



**THE ASIA SOCIETY AND AFFILIATES**  
Consolidated Financial Statements and Schedules  
June 30, 2007 and 2006  
(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, 2007 and 2006, 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 did not audit the financial statements of a consolidated affiliate, which statements reflect total assets of \$27,346,192 (14.4% of total) and \$16,124,927 (9.7% of total) as of June 30, 2007 and 2006, respectively, and total revenue, gains, and other support of \$10,565,406 (20.6% of total) and \$12,756,262 (19.2% of total), respectively, for the years then ended. These statements were audited by other auditors whose report has been furnished to us and our opinion in so far as it relates to the amounts included for this affiliate is based solely on the report of the other auditors.

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 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, 2007 and 2006, 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**

December 12, 2007

**THE ASIA SOCIETY AND AFFILIATES**

Consolidated Balance Sheets

June 30, 2007 and 2006

<b>Assets</b>	<b>2007</b>	<b>2006</b>
Cash and cash equivalents	\$ 27,907,346	14,424,697
Contributions and grants receivable (note 7)	29,975,738	42,049,126
Prepaid expenses and other assets (note 4)	1,314,549	1,378,624
Investments (note 2)	83,872,744	68,973,637
Land, building, and equipment (notes 4, 5, and 6)	46,423,457	39,897,635
Collection (note 3)	—	—
Total assets	\$ 189,493,834	166,723,719
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,032,293	2,425,480
Loans payable (notes 4 and 5)	23,065,000	22,645,000
Total liabilities	26,097,293	25,070,480
Commitments and contingencies (notes 4, 7, and 11)		
Net assets:		
Unrestricted:		
Available for operations	2,435,401	1,336,689
Designated for investment	12,580,650	6,952,462
Invested in and designated for fixed assets	15,421,079	16,566,183
Total unrestricted	30,437,130	24,855,334
Temporarily restricted (note 8)	87,309,212	74,086,206
Permanently restricted (note 8)	45,650,199	42,711,699
Total net assets	163,396,541	141,653,239
Total liabilities and net assets	\$ 189,493,834	166,723,719

See accompanying notes to consolidated financial statements.

**THE ASIA SOCIETY AND AFFILIATES**

Consolidated Statement of Activities

Year ended June 30, 2007

	<b>Available for operations</b>	<b>Designated for investment</b>	<b>Invested in and designated for fixed assets</b>	<b>Unrestricted total</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Revenue, gains, and other support:							
Contributions and grants	\$ 9,372,025	—	214,029	9,586,054	15,511,363	2,938,500	28,035,917
Membership	2,777,241	—	—	2,777,241	—	—	2,777,241
Special events, net of direct donor benefits of \$1,195,881	3,366,185	—	—	3,366,185	—	—	3,366,185
Program service fees	2,770,622	—	—	2,770,622	—	—	2,770,622
Investment return (note 10)	3,324,174	5,628,188	358,497	9,310,859	4,381,174	—	13,692,033
Miscellaneous	562,222	—	—	562,222	—	—	562,222
	<u>22,172,469</u>	<u>5,628,188</u>	<u>572,526</u>	<u>28,373,183</u>	<u>19,892,537</u>	<u>2,938,500</u>	<u>51,204,220</u>
Net assets released from restrictions	6,084,534	—	584,997	6,669,531	(6,669,531)	—	—
Total revenue, gains, and other support	<u>28,257,003</u>	<u>5,628,188</u>	<u>1,157,523</u>	<u>35,042,714</u>	<u>13,223,006</u>	<u>2,938,500</u>	<u>51,204,220</u>
Expenses:							
Program services:							
Cultural programs	5,354,094	—	660,471	6,014,565	—	—	6,014,565
Policy and business	4,134,355	—	220,022	4,354,377	—	—	4,354,377
Education	3,952,908	—	65,505	4,018,413	—	—	4,018,413
Communications	690,312	—	47,220	737,532	—	—	737,532
U.S. centers	1,804,614	—	385,637	2,190,251	—	—	2,190,251
Asian centers	1,526,201	—	73,255	1,599,456	—	—	1,599,456
Auxiliary services	1,934,091	—	383,383	2,317,474	—	—	2,317,474
Total program services	<u>19,396,575</u>	<u>—</u>	<u>1,835,493</u>	<u>21,232,068</u>	<u>—</u>	<u>—</u>	<u>21,232,068</u>
Supporting services:							
Management and general	3,831,211	—	538,134	4,369,345	—	—	4,369,345
Marketing	1,172,422	—	48,215	1,220,637	—	—	1,220,637
Fund-raising	2,439,510	—	199,358	2,638,868	—	—	2,638,868
Total supporting services	<u>7,443,143</u>	<u>—</u>	<u>785,707</u>	<u>8,228,850</u>	<u>—</u>	<u>—</u>	<u>8,228,850</u>
Total expenses	<u>26,839,718</u>	<u>—</u>	<u>2,621,200</u>	<u>29,460,918</u>	<u>—</u>	<u>—</u>	<u>29,460,918</u>
Increase (decrease) in net assets before transfer	1,417,285	5,628,188	(1,463,677)	5,581,796	13,223,006	2,938,500	21,743,302
Transfer for acquisition of fixed assets	(318,573)	—	318,573	—	—	—	—
Increase (decrease) in net assets	1,098,712	5,628,188	(1,145,104)	5,581,796	13,223,006	2,938,500	21,743,302
Net assets at beginning of year	1,336,689	6,952,462	16,566,183	24,855,334	74,086,206	42,711,699	141,653,239
Net assets at end of year	\$ <u>2,435,401</u>	<u>12,580,650</u>	<u>15,421,079</u>	<u>30,437,130</u>	<u>87,309,212</u>	<u>45,650,199</u>	<u>163,396,541</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 10)	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	<u>5,153,863</u>	—	<u>558,749</u>	<u>5,712,612</u>	<u>(5,712,612)</u>	—	—
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>1,697,232</u>	<u>17,593,577</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>737,412</u>	<u>8,180,381</u>	—	—	<u>8,180,381</u>
Total expenses	<u>23,339,314</u>	—	<u>2,434,644</u>	<u>25,773,958</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	—	—	—	—
Reclassification of funds (note 12)	—	(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 Statements of Cash Flows

Years ended June 30, 2007 and 2006

	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Increase in net assets	\$ 21,743,302	40,532,378
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(11,217,511)	(3,291,895)
Depreciation and amortization	2,039,293	1,991,035
Permanently restricted contributions and contributions restricted for capital projects	(14,738,122)	(37,269,383)
Decrease in contributions and grants receivable, net of amounts classified as financing	1,676,455	3,833,938
Decrease (increase) in prepaid expenses and other assets	50,083	(373,491)
Decrease in accounts payable and accrued expenses, net of amounts classified as investing	(90,872)	(154,855)
Net cash (used in) provided by operating activities	(537,372)	5,267,727
Cash flows from investing activities:		
Proceeds from sales of investments	62,188,013	28,886,867
Investment purchases	(65,869,609)	(37,995,623)
Capital expenditures	(8,551,123)	(1,292,470)
Increase in accounts payable for capital expenditures	697,685	—
Net cash used in investing activities	(11,535,034)	(10,401,226)
Cash flows from financing activities:		
Loan principal payments	(580,000)	(555,000)
Loan proceeds	1,000,000	—
Permanently restricted contributions and contributions restricted for capital projects	14,738,122	37,269,383
Decrease (increase) in contributions and grants receivable related to permanently restricted contributions and contributions restricted for building renovation	10,396,933	(25,233,282)
Net cash provided by financing activities	25,555,055	11,481,101
Net increase in cash and cash equivalents	13,482,649	6,347,602
Cash and cash equivalents at beginning of year	14,424,697	8,077,095
Cash and cash equivalents at end of year	\$ 27,907,346	14,424,697
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 877,768	653,716

See accompanying notes to consolidated financial statements.

## THE ASIA SOCIETY AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2007 and 2006

#### (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 to promote the activities of the Society and to raise funds for the construction of a facility to house the Society's activities in the region. Asia Society Texas: Asia House, which was formed on April 16, 2002, is a Texas not-for-profit corporation and was formed primarily to raise funds for the construction of a facility in Houston, Texas to house the Society's activities in the region. 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 – available for operations** – Net assets that are not subject to donor-imposed stipulations and are available for the organization's on-going 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.

## THE ASIA SOCIETY AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2007 and 2006

**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.

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 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. 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 computer equipment is depreciated over a 3-year estimated useful life.

**(f) Accounting Estimates**

The preparation of consolidated 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) Other**

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

## THE ASIA SOCIETY AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2007 and 2006

#### (2) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon values provided by the Society's external investment managers or upon quoted market values.

The Society holds investments in alternative investments (hedge funds and other vehicles) 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.

Investments consist of the following at June 30, 2007 and 2006:

	2007	2006
Cash and cash equivalents	\$ 3,154,395	4,638,703
Equity securities	31,798,613	25,092,520
Fixed income securities:		
U.S. Treasury	490,188	705,619
U.S. agencies	—	88,077
Mortgage-backed	—	351,336
Corporate	—	13,240,286
International	2,230,085	2,376,555
Mutual funds:		
Equities	18,696,783	14,263,148
Fixed income	6,856,473	272,378
Index	1,302,875	7,894,610
Money market	800,872	50,405
Alternative investments	18,542,460	—
Total	\$ 83,872,744	68,973,637

#### (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.

## THE ASIA SOCIETY AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2007 and 2006

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) Loans Payable

As of June 30, 2007, the Society had outstanding loans payable of \$23,065,000, which comprises two loans: a loan to finance the renovation of the Society's headquarters with an outstanding balance of \$22,065,000; and a \$1,000,000 loan entered into by the Society's affiliate in Asia Society Texas: Asia House to finance the purchase of land with the plan to build a new building.

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:	
2008	\$ 600,000
2009	630,000
2010	650,000
2011	680,000
2012	705,000
2013 and thereafter	<u>18,800,000</u>
	<u>\$ 22,065,000</u>

The issuance costs associated with the Bonds (the unamortized balance of \$318,990 and \$332,982 at June 30, 2007 and 2006, respectively, is included in prepaid expenses and other assets) are being amortized over the term of the Bonds.

**THE ASIA SOCIETY AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

The Bonds bear interest at a weekly rate, not to exceed 12% per annum. Interest is payable monthly. For the year ended June 30, 2007, the interest rate varied from 3.31% to 3.94% and at June 30, 2007 was 3.70%. 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%. Interest expense for the years ended June 30, 2007 and 2006 was \$805,279 and \$680,631, 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 13, 2010, 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.

In addition, during fiscal 2007, the Society's affiliate, Asia Society Texas: Asia House, entered into a loan agreement for \$1,000,000 to purchase land (see note 5).

**(5) Related-Party Transactions**

On February 13, 2007, Asia Society Texas: Asia House purchased a tract of land with residences from a board member for \$1,000,000. As payment, Asia House entered into a loan agreement with the board member with a principal amount for \$1,000,000. The loan bears interest at a rate of 5% payable annually, commencing February 13, 2008, and the principal is due on February 13, 2022. The note is secured by a lien on the land and is included in loans payable on the accompanying consolidated balance sheet.

In March 2007, Asia Society Texas: Asia House purchased two tracts of land with residences from another board member for \$588,996.

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

At June 30, 2007 and 2006, the cost and accumulated depreciation of land, building, and equipment were as follows:

	<b>2007</b>	<b>2006</b>
Land	\$ 6,294,656	4,705,660
Building	38,451,212	38,451,212
Equipment and furniture	10,465,038	10,126,378
Construction in progress – Texas building project	2,412,289	915,954
Construction in progress – Hong Kong building project	5,520,811	393,679
	63,144,006	54,592,883
Less accumulated depreciation	16,720,549	14,695,248
	\$ 46,423,457	39,897,635

**THE ASIA SOCIETY AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

During the year ended June 30, 2007, the Society's affiliate, Asia Society Texas: Asia House, purchased contiguous land parcels in several transactions for the total cost of \$1,588,996 (see note 5). During the years ended June 30, 2005 and 2004, Asia Society Texas: Asia House also purchased contiguous land parcels for an aggregate cost of \$2,673,650. The land purchases are part of a long-term project to construct a facility for the Society's activities in the Houston, Texas region.

The Society's affiliate, The Asia Society Hong Kong Center Limited, has undertaken a 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.

**(7) 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, 2007 and 2006:

	<b>2007</b>	<b>2006</b>
Amounts expected to be collected in:		
Less than one year	\$ 16,332,640	20,097,913
One to five years	14,505,237	23,563,213
Thereafter	100,000	30,000
Allowance for doubtful accounts	(150,000)	(300,000)
Less discount to present value (at discount rates ranging from 2.46% to 5.16% in 2007 and 1.70% to 5.16% in 2006)	(812,139)	(1,342,000)
	<b>\$ 29,975,738</b>	<b>42,049,126</b>

Contributions and grants receivable include \$10.5 million from a single donor as of June 30, 2007.

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 Corporation, as agent of the City. The grant was fully paid in November 2007 (see note 11).

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.

**THE ASIA SOCIETY AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

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

Temporarily restricted net assets at June 30, 2007 and 2006 were available for the following purposes or periods:

	<u>2007</u>	<u>2006</u>
Education	\$ 6,761,062	9,040,836
Building renovations (New York)	8,429,350	9,012,347
Texas project	22,437,279	13,281,577
Hong Kong project	23,407,187	21,030,599
Cultural programs (a)	5,509,073	4,350,792
Policy and business	14,715,593	11,106,816
New media	725,000	—
Art acquisitions	749,763	684,436
Asian activities	616,307	655,925
U.S. centers	35,000	40,020
Future periods	3,923,598	4,882,858
	<u>\$ 87,309,212</u>	<u>74,086,206</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.

The investment income earned on the balances of permanently restricted net assets is restricted to the following uses at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Permanent collection	\$ 7,100,000	7,100,000
Cultural programs	15,816,027	14,912,497
Policy and business	14,723,670	12,688,670
Education	1,642,000	1,642,000
Art acquisitions	650,000	650,000
Country funds (b)	2,042,667	2,042,667
Internship funds	2,480,000	2,480,000
Unrestricted	1,195,835	1,195,835
	<u>\$ 45,650,199</u>	<u>42,711,669</u>

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

**THE ASIA SOCIETY AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

**(9) 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, 2007 and 2006 was approximately \$735,000 and \$697,000, respectively.

**(10) Investment Return**

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

	<b>2007</b>	<b>2006</b>
Interest and dividends	\$ 2,882,557	1,868,587
Net realized gains	3,125,649	1,584,013
Net unrealized gains	8,091,862	1,707,882
Total net gains	11,217,511	3,291,895
Net investment gains	14,100,068	5,160,482
Less investment advisory fees	(408,035)	(304,308)
Investment return	\$ 13,692,033	4,856,174

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 rate (spending rate) of up to 5% of the preceding three-year average fair value of the portfolio for fiscal year 2007. In fiscal years 2007 and 2006, the following amount and rates were allocated in accordance with this policy:

	<b>2007</b>	<b>2006</b>
Investment income allocated to:		
Unrestricted net assets for operations	\$ 2,489,512	1,732,902
Temporarily restricted net assets	53,072	43,812
	\$ 2,542,584	1,776,714
Representing a spending rate of	5%	4%

## **THE ASIA SOCIETY AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

June 30, 2007 and 2006

#### **(11) Contingencies**

In April 2007, the Society terminated a lawsuit brought by the construction manager of the renovation of the New York headquarters building. The Society and the construction manager entered into a stipulation discontinuing the lawsuit with prejudice. In connection with the lawsuit, the construction manager filed a mechanics' lien against the Society of approximately \$2.8 million. In September 2007, the lien was discharged with no liability to the Society.

Following the dismissal of the dispute between the Society and the construction manager noted above, the Society applied to the City for the payment of the final grant receivable of \$257,767, referenced in note 7. The Society received these funds in November 2007.

#### **(12) Reclassification of Funds**

During the year ended June 30, 2006, 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.

#### **(13) Subsequent Event**

Subsequent to June 30, 2007, the Society took steps so that it will no longer be required to consolidate the affiliated entities reported in note 1. These steps included amendments of the charters of certain of the affiliated companies. As a result, in future years the financial statements of the Society will only include the financial statements of The Asia Society, the New York entity. Management expects that the impact of this transaction will be a reduction in net assets of \$54 million in fiscal 2008.

## THE ASIA SOCIETY AND AFFILIATES

## Consolidating Balance Sheet

June 30, 2007

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	\$ 7,501,416	285,521	191,431	13,786,056	6,142,922	—	27,907,346
Contributions and grants receivable	10,946,328	—	—	6,837,697	13,111,182	(919,469)	29,975,738
Prepaid expenses and other assets	1,197,436	68,930	5,520	47,504	314,524	(319,365)	1,314,549
Investments	80,339,784	—	—	—	3,532,960	—	83,872,744
Land, building, and equipment	34,178,877	13,888	7,890	6,674,935	5,547,867	—	46,423,457
Collection	—	—	—	—	—	—	—
Total assets	<u>\$ 134,163,841</u>	<u>368,339</u>	<u>204,841</u>	<u>27,346,192</u>	<u>28,649,455</u>	<u>(1,238,834)</u>	<u>189,493,834</u>
<b>Liabilities and Net Assets</b>							
Liabilities:							
Accounts payable and accrued expenses	\$ 3,175,635	105,197	—	190,022	800,273	(1,238,834)	3,032,293
Loans payable	22,065,000	—	—	1,000,000	—	—	23,065,000
Total liabilities	<u>25,240,635</u>	<u>105,197</u>	<u>—</u>	<u>1,190,022</u>	<u>800,273</u>	<u>(1,238,834)</u>	<u>26,097,293</u>
Commitments and contingencies							
Net assets:							
Unrestricted:							
Available for operations	(2,831,756)	251,535	197,523	—	3,898,630	919,469	2,435,401
Designated for investment	12,580,650	—	—	—	—	—	12,580,650
Invested in and designated for fixed assets	12,575,676	11,607	7,318	2,799,422	27,056	—	15,421,079
Total unrestricted	<u>22,324,570</u>	<u>263,142</u>	<u>204,841</u>	<u>2,799,422</u>	<u>3,925,686</u>	<u>919,469</u>	<u>30,437,130</u>
Temporarily restricted	40,948,437	—	—	23,356,748	23,923,496	(919,469)	87,309,212
Permanently restricted	45,650,199	—	—	—	—	—	45,650,199
Total net assets	<u>108,923,206</u>	<u>263,142</u>	<u>204,841</u>	<u>26,156,170</u>	<u>27,849,182</u>	<u>—</u>	<u>163,396,541</u>
Total liabilities and net assets	<u>\$ 134,163,841</u>	<u>368,339</u>	<u>204,841</u>	<u>27,346,192</u>	<u>28,649,455</u>	<u>(1,238,834)</u>	<u>189,493,834</u>

See accompanying independent auditors' report.

**THE ASIA SOCIETY AND AFFILIATES**  
 Consolidating Statement of Activities  
 Year ended June 30, 2007

	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
<b>Change in unrestricted net assets for operations:</b>							
Revenue, gains, and other support:							
Contributions and grants	\$ 8,384,702	40,531	667,986	—	278,806	—	9,372,025
Membership	2,203,219	394,930	20,613	—	158,479	—	2,777,241
Special events, net of direct donor benefits of \$1,195,881	3,163,922	35,283	—	—	166,980	—	3,366,185
Program service fees	2,319,147	34,173	133	—	417,169	—	2,770,622
Investment return	2,851,722	10,874	—	—	461,578	—	3,324,174
Miscellaneous	587,902	8,437	5,914	—	(31)	(40,000)	562,222
	<u>19,510,614</u>	<u>524,228</u>	<u>694,646</u>	<u>—</u>	<u>1,482,981</u>	<u>(40,000)</u>	<u>22,172,469</u>
Net assets released from restrictions	6,058,592	—	—	—	25,942	—	6,084,534
Total revenue, gains, and other support	<u>25,569,206</u>	<u>524,228</u>	<u>694,646</u>	<u>—</u>	<u>1,508,923</u>	<u>(40,000)</u>	<u>28,257,003</u>
Expenses:							
Program services	18,923,147	354,591	443,270	—	595,036	(919,469)	19,396,575
Supporting services:							
Management and general	3,685,491	47,279	59,103	—	79,338	(40,000)	3,831,211
Marketing	1,079,564	23,639	29,551	—	39,668	—	1,172,422
Fund-raising	2,253,790	47,279	59,103	—	79,338	—	2,439,510
Total expenses	<u>25,941,992</u>	<u>472,788</u>	<u>591,027</u>	<u>—</u>	<u>793,380</u>	<u>(959,469)</u>	<u>26,839,718</u>
Increase (decrease) in net assets before transfer	<u>(372,786)</u>	<u>51,440</u>	<u>103,619</u>	<u>—</u>	<u>715,543</u>	<u>919,469</u>	<u>1,417,285</u>
Transfer for acquisition of fixed assets	(279,939)	—	(6,776)	—	(31,858)	—	(318,573)
(Decrease) increase in unrestricted net assets for operations	<u>(652,725)</u>	<u>51,440</u>	<u>96,843</u>	<u>—</u>	<u>683,685</u>	<u>919,469</u>	<u>1,098,712</u>
<b>Change in unrestricted net assets for investments:</b>							
Revenue, gains, and other support:							
Investment return	5,628,188	—	—	—	—	—	5,628,188
<b>Change in unrestricted net assets available for fixed assets:</b>							
Revenue, gains, and other support:							
Contributions and grants	—	—	—	131,737	82,292	—	214,029
Investment return	—	—	—	358,497	—	—	358,497
	<u>—</u>	<u>—</u>	<u>—</u>	<u>490,234</u>	<u>82,292</u>	<u>—</u>	<u>572,526</u>
Net assets released from restrictions	584,997	—	—	—	—	—	584,997
Total revenue, gains, and other support	<u>584,997</u>	<u>—</u>	<u>—</u>	<u>490,234</u>	<u>82,292</u>	<u>—</u>	<u>1,157,523</u>
Expenses							
Decrease in net assets before transfer	(1,428,870)	(4,747)	(4,380)	(19,426)	(6,254)	—	(1,463,677)
Transfer for acquisition of fixed assets	279,939	—	6,776	—	31,858	—	318,573
(Decrease) increase in unrestricted net assets available for fixed assets	<u>(1,148,931)</u>	<u>(4,747)</u>	<u>2,396</u>	<u>(19,426)</u>	<u>25,604</u>	<u>—</u>	<u>(1,145,104)</u>
Change in unrestricted net assets	<u>3,826,532</u>	<u>46,693</u>	<u>99,239</u>	<u>(19,426)</u>	<u>709,289</u>	<u>919,469</u>	<u>5,581,796</u>
<b>Change in temporarily restricted net assets:</b>							
Revenue, gains, and other support:							
Contributions and grants	3,935,399	—	—	10,075,172	2,420,261	(919,469)	15,511,363
Investment return	4,381,174	—	—	—	—	—	4,381,174
	<u>8,316,573</u>	<u>—</u>	<u>—</u>	<u>10,075,172</u>	<u>2,420,261</u>	<u>(919,469)</u>	<u>19,892,537</u>
Net assets released from restrictions	(6,643,589)	—	—	—	(25,942)	—	(6,669,531)
Total revenue, gains, and other support	<u>1,672,984</u>	<u>—</u>	<u>—</u>	<u>10,075,172</u>	<u>2,394,319</u>	<u>(919,469)</u>	<u>13,223,006</u>
Increase (decrease) in temporarily restricted net assets	<u>1,672,984</u>	<u>—</u>	<u>—</u>	<u>10,075,172</u>	<u>2,394,319</u>	<u>(919,469)</u>	<u>13,223,006</u>
<b>Change in permanently restricted net assets:</b>							
Revenue, gains, and other support:							
Contributions and grants	2,938,500	—	—	—	—	—	2,938,500
Increase in permanently restricted net assets	<u>2,938,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,938,500</u>
Increase in net assets	8,438,016	46,693	99,239	10,055,746	3,103,608	—	21,743,302
Net assets at beginning of year	100,485,190	216,449	105,602	16,100,424	24,745,574	—	141,653,239
Net assets at end of year	<u>\$ 108,923,206</u>	<u>263,142</u>	<u>204,841</u>	<u>26,156,170</u>	<u>27,849,182</u>	<u>—</u>	<u>163,396,541</u>

See accompanying independent auditors' report.

**THE ASIA SOCIETY AND AFFILIATES**  
Consolidated Schedule of Functional Expenses  
Year ended June 30, 2007  
(with comparative totals for the year ended June 30, 2006)

	<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>
Unrestricted operating expenses:						
Salaries and wages	\$ 1,585,218	1,071,559	1,070,307	275,207	953,746	536,982
Benefits and payroll taxes	380,493	272,332	282,887	72,870	213,229	82,249
Total staff costs	1,965,711	1,343,891	1,353,194	348,077	1,166,975	619,231
Professional fees	680,744	279,977	1,085,146	241,125	167,934	200,446
Supplies and materials	720,258	1,100,481	70,819	2,947	187,277	474,451
Travel	284,545	1,057,790	586,154	6,300	55,085	62,509
Communications	525,272	57,120	36,032	45,015	49,963	26,537
Occupancy	256,592	122,250	20,546	14,811	166,552	122,449
Equipment rental and maintenance	115,173	49,827	11,095	5,501	27,233	9,298
Store inventory	—	—	—	—	—	—
Grants paid	—	10,000	721,755	—	—	—
Financing costs	331,585	110,461	32,886	23,706	—	—
Other	474,214	2,558	35,281	2,830	(16,405)	11,280
	<u>5,354,094</u>	<u>4,134,355</u>	<u>3,952,908</u>	<u>690,312</u>	<u>1,804,614</u>	<u>1,526,201</u>
Unrestricted fixed asset expenses:						
Depreciation and amortization	660,471	220,022	65,505	47,220	3,392	21,581
Other	—	—	—	—	382,245	51,674
	<u>660,471</u>	<u>220,022</u>	<u>65,505</u>	<u>47,220</u>	<u>385,637</u>	<u>73,255</u>
Total expenses	<u>\$ 6,014,565</u>	<u>4,354,377</u>	<u>4,018,413</u>	<u>737,532</u>	<u>2,190,251</u>	<u>1,599,456</u>

See accompanying independent auditors' report.

## Schedule 3

<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>2007 Total expenses</u>	<u>2006 Total expenses</u>
624,428	6,117,447	1,971,804	577,092	1,503,516	4,052,412	10,169,859	9,485,462
155,233	1,459,293	384,608	141,147	367,088	892,843	2,352,136	2,251,199
779,661	7,576,740	2,356,412	718,239	1,870,604	4,945,255	12,521,995	11,736,661
21,076	2,676,448	266,027	25,991	53,984	346,002	3,022,450	2,490,175
100,548	2,656,781	160,489	65,248	162,297	388,034	3,044,815	1,883,500
18,904	2,071,287	91,812	16,315	44,986	153,113	2,224,400	1,547,363
14,107	754,046	54,822	23,637	61,667	140,126	894,172	560,102
120,794	823,994	189,462	34,078	77,231	300,771	1,124,765	1,110,543
52,743	270,870	223,249	7,242	68,488	298,979	569,849	698,061
612,381	612,381	—	—	—	—	612,381	651,528
—	731,755	—	—	—	—	731,755	642,640
192,474	691,112	232,018	23,706	61,939	317,663	1,008,775	912,440
21,403	531,161	256,920	257,966	38,314	553,200	1,084,361	1,106,301
<u>1,934,091</u>	<u>19,396,575</u>	<u>3,831,211</u>	<u>1,172,422</u>	<u>2,439,510</u>	<u>7,443,143</u>	<u>26,839,718</u>	<u>23,339,314</u>
383,383	1,401,574	464,140	48,215	125,364	637,719	2,039,293	1,991,035
—	433,919	73,994	—	73,994	147,988	581,907	443,609
<u>383,383</u>	<u>1,835,493</u>	<u>538,134</u>	<u>48,215</u>	<u>199,358</u>	<u>785,707</u>	<u>2,621,200</u>	<u>2,434,644</u>
<u>2,317,474</u>	<u>21,232,068</u>	<u>4,369,345</u>	<u>1,220,637</u>	<u>2,638,868</u>	<u>8,228,850</u>	<u>29,460,918</u>	<u>25,773,958</u>

