(1,565,314)	6,205,100	—	4,639,786
Total endowment net assets	<u>\$ (10,339,387)</u>	<u>11,649,676</u>	<u>50,650,499</u>	<u>51,960,788</u>

**THE ASIA SOCIETY**

Notes to Financial Statements

June 30, 2011 and 2010

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2010	\$ (10,339,387)	11,649,676	50,650,499	51,960,788
Investment return:				
Interest and dividend income	493,423	14,676	—	508,099
Net appreciation in fair value	10,177,219	—	—	10,177,219
Management fees	(233,799)	—	—	(233,799)
Total investment return, net	10,436,843	14,676	—	10,451,519
Contributions cash basis	—	—	85,000	85,000
Appropriation of endowment assets for expenditure	(2,696,215)	—	—	(2,696,215)
Net asset release of building funds	—	(870,275)	—	(870,275)
Term endowment released	550,000	(550,000)	—	—
Reclassification due to enactment of NYPMIFA	(3,854,658)	3,854,658	—	—
Endowment net assets, June 30, 2011	<u>\$ (5,903,417)</u>	<u>14,098,735</u>	<u>50,735,499</u>	<u>58,930,817</u>

**THE ASIA SOCIETY**

Notes to Financial Statements

June 30, 2011 and 2010

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ (14,070,494)	12,413,885	49,815,498	48,158,889
Investment return:				
Interest and dividend income	596,117	13,776	—	609,893
Net appreciation in fair value	6,285,015	—	—	6,285,015
Management fees	(199,000)	—	—	(199,000)
Total investment return, net	6,682,132	13,776	—	6,695,908
Contributions cash basis	—	5,000	835,001	840,001
Appropriation of endowment assets for expenditure	(2,951,025)	—	—	(2,951,025)
Net asset release of building funds	—	(782,985)	—	(782,985)
Endowment net assets, June 30, 2010	<u>\$ (10,339,387)</u>	<u>11,649,676</u>	<u>50,650,499</u>	<u>51,960,788</u>

**(11) Subsequent Events**

In connection with the preparation of the financial statements, the Society evaluated events subsequent to the balance sheet date of June 30, 2011 and through December 21, 2011, the date on which the financial statements were available to be issued, and determined that there were no additional matters that are required to be disclosed.

**THE ASIA SOCIETY**  
Schedule of Functional Expenses  
Year ended June 30, 2011

	<u>Cultural programs</u>	<u>Policy and business</u>	<u>Education</u>	<u>Communications</u>	<u>U.S. regional centers</u>	<u>Asian activities</u>	<u>Auxiliary services</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Marketing</u>	<u>Fund-raising</u>	<u>Total supporting services</u>	<u>2011 Total expenses</u>
Unrestricted operating expenses:													
Salaries and wages	\$ 1,580,570	1,713,648	1,087,780	400,884	530,314	14,971	599,702	5,927,869	1,908,392	442,888	1,623,555	3,974,835	9,902,704
Benefits and payroll taxes	322,323	366,258	228,452	83,167	128,960	3,286	120,874	1,253,320	260,985	102,599	350,030	713,614	1,966,934
Total staff costs	1,902,893	2,079,906	1,316,232	484,051	659,274	18,257	720,576	7,181,189	2,169,377	545,487	1,973,585	4,688,449	11,869,638
Professional fees	574,592	496,017	1,110,627	124,129	68,693	137,844	19,870	2,531,772	304,398	18,439	36,678	359,515	2,891,287
Supplies and materials	346,160	221,230	22,386	3,811	69,016	44	38,904	701,551	59,302	20,995	90,294	170,591	872,142
Travel	247,656	534,050	1,151,251	9,667	32,180	21,236	9,077	2,005,117	44,963	5,049	70,369	120,381	2,125,498
Communications	369,855	55,607	52,054	55,023	19,930	2,430	1,894	556,793	53,080	11,376	46,510	110,966	667,759
Occupancy	340,000	114,362	64,228	13,447	152,292	—	128,099	812,428	152,547	35,778	76,602	264,927	1,077,355
Equipment rental and maintenance	104,383	44,169	13,448	12,316	6,037	—	54,328	234,681	223,191	8,302	58,090	289,583	524,264
Store inventory	—	—	—	—	—	—	564,607	564,607	—	—	—	—	564,607
Grants paid	—	10,000	830,597	—	—	—	—	840,597	—	—	—	—	840,597
Financing costs	334,516	140,799	49,138	17,954	—	—	171,038	713,445	130,802	32,129	70,872	233,803	947,248
Other	505,870	312,913	99,198	4,762	52,237	1,289	29,757	1,006,026	321,850	82,427	109,486	513,763	1,519,789
Total unrestricted operating expenses	4,725,925	4,009,053	4,709,159	725,160	1,059,659	181,100	1,738,150	17,148,206	3,459,510	759,982	2,532,486	6,751,978	23,900,184
Unrestricted fixed-asset expenses:													
Depreciation and amortization	745,300	313,700	109,479	40,002	3,683	—	381,071	1,593,235	286,820	71,828	158,394	517,042	2,110,277
Total expenses	\$ 5,471,225	4,322,753	4,818,638	765,162	1,063,342	181,100	2,119,221	18,741,441	3,746,330	831,810	2,690,880	7,269,020	26,010,461

See accompanying independent auditors' report.



**THE ASIA SOCIETY**  
Schedule of Functional Expenses  
Year ended June 30, 2010

	<u>Cultural programs</u>	<u>Policy and business</u>	<u>Education</u>	<u>Communications</u>	<u>U.S. regional centers</u>	<u>Asian activities</u>	<u>Auxiliary services</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Marketing</u>	<u>Fund-raising</u>	<u>Total supporting services</u>	<u>2010 Total expenses</u>
Unrestricted operating expenses:													
Salaries and wages	\$ 1,589,212	1,787,385	1,163,862	466,248	610,846	14,652	587,935	6,220,140	1,950,542	311,880	1,405,336	3,667,758	9,887,898
Benefits and payroll taxes	316,552	373,563	252,634	105,638	134,061	5,298	119,394	1,307,140	383,075	67,074	304,431	754,580	2,061,720
Total staff costs	1,905,764	2,160,948	1,416,496	571,886	744,907	19,950	707,329	7,527,280	2,333,617	378,954	1,709,767	4,422,338	11,949,618
Professional fees	974,874	373,757	1,128,851	89,854	90,224	141,257	18,482	2,817,299	237,720	27,318	23,217	288,255	3,105,554
Supplies and materials	399,831	185,963	187,608	10,171	44,086	58	23,466	851,183	52,806	22,991	62,296	138,093	989,276
Travel	300,352	1,181,843	815,182	9,040	29,737	23,991	4,963	2,365,108	68,957	8,489	26,615	104,061	2,469,169
Communications	537,318	67,553	47,609	49,603	21,741	2,540	2,387	728,751	57,135	12,333	55,589	125,057	853,808
Occupancy	309,560	95,664	58,438	12,175	115,632	—	115,979	707,448	131,382	30,681	65,938	228,001	935,449
Equipment rental and maintenance	95,723	46,326	21,370	9,274	6,085	155	46,110	225,043	243,690	8,175	55,142	307,007	532,050
Store inventory	—	—	—	—	—	—	474,087	474,087	—	—	—	—	474,087
Grants paid	650,000	10,000	371,064	—	—	—	—	1,031,064	—	—	10,000	10,000	1,041,064
Financing costs	340,000	143,108	49,944	18,249	—	—	173,842	725,143	130,621	32,655	72,034	235,310	960,453
Other	474,867	353,147	122,167	622	35,718	1,186	26,468	1,014,175	319,973	38,360	82,700	441,033	1,455,208
Total unrestricted operating expenses	5,988,289	4,618,309	4,218,729	770,874	1,088,130	189,137	1,593,113	18,466,581	3,575,901	559,956	2,163,298	6,299,155	24,765,736
Unrestricted fixed-asset expenses:													
Depreciation and amortization	743,771	313,056	109,254	39,920	4,442	—	380,289	1,590,732	286,336	71,732	158,171	516,239	2,106,971
Total expenses	\$ 6,732,060	4,931,365	4,327,983	810,794	1,092,572	189,137	1,973,402	20,057,313	3,862,237	631,688	2,321,469	6,815,394	26,872,707

See accompanying independent auditors' report.