



THE ASIA SOCIETY AND AFFILIATES
Consolidated Financial Statements and Schedules
June 30, 2006 and 2005
(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 consolidated balance sheets of The Asia Society and affiliates (the Society) as of June 30, 2006 and 2005, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these consolidated 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 misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Asia Society and affiliates as of June 30, 2006 and 2005, and the changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The information in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

KPMG LLP

September 29, 2006

THE ASIA SOCIETY AND AFFILIATES

Consolidated Balance Sheets

June 30, 2006 and 2005

Assets	2006	2005
Cash and cash equivalents	\$ 14,424,697	8,077,095
Contributions and grants receivable (note 6)	42,049,126	20,649,782
Prepaid expenses and other assets (note 4)	1,378,624	1,019,125
Investments (note 2)	68,973,637	56,572,986
Land, building, and equipment (notes 4 and 5)	39,897,635	40,582,208
Collection (note 3)	—	—
Total assets	<u>\$ 166,723,719</u>	<u>126,901,196</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,425,480	2,580,335
Loan payable (note 4)	22,645,000	23,200,000
Total liabilities	<u>25,070,480</u>	<u>25,780,335</u>
Commitments and contingencies (notes 4, 6, and 10)		
Net assets:		
Unrestricted:		
Available for operations	1,336,689	1,018,956
Designated for investment	6,952,462	6,862,222
Invested in and designated for fixed assets	16,566,183	17,868,032
Total unrestricted	24,855,334	25,749,210
Temporarily restricted (note 7)	74,086,206	37,538,029
Permanently restricted (note 7)	42,711,699	37,833,622
Total net assets	<u>141,653,239</u>	<u>101,120,861</u>
Total liabilities and net assets	<u>\$ 166,723,719</u>	<u>126,901,196</u>

See accompanying notes to consolidated financial statements.

THE ASIA SOCIETY AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2006

	<u>Available for operations</u>	<u>Designated for investment</u>	<u>Invested in and designated for fixed assets</u>	<u>Unrestricted total</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue, gains, and other support:							
Contributions and grants	\$ 5,744,157	—	386,566	6,130,723	39,815,551	4,878,077	50,824,351
Membership	2,619,711	—	—	2,619,711	—	—	2,619,711
Special events, net of direct donor benefits of \$1,432,072	4,954,172	—	—	4,954,172	—	—	4,954,172
Program service fees	2,654,417	—	—	2,654,417	—	—	2,654,417
Investment return (note 9)	2,261,153	1,711,841	59,543	4,032,537	823,637	—	4,856,174
Miscellaneous	397,511	—	—	397,511	—	—	397,511
	<u>18,631,121</u>	<u>1,711,841</u>	<u>446,109</u>	<u>20,789,071</u>	<u>40,639,188</u>	<u>4,878,077</u>	<u>66,306,336</u>
Net assets released from restrictions	5,153,863	—	558,749	5,712,612	(5,712,612)	—	—
Total revenue, gains, and other support	<u>23,784,984</u>	<u>1,711,841</u>	<u>1,004,858</u>	<u>26,501,683</u>	<u>34,926,576</u>	<u>4,878,077</u>	<u>66,306,336</u>
Expenses:							
Program services:							
Cultural programs	4,303,802	—	652,087	4,955,889	—	—	4,955,889
Policy and business	2,811,552	—	217,230	3,028,782	—	—	3,028,782
Education	3,536,538	—	64,673	3,601,211	—	—	3,601,211
Communications	317,458	—	46,620	364,078	—	—	364,078
U.S. centers	1,698,371	—	149,716	1,848,087	—	—	1,848,087
Asian centers	1,331,939	—	188,391	1,520,330	—	—	1,520,330
Auxiliary services	1,896,685	—	378,515	2,275,200	—	—	2,275,200
Total program services	<u>15,896,345</u>	<u>—</u>	<u>1,697,232</u>	<u>17,593,577</u>	<u>—</u>	<u>—</u>	<u>17,593,577</u>
Supporting services:							
Management and general	3,798,907	—	512,455	4,311,362	—	—	4,311,362
Marketing	1,213,095	—	46,979	1,260,074	—	—	1,260,074
Fund-raising	2,430,967	—	177,978	2,608,945	—	—	2,608,945
Total supporting services	<u>7,442,969</u>	<u>—</u>	<u>737,412</u>	<u>8,180,381</u>	<u>—</u>	<u>—</u>	<u>8,180,381</u>
Total expenses	<u>23,339,314</u>	<u>—</u>	<u>2,434,644</u>	<u>25,773,958</u>	<u>—</u>	<u>—</u>	<u>25,773,958</u>
Increase (decrease) in net assets before transfer and reclassification	445,670	1,711,841	(1,429,786)	727,725	34,926,576	4,878,077	40,532,378
Transfer for acquisition of fixed assets	(127,937)	—	127,937	—	—	—	—
Change in donor's designation (note 11)	—	(1,621,601)	—	(1,621,601)	1,621,601	—	—
Increase (decrease) in net assets	317,733	90,240	(1,301,849)	(893,876)	36,548,177	4,878,077	40,532,378
Net assets at beginning of year	1,018,956	6,862,222	17,868,032	25,749,210	37,538,029	37,833,622	101,120,861
Net assets at end of year	<u>\$ 1,336,689</u>	<u>6,952,462</u>	<u>16,566,183</u>	<u>24,855,334</u>	<u>74,086,206</u>	<u>42,711,699</u>	<u>141,653,239</u>

See accompanying notes to consolidated financial statements.

THE ASIA SOCIETY AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2005

	<u>Available for operations</u>	<u>Designated for investment</u>	<u>Invested in and designated for fixed assets</u>	<u>Unrestricted total</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue, gains, and other support:							
Contributions and grants	\$ 7,734,427	—	739,221	8,473,648	4,220,437	5,179,330	17,873,415
Membership	2,480,929	—	—	2,480,929	—	—	2,480,929
Special events, net of direct donor benefits of \$1,074,700	2,766,357	—	—	2,766,357	—	—	2,766,357
Program service fees	2,642,863	—	—	2,642,863	—	—	2,642,863
Investment return (note 9)	1,917,857	415,461	—	2,333,318	147,200	—	2,480,518
Miscellaneous	524,292	—	—	524,292	—	—	524,292
	<u>18,066,725</u>	<u>415,461</u>	<u>739,221</u>	<u>19,221,407</u>	<u>4,367,637</u>	<u>5,179,330</u>	<u>28,768,374</u>
Net assets released from restrictions	5,740,648	—	1,818,226	7,558,874	(7,558,874)	—	—
Total revenue, gains, and other support	<u>23,807,373</u>	<u>415,461</u>	<u>2,557,447</u>	<u>26,780,281</u>	<u>(3,191,237)</u>	<u>5,179,330</u>	<u>28,768,374</u>
Expenses:							
Program services:							
Cultural programs	5,265,312	—	655,050	5,920,362	—	—	5,920,362
Policy and business	2,968,522	—	218,217	3,186,739	—	—	3,186,739
Education	2,689,995	—	64,967	2,754,962	—	—	2,754,962
Communications	261,507	—	46,832	308,339	—	—	308,339
U.S. centers	2,315,621	—	1,321	2,316,942	—	—	2,316,942
Asian centers	1,661,068	—	1,289,371	2,950,439	—	—	2,950,439
Auxiliary services	1,850,963	—	380,236	2,231,199	—	—	2,231,199
Total program services	<u>17,012,988</u>	<u>—</u>	<u>2,655,994</u>	<u>19,668,982</u>	<u>—</u>	<u>—</u>	<u>19,668,982</u>
Supporting services:							
Management and general	3,309,100	—	458,356	3,767,456	—	—	3,767,456
Marketing	809,376	—	46,831	856,207	—	—	856,207
Fund-raising	2,005,309	—	122,362	2,127,671	—	—	2,127,671
Total supporting services	<u>6,123,785</u>	<u>—</u>	<u>627,549</u>	<u>6,751,334</u>	<u>—</u>	<u>—</u>	<u>6,751,334</u>
Total expenses	<u>23,136,773</u>	<u>—</u>	<u>3,283,543</u>	<u>26,420,316</u>	<u>—</u>	<u>—</u>	<u>26,420,316</u>
Increase (decrease) in net assets before transfer	670,600	415,461	(726,096)	359,965	(3,191,237)	5,179,330	2,348,058
Transfer for acquisition of fixed assets	—	(49,806)	49,806	—	—	—	—
Increase (decrease) in net assets	670,600	365,655	(676,290)	359,965	(3,191,237)	5,179,330	2,348,058
Net assets at beginning of year	348,356	6,496,567	18,544,322	25,389,245	40,729,266	32,654,292	98,772,803
Net assets at end of year	\$ <u>1,018,956</u>	<u>6,862,222</u>	<u>17,868,032</u>	<u>25,749,210</u>	<u>37,538,029</u>	<u>37,833,622</u>	<u>101,120,861</u>

See accompanying notes to consolidated financial statements.

THE ASIA SOCIETY AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Increase in net assets	\$ 40,532,378	2,348,058
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(3,291,895)	(1,722,451)
Depreciation and amortization	1,991,035	2,008,508
Permanently restricted contributions and contributions restricted for capital projects	(37,269,383)	(5,678,530)
Decrease in contributions and grants receivable, net of amounts classified as financing	3,833,938	2,741,547
(Increase) decrease in prepaid expenses and other assets	(373,491)	271,126
(Decrease) increase in accounts payable and accrued expenses, net of amounts classified as investing	(154,855)	549,969
Net cash provided by operating activities	<u>5,267,727</u>	<u>518,227</u>
Cash flows from investing activities:		
Proceeds from sales of investments	28,886,867	67,166,095
Investment purchases	(37,995,623)	(80,401,995)
Capital expenditures	(1,292,470)	(838,368)
Net cash used in investing activities	<u>(10,401,226)</u>	<u>(14,074,268)</u>
Cash flows from financing activities:		
Loan principal payments	(555,000)	(540,000)
Permanently restricted contributions and contributions restricted for capital projects	37,269,383	5,678,530
(Increase) decrease in contributions and grants receivable related to permanently restricted contributions and contributions restricted for building renovation	(25,233,282)	112,774
Net cash provided by financing activities	<u>11,481,101</u>	<u>5,251,304</u>
Net increase (decrease) in cash and cash equivalents	6,347,602	(8,304,737)
Cash and cash equivalents at beginning of year	<u>8,077,095</u>	<u>16,381,832</u>
Cash and cash equivalents at end of year	<u>\$ 14,424,697</u>	<u>8,077,095</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 653,716	401,935

See accompanying notes to consolidated financial statements.

THE ASIA SOCIETY AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2006 and 2005

(1) Organization and Summary of Significant Accounting Policies

Organization

The accompanying consolidated financial statements include the financial statements of The Asia Society, a New York not-for-profit company chartered by State Education Department of New York, and four affiliated companies, Asia Society AustralAsia Centre Limited, Asia Society Philippine Foundation, Inc., Asia Society Texas: Asia House, and The Asia Society Hong Kong Center Limited (collectively, the Society). The Asia Society Hong Kong Center Limited was formed on July 1, 2004 as a Hong Kong not-for-profit corporation. Asia Society Texas: Asia House, which was formed on April 16, 2002, is a Texas not-for-profit corporation. Asia Society AustralAsia Centre Limited was formed on August 28, 1997 in Melbourne, Australia and Asia Society Philippine Foundation, Inc. was formed on March 22, 1999 in Manila, the Philippines.

Founded in 1956 by John D. Rockefeller 3rd, 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. Headquartered in New York City, the organization has centers in Hong Kong, Houston, Los Angeles, Manila, Melbourne, Mumbai, San Francisco, Shanghai, and Washington, D.C.

The New York and Texas companies of the Society are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The foreign companies are exempt from taxation in their respective countries.

Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Basis of Presentation

The Society's net assets and revenues, expenses, 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 – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by 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.

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Notes to Consolidated Financial Statements

June 30, 2006 and 2005

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 (that is, 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 a 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) 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.

(e) Depreciation

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The building is depreciated over a 40-year estimated useful life. Building and other equipment are depreciated over a 10-year estimated useful life and computer equipment is depreciated over a 3-year estimated useful life.

(f) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(g) Reclassifications

Certain 2005 amounts have been reclassified to conform with the 2006 presentation.

(h) Other

Other significant accounting policies are set forth in the following notes.

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Notes to Consolidated Financial Statements

June 30, 2006 and 2005

(2) Investments

Investments are stated at fair value based on quoted market prices and consist of the following at June 30, 2006 and 2005:

	2006	2005
Cash and cash equivalents	\$ 4,638,703	2,659,883
Equity securities	25,092,520	15,339,825
Fixed-income securities:		
U.S. Treasury	705,619	262,910
U.S. agencies	88,077	117,732
Mortgage-backed	351,336	463,222
Corporate	13,240,286	12,599,632
International	2,376,555	2,365,637
Mutual funds:		
Equities	14,263,148	8,104,335
Fixed-income	272,378	272,954
Index	7,894,610	14,318,473
Money market	50,405	69,383
Total	\$ 68,973,637	56,573,986

(3) Collection

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. Blanche Rockefeller.

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.

(4) 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.

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Notes to Consolidated Financial Statements

June 30, 2006 and 2005

In connection with the loan agreement, on April 14, 2000, the Trust issued \$25.0 million 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:	
2007	\$ 580,000
2008	600,000
2009	630,000
2010	650,000
2011	680,000
2012 and thereafter	<u>19,505,000</u>
	<u>\$ 22,645,000</u>

The issuance costs associated with the Bonds (the unamortized balance of \$332,982 and \$346,974 at June 30, 2006 and 2005, respectively, is included in prepaid expenses and other assets) are being amortized over the term of the Bonds.

The Bonds bear interest at a weekly rate, not to exceed 12% per annum. Interest is payable monthly. For the year ended June 30, 2006, the interest rate varied from 1.90% to 3.94% and at June 30, 2006 was 3.65%. For the year ended June 30, 2005, the interest rate varied from 0.98% to 3.00% and at June 30, 2005 was 2.34%. Interest expense for the years ended June 30, 2006 and 2005 was \$680,631 and \$427,375, 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 JPMorgan Chase Bank. The scheduled termination date of the L/C Agreement is April 12, 2009, which may be extended indefinitely for periods of one year.

In accordance with the L/C Agreement, the Society is required to meet certain reporting, insurance, and financial covenants. Management believes that the Society is in compliance with all covenants.

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Notes to Consolidated Financial Statements

June 30, 2006 and 2005

(5) Land, Building, and Equipment

At June 30, 2006 and 2005, the cost and accumulated depreciation of land, building, and equipment were as follows:

	2006	2005
Land	\$ 4,705,660	4,705,660
Building	38,451,212	38,423,692
Equipment and furniture	10,126,378	10,098,327
Construction in progress – Texas building project	915,954	144,590
Construction in progress – Hong Kong building project	393,679	—
	54,592,883	53,372,269
Less accumulated depreciation	14,695,248	12,790,061
	\$ 39,897,635	40,582,208

The Society's affiliate, The Asia Society Hong Kong Center Limited, has undertaken an on-going project to build a facility for the Society's activities in Hong Kong. During the year ended June 30, 2006, the affiliate was granted a Private Treaty Land Grant (the Grant) allowing use of a parcel of land at a nominal rent for a period of 21 years. The Grant allows the affiliate to renovate the historic structures on the site and construct an additional new building to conduct the Society's activities in the Hong Kong region.

(6) Contributions and Grants Receivable

Unconditional promises to give are reported in the consolidated 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, 2006 and 2005:

	2006	2005
Amounts expected to be collected in:		
Less than one year	\$ 20,097,913	11,731,440
One to five years	23,563,213	9,513,342
Thereafter	30,000	30,000
Allowance for doubtful accounts	(300,000)	(50,000)
Less discount to present value (at discount rates ranging from 1.70% to 5.16% in 2006 and 1.70% to 4.65% in 2005)	(1,342,000)	(575,000)
	\$ 42,049,126	20,649,782

Contributions and grants receivable include \$13.1 million from one donor at June 30, 2006.

Included in contributions and grants receivable is \$257,767 in connection with a grant of \$3 million from the City of New York (the City) for the 725 Park Avenue renovation project. The grant terms are set forth in the Funding Agreement between the Society and the New York City Economic Development

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Notes to Consolidated Financial Statements

June 30, 2006 and 2005

Corporation, as agent of the City. The grant will be fully paid when the construction project accounts with the general contractor and subcontractors are settled (see note 10).

Under the terms of the Funding Agreement, the City required that the Society deliver a Performance Mortgage to the City. Under the terms of the Performance Mortgage, the Society agreed that for 30 years after the substantial completion of the renovation, it will continue to own and operate the premises as a center for public education programs on Asian cultures, politics, economics, and business through events such as exhibitions, lectures, symposia, workshops, discussions, performances, films, or other functions and ancillary uses, including fund-raising purposes, and for such other public purposes as may be specified in the charter of the Society.

(7) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2006 and 2005 were available for the following purposes or periods:

	<u>2006</u>	<u>2005</u>
Education	\$ 9,040,836	12,090,412
Building renovations (New York)	9,012,347	9,571,096
Texas Project	13,281,577	723,614
Hong Kong Project	21,030,599	1,213,769
Cultural programs (a)	4,350,792	3,857,314
Policy and business	11,106,816	3,561,163
Art acquisitions	684,436	653,548
Asian centers	655,925	769,664
U.S. centers	40,020	157,500
Future periods	4,882,858	4,939,949
	<u>\$ 74,086,206</u>	<u>37,538,029</u>

- (a) Includes a term endowment of \$550,000 to be invested through 2010, the income from which is available for gallery programs. At the end of the term, the principal may be used for this or any other purpose to be determined by the Society.

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Notes to Consolidated Financial Statements

June 30, 2006 and 2005

The investment income earned on the following balances of permanently restricted net assets is restricted to the following uses at June 30, 2006 and 2005:

	2006	2005
Permanent collection	\$ 7,100,000	7,100,000
Cultural programs	14,543,527	13,712,527
Policy and business	12,688,670	11,871,593
Education	1,642,000	1,642,000
Art acquisitions	650,000	650,000
Country funds (b)	2,111,667	2,351,667
Internship funds	2,480,000	—
U.S. centers	255,705	255,705
Unrestricted	1,240,130	250,130
	\$ 42,711,699	37,833,622

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

(8) 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, 2006 and 2005 was approximately \$697,000 and \$710,000, respectively.

(9) Investment Return

Investment return represents income earned on cash and cash equivalents and investments as follows:

	2006	2005
Interest and dividends	\$ 1,868,587	959,702
Net realized gains	1,584,013	2,866,981
Net unrealized gains (losses)	1,707,882	(1,144,530)
Total net gains	3,291,895	1,722,451
Net investment gains	5,160,482	2,682,153
Less investment advisory fees	(304,308)	(201,635)
Investment return	\$ 4,856,174	2,480,518

The Society's investments are managed to achieve the maximum long-term return; therefore, no distinction is made among dividend, interest income, realized gains and losses, and unrealized gains and losses. 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 a

THE ASIA SOCIETY AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2006 and 2005

rate (spending rate) of up to 5% of the preceding three-year average fair value of the portfolio. In fiscal years 2006 and 2005, the following amount and rates were allocated in accordance with this policy:

	<u>2006</u>	<u>2005</u>
Investment income allocated to:		
Unrestricted net assets for operations	\$ 1,732,902	1,572,020
Temporarily restricted net assets	43,812	44,796
	<u>\$ 1,776,714</u>	<u>1,616,816</u>
Representing a spending rate of	4%	4%

(10) Contingencies

The Society is currently in a dispute with the construction manager of the renovation of the New York headquarters building about the final cost of the project. The construction manager filed a mechanics' lien against the Society of approximately \$2.8 million. Of this amount, approximately \$1.3 million represents amounts payable to third-party subcontractors, which have been paid by the Society. The remaining balance of approximately \$1.5 million is not accrued in these consolidated financial statements. The Society disputes that it owes the construction manager the remaining \$1.5 million and intends to defend its position vigorously. Management believes that the outcome will not have a material adverse effect on the consolidated financial statements of the Society.

The parent company of the construction manager is currently in Chapter 11 bankruptcy proceedings.

(11) Change in Donor's Designation

During 2006, a previously recorded unrestricted investment return of \$1,621,601 was reclassified to temporarily restricted net assets based on a change in the donor's designation of the related gift.

THE ASIA SOCIETY AND AFFILIATES
Consolidated Schedule of Functional Expenses
Year ended June 30, 2006
(with comparative totals for the year ended June 30, 2005)

	<u>Cultural programs</u>	<u>Policy and business</u>	<u>Education</u>	<u>Communications</u>	<u>U.S. centers</u>	<u>Asian centers</u>
Unrestricted operating expenses:						
Salaries and wages	\$ 1,423,449	945,755	967,988	167,382	870,859	580,510
Benefits and payroll taxes	346,330	239,808	252,566	44,863	224,580	97,073
Total staff costs	<u>1,769,779</u>	<u>1,185,563</u>	<u>1,220,554</u>	<u>212,245</u>	<u>1,095,439</u>	<u>677,583</u>
Professional fees	569,906	207,475	852,278	32,262	163,284	181,066
Supplies and materials	535,503	417,612	113,636	475	72,156	251,760
Travel	203,364	478,075	561,697	4,128	72,449	47,719
Communications	226,982	72,163	26,311	21,094	49,083	20,681
Occupancy	240,309	136,997	20,613	14,791	159,192	119,119
Equipment rental and maintenance	175,863	102,561	10,934	8,393	30,298	5,544
Store inventory	—	—	—	—	—	—
Grants paid	—	22,900	619,740	—	—	—
Financing costs	299,919	99,912	29,746	21,442	—	—
Other	282,177	88,294	81,029	2,628	56,470	28,467
	<u>4,303,802</u>	<u>2,811,552</u>	<u>3,536,538</u>	<u>317,458</u>	<u>1,698,371</u>	<u>1,331,939</u>
Unrestricted fixed-asset expenses:						
Depreciation and amortization	652,087	217,230	64,673	46,620	991	4,409
Other	—	—	—	—	148,725	183,982
	<u>652,087</u>	<u>217,230</u>	<u>64,673</u>	<u>46,620</u>	<u>149,716</u>	<u>188,391</u>
Total expenses	<u>\$ 4,955,889</u>	<u>3,028,782</u>	<u>3,601,211</u>	<u>364,078</u>	<u>1,848,087</u>	<u>1,520,330</u>

See accompanying independent auditors' report.

Schedule 1

<u>Auxiliary services</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Marketing</u>	<u>Development</u>	<u>Total supporting services</u>	<u>2006 total expenses</u>	<u>2005 total expenses</u>
608,946	5,564,889	1,975,095	555,043	1,390,435	3,920,573	9,485,462	9,230,225
152,155	1,357,375	401,478	140,895	351,451	893,824	2,251,199	2,163,059
761,101	6,922,264	2,376,573	695,938	1,741,886	4,814,397	11,736,661	11,393,284
20,374	2,026,645	363,663	31,358	68,509	463,530	2,490,175	2,266,889
60,706	1,451,848	154,163	69,816	207,673	431,652	1,883,500	1,606,989
16,853	1,384,285	115,796	12,300	34,982	163,078	1,547,363	1,548,730
6,520	422,834	51,424	21,507	64,337	137,268	560,102	836,330
120,227	811,248	187,942	34,078	77,275	299,295	1,110,543	1,055,309
55,460	389,053	198,032	7,284	103,692	309,008	698,061	531,466
651,528	651,528	—	—	—	—	651,528	683,649
—	642,640	—	—	—	—	642,640	652,604
174,094	625,113	209,861	21,442	56,024	287,327	912,440	669,039
29,822	568,887	141,453	319,372	76,589	537,414	1,106,301	1,892,484
1,896,685	15,896,345	3,798,907	1,213,095	2,430,967	7,442,969	23,339,314	23,136,773
378,515	1,364,525	457,004	46,979	122,527	626,510	1,991,035	2,008,508
—	332,707	55,451	—	55,451	110,902	443,609	1,275,035
378,515	1,697,232	512,455	46,979	177,978	737,412	2,434,644	3,283,543
2,275,200	17,593,577	4,311,362	1,260,074	2,608,945	8,180,381	25,773,958	26,420,316

THE ASIA SOCIETY AND AFFILIATES

Consolidating Balance Sheet

June 30, 2006

Assets	The Asia Society (NY 501c3)	Asia Society AustralAsia Centre Limited	Asia Society Philippine Foundation, Inc.	Asia Society Texas: Asia House	The Asia Society Hong Kong Center Limited	Eliminations	Total
Cash and cash equivalents	\$ 6,486,146	255,286	95,908	4,133,728	3,453,629	—	14,424,697
Contributions and grants receivable	15,927,566	—	—	8,401,594	17,719,966	—	42,049,126
Prepaid expenses and other assets	1,331,823	27,813	4,772	—	54,042	(39,826)	1,378,624
Investments	65,606,507	—	—	—	3,367,130	—	68,973,637
Land, building, and equipment	35,891,623	16,354	4,922	3,589,605	395,131	—	39,897,635
Collection	—	—	—	—	—	—	—
Total assets	\$ 125,243,665	299,453	105,602	16,124,927	24,989,898	(39,826)	166,723,719
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	\$ 2,113,475	83,004	—	24,503	244,324	(39,826)	2,425,480
Loan payable	22,645,000	—	—	—	—	—	22,645,000
Total liabilities	24,758,475	83,004	—	24,503	244,324	(39,826)	25,070,480
Commitments and contingencies							
Net assets:							
Unrestricted:							
Available for operations	(2,179,031)	200,095	100,680	—	3,214,945	—	1,336,689
Designated for investment	6,952,462	—	—	—	—	—	6,952,462
Invested in and designated for fixed assets	13,724,607	16,354	4,922	2,818,848	1,452	—	16,566,183
Total unrestricted	18,498,038	216,449	105,602	2,818,848	3,216,397	—	24,855,334
Temporarily restricted	39,275,453	—	—	13,281,576	21,529,177	—	74,086,206
Permanently restricted	42,711,699	—	—	—	—	—	42,711,699
Total net assets	100,485,190	216,449	105,602	16,100,424	24,745,574	—	141,653,239
Total liabilities and net assets	\$ 125,243,665	299,453	105,602	16,124,927	24,989,898	(39,826)	166,723,719

See accompanying independent auditors' report.

THE ASIA SOCIETY AND AFFILIATES

Consolidating Statement of Activities

Year ended June 30, 2006

	The Asia Society (NY 501c3)	Asia Society AustralAsia Centre Limited	Asia Society Philippine Foundation, Inc.	Asia Society Texas: Asia House	The Asia Society Hong Kong Center Limited	Eliminations	Total
Change in unrestricted net assets for operations:							
Revenue, gains, and other support:							
Contributions and grants	\$ 5,203,773	28,455	204,971	—	306,958	—	5,744,157
Membership	1,989,576	416,231	19,465	—	194,439	—	2,619,711
Special events, net of direct donor benefits of \$1,432,072	4,894,586	24,065	—	—	35,521	—	4,954,172
Program service fees	2,480,645	67,544	8,051	—	98,177	—	2,654,417
Investment return	1,939,095	9,280	—	—	312,778	—	2,261,153
Miscellaneous	419,801	96	2,213	—	10,401	(35,000)	397,511
	16,927,476	545,671	234,700	—	958,274	(35,000)	18,631,121
Net assets released from restrictions	5,100,906	—	470	—	52,487	—	5,153,863
Total revenue, gains, and other support	22,028,382	545,671	235,170	—	1,010,761	(35,000)	23,784,984
Expenses:							
Program services	14,690,323	368,477	176,459	—	661,086	—	15,896,345
Supporting services:							
Management and general	3,673,104	49,130	23,528	—	88,145	(35,000)	3,798,907
Marketing	1,132,694	24,565	11,764	—	44,072	—	1,213,095
Fund-raising	2,270,164	49,130	23,528	—	88,145	—	2,430,967
Total expenses	21,766,285	491,302	235,279	—	881,448	(35,000)	23,339,314
Increase (decrease) in net assets before transfer	262,097	54,369	(109)	—	129,313	—	445,670
Transfer for acquisition of fixed assets	(107,803)	(20,256)	339	—	(217)	—	(127,937)
Increase in unrestricted net assets for operations	154,294	34,113	230	—	129,096	—	317,733
Change in unrestricted net assets for investments:							
Revenue, gains, and other support:							
Investment return	1,711,841	—	—	—	—	—	1,711,841
Increase in net assets before transfer	1,711,841	—	—	—	—	—	1,711,841
Transfer for change in donor intent	(1,621,601)	—	—	—	—	—	(1,621,601)
Increase in unrestricted net assets for investments	90,240	—	—	—	—	—	90,240
Change in unrestricted net assets available for fixed assets:							
Revenue, gains, and other support:							
Contributions and grants	2,500	—	—	138,757	245,309	—	386,566
Investment return	—	—	—	59,543	—	—	59,543
	2,500	—	—	198,300	245,309	—	446,109
Net assets released from restrictions	558,749	—	—	—	—	—	558,749
Total revenue, gains, and other support	561,249	—	—	198,300	245,309	—	1,004,858
Expenses	1,985,157	3,428	—	198,300	247,759	—	2,434,644
	(1,423,908)	(3,428)	—	—	(2,450)	—	(1,429,786)
Transfer for acquisition of fixed assets	107,803	20,256	(339)	—	217	—	127,937
(Decrease) increase in unrestricted available for fixed assets	(1,316,105)	16,828	(339)	—	(2,233)	—	(1,301,849)
Change in unrestricted net assets	(1,071,571)	50,941	(109)	—	126,863	—	(893,876)
Change in temporarily restricted net assets:							
Revenue, gains, and other support:							
Contributions and grants	7,413,104	—	—	12,557,962	19,844,485	—	39,815,551
Investment return	839,680	—	—	—	(16,043)	—	823,637
	8,252,784	—	—	12,557,962	19,828,442	—	40,639,188
Net assets released from restrictions	(5,659,655)	—	(470)	—	(52,487)	—	(5,712,612)
Total revenue, gains, and other support	2,593,129	—	(470)	12,557,962	19,775,955	—	34,926,576
Change in donor's designation	1,621,601	—	—	—	—	—	1,621,601
Increase in temporarily restricted net assets	4,214,730	—	(470)	12,557,962	19,775,955	—	36,548,177
Change in permanently restricted net assets:							
Revenue, gains, and other support:							
Contributions and grants	4,878,077	—	—	—	—	—	4,878,077
Increase in permanently restricted net assets	4,878,077	—	—	—	—	—	4,878,077
Increase (decrease) in net assets	8,021,236	50,941	(579)	12,557,962	19,902,818	—	40,532,378
Net assets at beginning of year	92,463,954	165,508	106,181	3,542,462	4,842,756	—	101,120,861
Net assets at end of year	\$ 100,485,190	216,449	105,602	16,100,424	24,745,574	—	141,653,239

See accompanying independent auditors' report.