

ASHOKA
FINANCIAL STATEMENTS
AUGUST 31, 2006
AND
INDEPENDENT AUDITOR'S REPORT
MARCH 29, 2007



The Board of Directors
Ashoka
Arlington, VA

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Ashoka as of August 31, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Ashoka as of August 31, 2006 and 2005, 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.

March 29, 2007

A handwritten signature in cursive script that reads "Cleveland E. Gottliffe".

ASHOKA
Statements of Financial Position
August 31

Assets:	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 3,044,747	\$ 1,861,115
Short term investments (Note 5)	9,579,813	6,904,267
Unconditional promises to give (Note 4)		
Unrestricted	4,183,888	3,097,952
Restricted	29,709,800	26,055,533
Other receivables	567,520	489,923
Prepaid expenses	48,654	28,232
Security deposits	42,545	32,060
Long term investments (Note 5)	19,812,779	18,827,905
Fixed assets, net of accumulated depreciation of \$495,424 and \$587,822 (Note 6)	300,300	217,895
	<hr/>	<hr/>
Total assets	\$ 67,290,046	\$ 57,514,882
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and net assets:		
Accounts payable	\$ 228,195	\$ 19,622
Accrued expenses	212,244	385,542
Fellowship obligations (Note 7)	12,929,398	9,217,842
Total liabilities	<hr/> 13,369,837	<hr/> 9,623,006
	<hr/>	<hr/>
Net assets:		
Unrestricted	1,880,956	1,537,114
Temporarily restricted (Note 2)	32,226,474	27,526,857
Permanently restricted (Note 1b)	19,812,779	18,827,905
Total net assets	<hr/> 53,920,209	<hr/> 47,891,876
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Total liabilities and net assets	\$ 67,290,046	\$ 57,514,882
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(See accompanying notes and independent auditor's report)

ASHOKA
Statements of Activities
Years Ended August 31

	<u>2006</u>	<u>2005</u>
Unrestricted net assets:		
Public support:		
Contributions	\$ 4,130,981	\$ 3,067,864
Contributed services	3,293,808	0
Received from federated campaigns	30,561	28,648
Total public support	<u>7,455,350</u>	<u>3,096,512</u>
Revenue:		
Interest income	353,628	198,594
Unrealized gains (losses) on investments	47,774	(903)
Miscellaneous income	141,191	35,674
Total revenue	<u>542,593</u>	<u>233,365</u>
Total support and revenue	<u>7,997,943</u>	<u>3,329,877</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	17,645,402	13,061,432
Endowment income distributions	700,000	704,000
Total net assets released from restrictions	<u>18,345,402</u>	<u>13,765,432</u>
Total unrestricted support and revenue	<u>26,343,345</u>	<u>17,095,309</u>
Expenses:		
Program services:		
Leading social entrepreneurs	14,787,884	9,534,103
Public education	1,332,711	617,893
New architecture	3,636,024	2,476,791
Group entrepreneurship	3,778,850	2,557,577
Total program services	<u>23,535,469</u>	<u>15,186,364</u>
Supporting services:		
Management and general	927,087	706,083
Fund raising	1,686,567	1,576,409
Total supporting services	<u>2,613,654</u>	<u>2,282,492</u>
Total expenses	<u>26,149,123</u>	<u>17,468,856</u>
Foreign exchange gains (losses)	149,620	15,118
Increase (decrease) in unrestricted net assets	<u>343,842</u>	<u>(358,429)</u>
Temporarily restricted net assets:		
Contributions	20,991,368	19,442,059
Net assets released from restrictions (Note 3)	(17,645,402)	(13,061,432)
Allowance for losses on promises to give	1,353,651	(666,212)
Increase (decrease) in temporarily restricted net assets	<u>4,699,617</u>	<u>5,714,415</u>
Permanently restricted net assets:		
Endowment fund support	267,550	513,600
Income on investments	820,769	540,898
Endowment income distributions	(700,000)	(704,000)
Realized gains (losses) on investments	555,383	58,514
Unrealized gains (losses) on investments	41,172	553,848
Increase (decrease) in permanently restricted net assets	<u>984,874</u>	<u>962,860</u>
Increase (decrease) in net assets	<u>6,028,333</u>	<u>6,318,846</u>
Net assets at beginning of year	47,891,876	41,573,030
Net assets at end of year	<u>\$ 53,920,209</u>	<u>\$ 47,891,876</u>

(See accompanying notes and independent auditor's report)

ASHOKA
Statements of Cash Flows
Years Ended August 31

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,028,333	\$ 6,318,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,107	111,465
Provision for losses on receivables	174,487	211,481
(Increase) decrease in operating assets:		
Unrestricted unconditional promises to give	(1,085,936)	(1,992,591)
Other receivables	(77,597)	(129,834)
Prepaid expenses	(20,422)	1,620
Security deposits	(10,485)	0
Increase (decrease) in operating liabilities:		
Accounts payable	208,573	(74,740)
Accrued expenses	(173,298)	310,999
Fellowship obligations	3,711,556	(207,471)
Contributions restricted for long term investment	(267,550)	(513,600)
Restricted unconditional promises to give	(3,654,267)	(5,543,765)
Realized gains on investments	(555,383)	(58,514)
Unrealized (gains) losses on investments	(88,946)	(552,945)
Interest and dividends restricted for long term investment	(820,769)	(540,898)
Net cash provided (used) by operating activities	<u>3,473,403</u>	<u>(2,659,947)</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(187,511)	(87,830)
Sale (purchase) of investments, net	(3,745,962)	2,897,911
Net cash provided (used) by investing activities	<u>(3,933,473)</u>	<u>2,810,081</u>
Cash flows from financing activities:		
Collection of endowment fund support	267,550	513,600
Endowment fund income	820,769	540,898
Realized endowment investment gains	555,383	58,514
Net borrowings	0	0
Net cash provided (used) by financing activities	<u>1,643,702</u>	<u>1,113,012</u>
Net increase (decrease) in cash and cash equivalents	<u>1,183,632</u>	<u>1,263,146</u>
Cash and cash equivalents at beginning of year	1,861,115	597,969
Cash and cash equivalents at end of year	<u>\$ 3,044,747</u>	<u>\$ 1,861,115</u>

(See accompanying notes and independent auditor's report)

ASHOKA
Statement of Functional Expenses
Year Ended August 31, 2006

	<u>Program Services</u>		
	<u>Leading Social Entrepreneurs</u>	<u>Public Education</u>	<u>New Architecture</u>
Salaries	\$ 1,791,407	\$ 447,313	\$ 1,003,084
Payroll taxes	201,468	38,470	108,831
Employee benefits	74,592	20,923	48,621
Consulting	1,990,567	508,797	1,829,790
Outside services	106,718	13,656	39,678
Total personnel and related expenses	<u>4,164,752</u>	<u>1,029,159</u>	<u>3,030,004</u>
Fellowship payments	9,145,886	0	0
Office supplies and expenses	59,078	10,358	11,199
Occupancy	208,203	46,151	82,604
Telephone, telex and facsimile	100,983	7,678	25,300
Postage and messenger	21,221	27,873	18,986
Printing and publications	58,627	69,991	21,900
Equipment rental and repair	23,226	4,160	10,178
Equipment expensed	19,319	277	2,312
Accounting and audit	46,819	3,421	11,615
Bad debt	60,547	14,972	44,058
Bank and brokerage fees	21,300	2,892	9,320
Travel	574,403	72,415	236,220
Conferences	61,933	6,516	15,037
Miscellaneous expenses	24,943	304	349
Local transportation and meals	60,245	10,246	23,016
Awards	27,385	3,363	56,520
Dues, books and subscriptions	13,147	10,351	3,305
Training	13,606	184	1,248
Insurance	13,201	2,184	3,958
Taxes and penalties	32,588	1,198	2,355
Total expenses before depreciation	<u>14,751,412</u>	<u>1,323,693</u>	<u>3,609,484</u>
Depreciation of equipment	36,472	9,018	26,540
Total expenses	<u>\$ 14,787,884</u>	<u>\$ 1,332,711</u>	<u>\$ 3,636,024</u>

(See accompanying notes and independent auditor's report)

<u>Program Services</u>		<u>Supporting Services</u>			
<u>Group</u>		<u>Management</u>	<u>Fund</u>		<u>Total</u>
<u>Entrepreneurship</u>	<u>Total</u>	<u>& General</u>	<u>Raising</u>	<u>Total</u>	<u>Expenses</u>
\$ 1,204,174	\$ 4,445,978	\$ 307,357	\$ 785,289	\$ 1,092,646	\$ 5,538,624
89,827	438,596	25,403	81,954	107,357	545,953
61,148	205,284	66,773	25,345	92,118	297,402
654,851	4,984,005	248,704	98,335	347,039	5,331,044
59,643	219,695	19,289	48,746	68,035	287,730
2,069,643	10,293,558	667,526	1,039,669	1,707,195	12,000,753
0	9,145,886	0	0	0	9,145,886
20,081	100,716	5,710	5,964	11,674	112,390
133,152	470,110	138,183	65,504	203,687	673,797
49,127	183,088	12,032	25,359	37,391	220,479
10,539	78,619	5,085	92,367	97,452	176,071
32,204	182,722	429	197,793	198,222	380,944
12,936	50,500	20,883	6,486	27,369	77,869
3,724	25,632	(335)	19,215	18,880	44,512
17,819	79,674	9,509	7,574	17,083	96,757
30,098	149,675	9,701	15,111	24,812	174,487
9,020	42,532	9,607	13,600	23,207	65,739
541,339	1,424,377	20,637	104,588	125,225	1,549,602
60,411	143,897	734	56,326	57,060	200,957
3,097	28,693	1,184	1,419	2,603	31,296
48,815	142,322	3,769	15,518	19,287	161,609
694,922	782,190	1,444	0	1,444	783,634
5,955	32,758	2,321	6,094	8,415	41,173
1,131	16,169	336	277	613	16,782
5,562	24,905	11,397	3,420	14,817	39,722
11,144	47,285	1,091	1,181	2,272	49,557
<u>3,760,719</u>	<u>23,445,308</u>	<u>921,243</u>	<u>1,677,465</u>	<u>2,598,708</u>	<u>26,044,016</u>
18,131	90,161	5,844	9,102	14,946	105,107
<u>3,778,850</u>	<u>23,535,469</u>	<u>\$ 927,087</u>	<u>\$ 1,686,567</u>	<u>\$ 2,613,654</u>	<u>\$ 26,149,123</u>

ASHOKA
Statement of Functional Expenses
Year Ended August 31, 2005

	Program Services		
	Leading Social Entrepreneurs	Public Education	New Architecture
Salaries	\$ 1,652,316	\$ 287,321	\$ 913,779
Payroll taxes	187,843	21,291	62,041
Employee benefits	148,340	13,376	48,007
Consulting	423,012	68,058	533,698
Outside services	124,956	14,091	25,519
Total personnel and related expenses	2,536,467	404,137	1,583,044
Fellowship payments	5,389,664	0	0
Office supplies and expenses	58,919	3,485	9,444
Occupancy	193,542	26,512	55,956
Telephone, telex and facsimile	93,669	6,977	48,894
Postage and messenger	61,207	44,885	3,420
Printing and publications	86,908	63,981	51,639
Equipment rental and repair	39,631	4,236	11,124
Equipment expensed	6,756	1,981	565
Accounting and audit	50,324	2,123	8,479
Bad debt	73,553	11,737	45,934
Bank and brokerage fees	24,390	2,470	8,034
Travel	621,156	18,922	262,615
Conferences	75,262	828	36,236
Miscellaneous expenses	3,500	376	938
Local transportation and meals	95,443	2,001	19,892
Awards	23,526	0	294,105
Dues, books and subscriptions	8,277	15,291	2,465
Training	7,035	48	3,588
Insurance	10,144	1,241	2,410
Property taxes and penalties	35,962	476	3,799
Total expenses before depreciation	9,495,335	611,707	2,452,581
Depreciation of equipment	38,768	6,186	24,210
Total expenses	\$ 9,534,103	\$ 617,893	\$ 2,476,791

(See accompanying notes and independent auditor's report)

<u>Program Services</u>		<u>Supporting Services</u>			
<u>Group</u>		<u>Management</u>	<u>Fund</u>		<u>Total</u>
<u>Entrepreneurship</u>	<u>Total</u>	<u>& General</u>	<u>Raising</u>	<u>Total</u>	<u>Expenses</u>
\$ 866,209	\$ 3,719,625	\$ 291,120	\$ 628,671	\$ 919,791	\$ 4,639,416
65,501	336,676	20,859	45,143	66,002	402,678
46,173	255,896	28,297	28,815	57,112	313,008
333,821	1,358,589	107,753	110,582	218,335	1,576,924
26,233	190,799	28,718	136,978	165,696	356,495
1,337,937	5,861,585	476,747	950,189	1,426,936	7,288,521
0	5,389,664	0	0	0	5,389,664
14,222	86,070	4,977	9,237	14,214	100,284
69,421	345,431	103,573	51,655	155,228	500,659
29,207	178,747	14,671	16,566	31,237	209,984
4,132	113,644	1,939	72,874	74,813	188,457
12,584	215,112	425	243,634	244,059	459,171
12,028	67,019	4,550	8,884	13,434	80,453
766	10,068	23,251	171	23,422	33,490
6,777	67,703	9,294	10,171	19,465	87,168
38,828	170,052	13,852	27,577	41,429	211,481
7,793	42,687	10,802	6,044	16,846	59,533
271,083	1,173,776	20,457	112,322	132,779	1,306,555
83,241	195,567	644	22,440	23,084	218,651
3,600	8,414	1,428	1,651	3,079	11,493
32,471	149,807	3,679	21,223	24,902	174,709
602,377	920,008	0	0	0	920,008
3,960	29,993	801	3,368	4,169	34,162
997	11,668	212	105	317	11,985
3,245	17,040	5,404	2,678	8,082	25,122
2,443	42,680	2,076	1,085	3,161	45,841
<u>2,537,112</u>	<u>15,096,735</u>	<u>698,782</u>	<u>1,561,874</u>	<u>2,260,656</u>	<u>17,357,391</u>
20,465	89,629	7,301	14,535	21,836	111,465
<u>2,557,577</u>	<u>15,186,364</u>	<u>\$ 706,083</u>	<u>\$ 1,576,409</u>	<u>\$ 2,282,492</u>	<u>\$ 17,468,856</u>

ASHOKA

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2006 and 2005

NOTE 1. Summary of Significant Accounting Policies:

(a) Organization

Ashoka is a non-profit, publicly supported foundation incorporated on June 3, 1980 under the laws of the District of Columbia.

Ashoka envisions a global community that responds quickly and effectively to social challenges, where everyone has the freedom, confidence and societal support to address any societal problem and make change. This global community spreads innovation and the desire to change, such that everyone finds within themselves the potential to be changemakers.

Social entrepreneurs are the engines of change and role models for the citizen sector. Ashoka identifies and invests in Leading Social Entrepreneurs - entrepreneurs working to achieve positive social impact – supporting the individual, idea, and institution through all phases of their career.

Through Group Entrepreneurship programs, Ashoka engages communities of entrepreneurs and develops patterns of effective collaborations that accelerate and spread social impact.

Ashoka encourages the creation of sustainable social solutions by developing New Architecture for the sector to support and accelerate progress within the community. Systems include: access to social financing, bridges to business and academic sectors, and frameworks for strategic partnerships that deliver social and financial value.

Ashoka works to define and strengthen the field of social entrepreneurship through Public Education programs, including publications, media outreach, and a website.

Ashoka makes disbursements of funds in support of these objectives directly to individuals and groups as well as through affiliated groups and its own regional and country branches in Southeast Asia, South Asia, Africa, South America, Mexico/the Caribbean Basin, Europe and North America.

(b) Endowment Funds

Ashoka is building an endowment and now has 34 specific endowments that together totaled \$19,812,779 on August 31, 2006. The individual endowments typically are given by individuals or institutions to ensure permanent support in an area of concern to the donor and commonly are named to honor someone of the donor's choosing.

Note 1(b) (Continued)

The endowment is important to Ashoka for two reasons:

- 1) Ashoka's function, supporting the people and ideas most critical to society's ability to change and adapt, is a permanent one. The issues will change but not the need for social entrepreneurs.
- 2) Since Ashoka's average commitment to the social entrepreneurs it helps launch is for three years whereas most contributions are for one year, it needs the funding stability the endowment provides.

E. Noel Bergere Endowment Fund - During 1984, Ashoka established the E. Noel Bergere Endowment Fund, under an arrangement which provided for a total endowment of \$30,000 payable in an initial contribution of \$15,500 in August 1984 and subsequent contributions totaling \$14,500. During 1985 the terms of the fund were amended to provide for a total initial principal amount of \$100,000. The endowment contains the following stipulations:

The founder Chairman of Ashoka, William Drayton, must approve the selection of the Fellow(s) in question during the donor's lifetime. Under certain circumstances the endowment may revert to other charitable uses.

The fellowship has no geographic or subject matter limitations but rather an expressed wish that, where possible, the fellowship go to a person who is handicapped and/or whose work relates either to education or the law.

Joan Bergere Endowment Fund - During 1985, Ashoka established the Joan Bergere Endowment Fund. The Joan Bergere Endowment was started with initial contributions totaling \$200,000 over a period of two years. Joan Bergere came to America as a young musician and later helped other young musicians get their key career openings and first major New York City public concerts. The endowment contains the following stipulations:

The founder Chairman of Ashoka, William Drayton, must approve the selection of the Fellow(s) in question during the donor's lifetime. Under certain conditions the endowment may revert to other charitable uses.

The Buckminster Fuller Ashoka Fellowship - The Buckminster Fuller Ashoka Fellowship is an endowment fund established with an initial contribution of \$30,000 in 1984. The contribution stipulated that \$5,000 could be used for unrestricted purposes and that \$25,000 should be used to establish an endowment. The endowment further stipulates that the income from this endowment should be used to support a Fellow whose work involves the alleviation of hunger in the South Asian geographical area.

The Benjamin Franklin Ashoka Fellowship - The Benjamin Franklin Ashoka Fellowship is an endowment fund established with an initial contribution of \$5,000 in 1984 and subsequent contributions of \$5,000 and \$15,000 during 1985. The endowment contains no stipulations except that the income should be used to support an Ashoka Fellow in its name.

Note 1(b) (Continued)

The Columbia Ashoka Fellowships I and II - The Columbia I Fellowship was established as an endowment in January 1986 with an initial contribution of \$30,000. In December 1986 an additional contribution of \$30,000 established the Columbia II Fellowship. The Columbia endowments support the election of women fellows.

The C.M. Cresta Fund- The C.M. Cresta Fund is an endowment fund established in 1986 with an initial contribution of \$30,000. The endowment contains no restrictions.

The Maurice Fitzgerald Ashoka Fellowship - The Maurice Fitzgerald Fellowship is an endowment fund established in 1986 with an initial contribution of \$30,000. The endowment contains no restrictions.

The John and Eleanor Forrest Ashoka Fellowship - The John and Eleanor Forrest Fellowship is an endowment fund established in 1986 with an initial contribution of \$30,000. The endowment contains no restrictions.

The Albert O. Hirschman Fellowship - The Albert O. Hirschman Fellowship was established in 1986 as an endowment fund with an initial contribution of \$35,485 to honor Professor Hirschman's long leadership in the field of practical, grassroots development. The endowment contains no restrictions.

W. Arthur Lewis Ashoka Fellowship - The W. Arthur Lewis Fellowship was established in 1986 as an endowment fund with an initial contribution of \$35,485 to honor Professor Lewis's remarkably broad contributions to our understanding of development and of key areas of the world. The endowment contains no restrictions.

The Jacob H. Oxman Memorial Fund - The Oxman Memorial Fund was established in 1986 as an endowment fund with an initial contribution of \$30,000 in memory of Dr. Jacob H. Oxman, a devoted husband and father, and a kind, caring, generous and principled man. The endowment contains no restrictions.

The Daniel Saks Ashoka Fellowship - The Daniel Saks Fellowship is an endowment fund established in 1986 with an initial contribution of \$1,000. The endowment was established as a memorial to Daniel Saks whose concern and attention to opening employment and other life opportunities for the disadvantaged will be furthered through the Ashoka Fellowship. The endowment contains no restrictions.

Note 1(b) (Continued)

The Harris and Eliza Kempner Fund Ashoka Fellowship - The Harris and Eliza Kempner Fellowship is an endowment fund established in 1989 with an initial contribution of \$10,000 and subsequent \$10,000 contributions made in 1990, 1991 and 1996. The endowment is to provide support to public innovators in Mexico.

The Mack Lipkin, Sr. Memorial Endowment - The Mack Lipkin Memorial Endowment is an endowment established in 1991 with an initial contribution of \$22,500 and subsequent contributions of \$22,500 in 1992, \$20,000 in 1993 and \$20,000 in 1994. It was established in memory of Dr. Mack Lipkin, a much loved friend and doctor who was also a leader of the medical profession and a founding friend to Ashoka. The endowment is devoted to innovations in the effectiveness and humane quality of health care.

The Henry Beal Endowment - The Henry Beal Endowment was established in 1992 with initial contributions of \$3,400. The endowment supports environmental issues or AIDS.

The Fort Hill Endowment - The Fort Hill Endowment was established in 1993 with an initial contribution of \$50,000.

The Padma Raj Datta Endowment - The Padma Raj Datta Endowment was established in 1996 with an initial contribution of \$11,629. Dr. Padma Raj Datta dedicated his life's work to using science to improve human welfare and preserve the environment. His father Parasuram Datta founded the Kaziranga Wildlife Sanctuary in Assam and was a strong believer in social justice. The family wishes that their legacy be continued through this endowment so that Ashoka Fellows in India may find their own path to the simple and profound acts that make a difference.

The Benjamin Bloom Endowment - The Benjamin Bloom Endowment was established in 1996 with an initial contribution of \$2,500 and was created to honor the memory of Ben Bloom. He was a successful lawyer and businessman who, as a son of immigrant parents, believed strongly in creating opportunities for others to succeed as he had succeeded. This endowment has been established to honor his principles to provide opportunities for those who are willing to work hard but need to be given a chance in life. The nature of this endowment is unrestricted.

Jimmy Hopkins Ashoka Fellowship - The Jimmy Hopkins Ashoka Fellowship was established in 1997 with an initial contribution of \$50,000. The income from this endowment will be used to support a Fellow in the legal or judicial arena.

Note 1(b) (Continued)

The Helen Meresman Fellowship - In memory of Helen Meresman, the personification of breaking barriers with determination, grace and charm, a fellowship was established in 1997 with an initial contribution of \$45,000. The purpose is unrestricted.

Ashoka General Endowment Fund - The Ashoka General Endowment was established in 1998 from numerous individual contributions earmarked for endowment purposes. The purpose is unrestricted.

The James P. Grant Endowment - The James P. Grant Endowment was created by his friends, colleagues and family to continue his life work and world vision. He supported leaders wherever he found them. He himself caused major changes, for example, UNICEF's global immunization program that saved millions of lives a year. The endowment's purposes include supporting innovative leadership that contributes to social development among children and the disadvantaged, developing new methods and low-cost technologies to further social development, and encouraging dialogue leading to policies that improve the lives of children and all humankind. Established in 1986.

The Francisco "Chico" Mendes Endowment - An early Fellow and very much a friend, Chico Mendes created an approach to grass roots organizing for the peoples of the Amazon Basin that Gandhi would have recognized but that was adapted to his very different environment. This creation, which lives on, is the rich fruit of his own evolution as a person and of years of persistent, careful experimentation. Chico, like Gandhi, was killed pursuing peaceful change. This endowment established in 1988, carries no restrictions, but preferred uses are grass roots work and the environment.

The Sanjoy Ghose Endowment - This endowment is a tribute to the work and sacrifice that Sanjoy Ghose made in building a culture of volunteerism and sense of citizen responsibility among the youth in India's northeastern state of Assam. It is a legacy of the work he began to reorient the area's youth away from violence and anarchy towards constructive and active social involvement in the face of ethnic strife, insurgent movements and state repression. Sanjoy was abducted on July 4, 1997. The United Liberation Front of Assam (ULFA) claimed responsibility for this act. Established in 1988, the purpose is unrestricted.

The Sarah Dunbar Endowment - The Sarah Dunbar Endowment was established in 2000 with an initial contribution of \$74,172. Sarah Dunbar had an enduring concern in downtrodden people whose environment had been destroyed or reduced by modern times, especially war and industry. Contributing to maintaining a people-friendly environment was another of her passions.

Note 1(b) (Continued)

The Amaterasu Endowment - The Amaterasu Endowment was established by Katherine Victoria Randolph in December of 1999 with an initial contribution of \$57,161. This endowment was established for the support of women Fellows working, outside the Americas, in areas of women's reproductive rights, women's empowerment, or sustainable community.

The Ashoka Endowment Fund B - In late 1999 Ashoka received a major commitment to add to its endowments and in early 2000 received stock contributions that were sold for \$9,796,449.

The Michael Fein Endowment - The Michael Fein Endowment was established in 2001 with an initial contribution of \$1,350. This endowment is in memory of Michael Fein and his tremendous ability to touch so many lives. He was very passionate about the social enterprises that Ashoka fulfilled.

The Mort Sand Endowment - The Morton Sand Endowment was established in 2002 with initial contributions totaling \$53,104. Mort Sand, a successful U.S. business entrepreneur who helped introduce significant new competition into the energy field, was from early in Ashoka's history, a very active counselor and friend. He helped build the Entrepreneur to Entrepreneur program, a key element of Ashoka's business/social bridging work. He helped Fellows in Brazil and Mexico and was one of the first champions of Ashoka's U.S./Canada program. Although it is unrestricted, the Endowment will give priority to enabling disadvantaged young people through opportunities in business.

The Jawaharlal Nehru Endowment - The Jawaharlal Nehru Endowment was established in 2003 with an initial contribution of \$67,500. Jawaharlal Nehru was far more than a great national leader. He helped build a global community, was a democrat, historian and he used his reflective power to hold himself to a high ethical standard. The purpose is unrestricted.

The Jan Schmidt Marmor Endowment - The Jan Schmidt Marmor Endowment was established in 2003 with an initial contribution of \$35,400. Jan Marmor was a wise counselor to her family, friends and patients. She was a fine poet and artist and was a close friend to Ashoka from its launch. With commitment and love she built a family that believed that no good idea should go unexpressed or unheard.

Note 1(b) (Continued)

The Diane Pierce Phillips Ashoka Fellowship Endowment – This endowment was established in 2003 with an initial contribution of \$23,100. Diane Pierce Phillips led an exemplary life of spiritual integrity and servant leadership as a U.S. Peace Corp Volunteer, wife and mother, registered nurse, hospice volunteer, minister and spiritual director. The purpose is unrestricted.

Father Eugene Watrin Endowment – The Father Eugene Watrin Endowment was established in 2004 with an initial contribution of \$50,000. Established in memory of Father Watrin, Ashoka’s volunteer representative in Nepal for many years. The endowment supports Fellows working in Nepal.

Note 1(b) (Continued)

At August 31, the fund balances of these endowments were as follows:

	<u>2006</u>	<u>2005</u>
E. Noel Bergere	\$ 266,131	\$ 258,056
Joan Bergere	575,615	555,709
Buckminster Fuller	61,135	58,847
Benjamin Franklin	74,551	71,769
Columbia I	70,340	67,707
Columbia II	69,834	67,202
Cresta, C.M. Fund	287,707	276,956
Maurice Fitzgerald	441,678	425,191
John and Eleanor Forrest	441,678	425,191
Albert O. Hirschman	70,593	67,950
Arthur Lewis	70,593	67,950
Jacob Oxman	204,573	196,920
Daniel H. Saks	139,013	133,828
Harris and Eliza Kempner	117,110	112,728
Mack Lipkin, Sr.	173,268	166,788
Henry Beal	148,047	142,524
Fort Hill	85,647	82,441
Padma Raj Datta	62,715	60,391
Benjamin Bloom	180,203	161,375
Jimmy Hopkins	284,482	273,886
Helen Meresman	69,327	66,731
General	1,885,190	1,576,913
James P. Grant	226,613	219,130
Francisco "Chico" Mendes	153,602	147,896
Sanjoy Ghose	153,602	147,896
Sarah Dunbar	97,970	94,355
Amaterasu	76,011	73,172
Ashoka Endowment Fund B	12,909,333	12,432,365
Michael Fein	1,654	1,594
Mort Sand	63,003	60,667
Jawaharlal Nehru	75,904	73,080
Jan Schmidt Marmor	178,187	169,266
Diane Pierce Phillips	29,848	26,311
Father Eugene Watrin	67,622	65,120
Total	<u>\$ 19,812,779</u>	<u>\$ 18,827,905</u>

Note 1(b) (Continued)

Ashoka has asked the endowment trustees both to invest and to provide distributions to Ashoka using a five year time frame and to at least maintain the inflation adjusted real value of the endowment over the same period. The trustees make disbursements carefully in light of Ashoka's needs on the one hand and these policy constraints on the other. At the end of 1989 \$110,000 of endowment fund income earned in 1989 and prior years was transferred to the unrestricted fund. During 1992 \$53,912 of endowment fund income earned in 1990 and 1991 was transferred to the unrestricted fund and used to pay for fellow stipends. During 1993 \$23,962 of endowment fund income earned in 1992 was transferred to the unrestricted fund and used to pay for fellow stipends. During 1994 \$115,000 of endowment fund income earned in 1992 and 1993 was distributed and used to pay for fellow stipends. During 1995 \$70,000 of income earned in 1994 was distributed and used to pay for fellow stipends. During 1996 \$84,144 of income earned in 1995 was distributed and used to pay for fellow stipends. During 1997 \$111,686 of income earned in 1996 and 1997 was distributed and used to pay for fellow stipends. During 2003 \$120,027 of income earned in prior years was distributed and used to pay for fellow stipends. During 2004 \$250,000 of income earned in prior years was distributed and used to pay for fellow stipends. During 2005 \$704,000 of income earned in prior years was distributed and used to pay for fellow stipends. During 2006 \$700,000 of income earned in prior years was distributed and used to pay for fellow stipends.

(c) Basis of Accounting

Ashoka maintains its accounts on the accrual basis. Contributions from various individuals, foundations and the sale of donated securities are recognized as revenue in the period they are donated or pledged. Pledges or contributions are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions are recorded as increases in unrestricted net assets unless specifically restricted by the donor. However, it is the board's policy that all small individual contributions be used only to support the Fellows and their helping one another through the collaborative fellowship in the field. This policy applies to receipts from the United Way and the Combined Federal Campaign.

(d) Fixed Assets - Office Equipment

Ashoka follows the practice of capitalizing, at cost, all expenditures for equipment and other fixed assets in excess of \$500. The fair value of donated fixed assets is similarly capitalized. Depreciation is provided on a straight line basis over the assets useful lives. Depreciation expense for the years ended August 31, 2006 and 2005 was \$105,107 and \$111,465 respectively.

Notes (Continued)

(e) Income Taxes

Ashoka is a non-profit organization and is exempt from federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1954 as amended and has been classified as a publicly supported organization. It has or is obtaining similar tax status under the laws of the several other countries where it works.

(f) Financial Statement Presentation

In 1994, Ashoka elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," early. Under SFAS No. 117, Ashoka is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition Ashoka is required to present a statement of cash flows.

(g) Contributions and Investments

Ashoka also elected to adopt SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1994. In accordance with SFAS No. 116 contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. In 1996, Ashoka adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, Ashoka is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value with gains and losses reported in the statement of activities. Investments were previously reported at historical cost.

(h) Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

(i) Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on hand and on deposit (including interest bearing deposits) with domestic and overseas financial institutions. The balances on deposit at domestic financial institutions are insured up to \$100,000 by the Federal Deposit Insurance Corporation. Uninsured balances amounted to approximately \$2,944,747 and \$1,761,115 at August 31, 2006 and 2005 respectively.

NOTE 2. Restrictions on Assets:

Temporarily restricted net assets are available for the following purposes or periods at August 31,:

	<u>2006</u>	<u>2005</u>
Venture support and fellow stipends	\$ 15,300,425	\$ 11,025,034
Global fellowship programs	1,618,693	1,983,984
Other specified purposes	3,554,631	2,923,439
Unspecified purposes for periods after Aug. 31,	11,752,725	11,594,400
	<u>\$ 32,226,474</u>	<u>\$ 27,526,857</u>

Permanently restricted net assets consist of the various endowment funds fully described in Note 1b. The inflation adjusted principal of these funds must be held for investment in perpetuity. The income is expendable for fellow stipends as described in Note 1b.

NOTE 3. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

	<u>2006</u>	<u>2005</u>
Program restrictions accomplished:		
Venture support and fellow stipends	\$ 9,215,024	\$ 7,190,814
Global fellowship programs	3,912,828	3,530,370
Other specified purposes	4,517,550	2,340,248
Total restrictions released	<u>\$ 17,645,402</u>	<u>\$ 13,061,432</u>

NOTE 4. Unconditional Promises to Give:

Unconditional promises to give expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a rate of return in the appropriate period during which the outstanding promises are expected to be collected. A discount rate of 3.5% was used for fiscal year ending August 31, 2006. The resulting discount amounted to \$852,980 and \$1,135,862 at August 31, 2006 and 2005 respectively. Maturities of unconditional promises to give are as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Current	\$ 3,988,923	\$ 14,438,451	\$ 3,107,175	\$ 12,416,608
1 to 5 years	300,751	16,544,798	22,076	16,266,025
Less allowance	(105,786)	(1,273,449)	(31,299)	(2,627,100)
	<u>\$ 4,183,888</u>	<u>\$ 29,709,800</u>	<u>\$ 3,097,952</u>	<u>\$ 26,055,533</u>

NOTE 5. Investments:

Investments include certificates of deposit, money market ready asset accounts, common stock, mutual funds and real estate partnerships carried at fair market value in 2006 and 2005.

A summary of investments at August 31, follows:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Short term:				
Money market *	\$ 122,390	\$ 122,390	\$ 1,167,164	\$ 1,167,164
Certificates of deposit	75,000	74,963	739,790	739,790
Davco Fund	373,029	581,970	373,029	534,196
Notes and commercial paper	8,800,490	8,800,490	4,463,117	4,463,117
	<u>\$ 9,370,909</u>	<u>\$ 9,579,813</u>	<u>\$ 6,743,100</u>	<u>\$ 6,904,267</u>
Long term:				
Money market *	\$ 191,851	\$ 191,851	\$ 344,506	\$ 344,506
Royce Micro-cap Fund	116,848	177,275	96,753	150,758
Acorn Fund	381,357	664,017	297,564	566,782
Acorn International Fund	101,245	186,399	72,714	129,871
Schneider Value Fund	260,000	269,469	0	0
Champion Enterprises	34,367	49,104	9,180	47,988
Commercial paper	10,959,872	11,029,587	7,569,997	7,586,957
Cavalier Homes	90,872	95,140	187,545	325,600
Davco Fund	2,578,063	3,456,189	2,578,063	3,172,423
Franklin Street Partners	1,542,500	1,841,826	1,542,500	1,730,483
Government securities	426,858	426,858	2,915,479	2,925,902
Evergreen Select Fund	110	110	110	110
Gabelli G Multimedia	2,167	2,440	2,167	2,408
Certificates of deposit	578,000	577,685	666,000	666,000
Royce Value Trust	236,579	379,309	207,815	346,014
Singapore Fund	60,077	98,272	59,095	77,922
UICI Common Stock	0	0	83,900	237,622
Brazil Fund	0	0	67,900	243,560
Home Depot	67,376	68,580	0	0
Weitz Partners Value Fund	238,957	298,668	222,116	272,999
	<u>\$ 17,867,099</u>	<u>\$ 19,812,779</u>	<u>\$ 16,923,404</u>	<u>\$ 18,827,905</u>

* The money market funds are high yield institutional funds with earnings yields comparable to certificates of deposit and commercial paper.

NOTE 6. Fixed Assets:

	<u>2006</u>	<u>2005</u>
Furniture	\$ 59,865	\$ 29,059
Office equipment	575,369	616,168
Leasehold improvements	160,490	160,490
	<u>795,724</u>	<u>805,717</u>
Less accumulated depreciation	(495,424)	(587,822)
	<u>\$ 300,300</u>	<u>\$ 217,895</u>

NOTE 7. Fellowship Obligations:

In 2006 and 2005 Ashoka made commitments to support new Fellows and extended the obligations to existing Fellows for periods ranging from one to four years. The number of new Fellows elected were 140 and 99 in 2006 and 2005 respectively. At August 31, fellowship obligations were as follows:

	<u>2006</u>	<u>2005</u>
Prior year elected Fellows	\$ 3,783,512	\$ 3,828,177
New Fellows and extensions:		
Global	343,678	33,000
Asia	783,101	545,894
Africa	1,131,139	431,490
South America	1,498,383	1,413,467
Central America	244,442	236,320
North America	2,250,782	2,264,294
Europe	2,894,361	465,200
Total	<u>\$ 12,929,398</u>	<u>\$ 9,217,842</u>

NOTE 8. Lease Obligations:

Ashoka has negotiated operating leases for office space and copiers. A new lease for office space effective February 1, 2006 with a term of six years was entered into. The minimum future lease payments under the terms of these operating leases is as follows:

Year ending:	<u>2006</u>	<u>2005</u>
Aug. 31, 2006	\$ -	\$ 137,505
2007	605,844	14,228
2008	605,844	-
2009	597,088	-
2010	579,576	-
2011	579,576	-
Total	<u>\$ 2,967,928</u>	<u>\$ 151,733</u>

Rental expense for the years ended August 31, 2006 and 2005 was \$510,400 and \$359,979 respectively.

NOTE 9. Concentrations of Credit and Market Risk:

Financial instruments that potentially expose Ashoka to concentrations of credit and market risk consist of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. Ashoka has not experienced any losses on its cash equivalents. The Organization's investments do not represent significant concentrations of market risk inasmuch as Ashoka's investment portfolio is adequately diversified among issuers.

Cash is on deposit with financial institutions in the various overseas countries in which Ashoka maintains field offices. These offices are located in Central America, South America, Europe, Africa and Asia. At August 31, 2006 and 2005 these deposits totaled \$2,741,419 and \$930,303 respectively.

NOTE 10. Commitments Budget:

Ashoka commits on average to provide financial support to its Fellows for three years. It therefore budgets for that average three year commitment and tries to keep outlays plus commitments balanced by income plus future pledges. The Commitments Budget reflects as expenses the full new commitments made to the Fellows elected in the current year, (plus several much smaller multi year commitments), plus all non Fellow payments made in that year, only.

The Board requires Ashoka to use this Commitments Budget as the basis of its management and planning. It feels that Ashoka must raise as much each year as it spends and commits to spend. In 2006 and 2005 respectively Ashoka:

Spent (not including payments to Fellows committed to and funded in prior years) and committed (to new Fellows) \$26,149,123 and \$17,468,856.

Raised (new current donations received, forward unrestricted pledges, endowment income and certain net assets released from restrictions that Ashoka's Board of Directors have requested not be counted entirely in the year they were raised) \$26,343,345 and \$17,095,309.

NOTE 11. Agency Transactions:

Ashoka receives certain grants which are passed through to third party beneficiaries. As Ashoka does not have any discretion as to the use of these funds they are considered agency transactions, not contributions and therefore are not included in these financial statements. Ashoka monitors these funds to insure that they are used as intended. These transactions totaled \$310,849 and \$77,865 for the years ending August 31, 2006 and 2005 respectively.

NOTE 12. Contributed Services:

Ashoka recognized contribution support for the year ending August 31, 2006 for contributed services which benefited all of their program and supporting services. These services were from consultants in the fields of law, public relations, television and strategic planning. Contribution support was measured based on the fair value of those services and is also included in consulting expense. The amounts recognized and the program and supporting services benefited were as follows:

Leading social entrepreneurs	\$ 1,520,000
Public education	362,000
New architecture	1,096,808
Group entrepreneurship	195,000
Management and general	100,000
Fund raising	20,000
Total	<u>\$ 3,293,808</u>

In prior years contributed services were received but not recognized as support and expenditures as the value of these services was not readily ascertainable.