



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, 2004 and 2003, 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, 2004 and 2003, 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.

February 24, 2005

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

ASHOKA
Statements of Financial Position
August 31

Assets:	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 597,969	\$ 1,001,849
Short term investments (Note 5)	10,423,575	11,053,471
Unconditional promises to give (Note 4)		
Unrestricted	1,105,361	723,735
Restricted	20,511,768	8,002,506
Other receivables	360,089	306,048
Prepaid expenses	29,852	8,718
Security deposits	32,060	31,200
Long term investments (Note 5)	17,865,044	15,940,791
Fixed assets, net of accumulated depreciation of \$476,357 and \$367,279 (Note 6)	<u>241,530</u>	<u>272,221</u>
Total assets	\$ <u>51,167,248</u>	\$ <u>37,340,539</u>
Liabilities and net assets:		
Accounts payable	\$ 94,362	\$ 186,936
Accrued expenses	74,543	84,153
Fellowship obligations (Note 7)	<u>9,425,313</u>	<u>8,498,542</u>
Total liabilities	<u>9,594,218</u>	<u>8,769,631</u>
Net assets:		
Unrestricted	1,895,544	1,847,835
Temporarily restricted (Note 2)	21,812,442	10,782,282
Permanently restricted (Note 1b)	<u>17,865,044</u>	<u>15,940,791</u>
Total net assets	<u>41,573,030</u>	<u>28,570,908</u>
Total liabilities and net assets	\$ <u>51,167,248</u>	\$ <u>37,340,539</u>

(See accompanying notes and independent auditor's report)

ASHOKA
Statements of Activities
Years Ended August 31

	<u>2004</u>	<u>2003</u>
Unrestricted net assets:		
Public support:		
Contributions	\$ 2,897,539	\$ 2,715,663
Received from federated campaigns	22,708	15,773
Total public support	<u>2,920,247</u>	<u>2,731,436</u>
Revenue:		
Interest income	111,808	198,049
Unrealized gains (losses) on investments	62,431	54,942
Miscellaneous income	99,046	63,520
Total revenue	<u>273,285</u>	<u>316,511</u>
Total support and revenue	<u>3,193,532</u>	<u>3,047,947</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	13,007,959	8,808,882
Endowment income distributions	250,000	120,027
Total net assets released from restrictions	<u>13,257,959</u>	<u>8,928,909</u>
Total unrestricted support and revenue	<u>16,451,491</u>	<u>11,976,856</u>
Expenses:		
Program services:		
Launching and supporting fellows	13,207,011	9,995,337
Other programs	1,510,805	627,001
Total program services	<u>14,717,816</u>	<u>10,622,338</u>
Supporting services:		
Management and general	402,064	390,485
Fund raising	1,254,408	901,774
Total supporting services	<u>1,656,472</u>	<u>1,292,259</u>
Total expenses	<u>16,374,288</u>	<u>11,914,597</u>
Foreign exchange gains (losses)	<u>(29,494)</u>	<u>177,649</u>
Increase (decrease) in unrestricted net assets	<u>47,709</u>	<u>239,908</u>
Temporarily restricted net assets:		
Contributions	24,880,487	6,441,449
Net assets released from restrictions (Note 3)	(13,007,959)	(8,808,882)
Allowance for losses on promises to give	(842,368)	(945,897)
Increase (decrease) in temporarily restricted net assets	<u>11,030,160</u>	<u>(3,313,330)</u>
Permanently restricted net assets:		
Endowment fund support	1,101,891	79,775
Income on investments	408,790	356,656
Endowment income distributions	(250,000)	(120,027)
Realized gains (losses) on investments	89,129	(2,846)
Unrealized gains (losses) on investments	574,443	350,751
Increase (decrease) in permanently restricted net assets	<u>1,924,253</u>	<u>664,309</u>
Increase (decrease) in net assets	13,002,122	(2,409,113)
Net assets at beginning of year	28,570,908	30,980,021
Net assets at end of year	<u>\$ 41,573,030</u>	<u>\$ 28,570,908</u>

(See accompanying notes and independent auditor's report)

ASHOKA
Statements of Cash Flows
Years Ended August 31

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,002,122	\$ (2,409,113)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	109,078	110,470
Provision for losses on receivables	0	0
(Increase) decrease in operating assets:		
Unrestricted unconditional promises to give	(381,626)	80,101
Other receivables	(54,041)	(125,618)
Prepaid expenses	(21,134)	20,071
Security deposits	(860)	(844)
Increase (decrease) in operating liabilities:		
Accounts payable	(92,574)	87,133
Accrued expenses	(9,610)	(30,718)
Fellowship obligations	926,771	74,079
Contributions restricted for long term investment	(1,101,891)	(79,775)
Restricted unconditional promises to give	(12,509,262)	1,865,367
Realized gains on investments	(89,129)	2,846
Unrealized (gains) losses on investments	(636,874)	(405,703)
Interest and dividends restricted for long term investment	(408,790)	(356,656)
Net cash provided (used) by operating activities	<u>(1,267,820)</u>	<u>(1,168,360)</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(78,387)	(104,712)
Proceeds from sale of investments	853,199	1,137,167
Purchase of investments	(1,510,682)	(456,602)
Net cash provided (used) by investing activities	<u>(735,870)</u>	<u>575,853</u>
Cash flows from financing activities:		
Collection of endowment fund support	1,101,891	79,775
Endowment fund income	408,790	356,656
Realized endowment investment gains	89,129	(2,846)
Net borrowings	0	0
Net cash provided (used) by financing activities	<u>1,599,810</u>	<u>433,585</u>
Net increase (decrease) in cash and cash equivalents	<u>(403,880)</u>	<u>(158,922)</u>
Cash and cash equivalents at beginning of year	1,001,849	1,160,771
Cash and cash equivalents at end of year	<u>\$ 597,969</u>	<u>\$ 1,001,849</u>

(See accompanying notes and independent auditor's report)

ASHOKA
Statement of Functional Expenses
Year Ended August 31, 2004

	Program Services		
	Launching and Supporting Fellows	Other Programs	Total
Salaries	\$ 2,319,963	\$ 611,155	\$ 2,931,118
Payroll taxes	281,402	87,392	368,794
Employee benefits	164,307	35,845	200,152
Consulting	980,073	242,827	1,222,900
Outside services	216,918	90,471	307,389
Total personnel and related expenses	3,962,663	1,067,690	5,030,353
Fellowship payments	6,025,647	0	6,025,647
Office supplies and expenses	65,131	7,052	72,183
Occupancy	339,734	56,365	396,099
Telephone, telex and facsimile	161,391	11,840	173,231
Postage and messenger	34,722	165,301	200,023
Printing and publications	73,603	41,122	114,725
Equipment rental and repair	55,094	5,767	60,861
Equipment expensed	27,260	2,798	30,058
Accounting and audit	38,554	2,242	40,796
Legal fees	0	0	0
Bank and brokerage fees	38,403	4,967	43,370
Travel	832,104	59,321	891,425
Conferences	124,887	671	125,558
Miscellaneous expenses	29,248	3,277	32,525
Local transportation and meals	109,997	4,289	114,286
Awards	1,035,189	200	1,035,389
Dues, books and subscriptions	13,582	56,462	70,044
Training	29,603	97	29,700
Insurance	21,781	2,396	24,177
Property taxes and penalties	120,485	1,048	121,533
Total expenses before depreciation	13,139,078	1,492,905	14,631,983
Depreciation of equipment	67,933	17,900	85,833
Total expenses	\$ 13,207,011	\$ 1,510,805	\$ 14,717,816

(See accompanying notes and independent auditor's report)

Supporting Services

<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total Expenses</u>
\$ 221,938	\$ 571,404	\$ 793,342	\$ 3,724,460
16,644	39,628	56,272	425,066
14,699	23,697	38,396	238,548
81,401	71,807	153,208	1,376,108
(81,883)	56,431	(25,452)	281,937
252,799	762,967	1,015,766	6,046,119
0	0	0	6,025,647
3,726	6,060	9,786	81,969
79,783	72,907	152,690	548,789
6,729	22,231	28,960	202,191
1,384	160,517	161,901	361,924
5,077	67,863	72,940	187,665
8,044	6,355	14,399	75,260
9,692	2,621	12,313	42,371
1,977	3,789	5,766	46,562
0	0	0	0
7,712	6,025	13,737	57,107
6,423	74,062	80,485	971,910
489	14,557	15,046	140,604
3,957	7,216	11,173	43,698
1,761	20,418	22,179	136,465
0	0	0	1,035,389
554	5,735	6,289	76,333
151	176	327	30,027
3,758	2,882	6,640	30,817
1,547	1,283	2,830	124,363
395,563	1,237,664	1,633,227	16,265,210
6,501	16,744	23,245	109,078
<u>\$ 402,064</u>	<u>\$ 1,254,408</u>	<u>\$ 1,656,472</u>	<u>\$ 16,374,288</u>

ASHOKA
Statement of Functional Expenses
Year Ended August 31, 2003

	Program Services		
	Launching and Supporting Fellows	Other Programs	Total
	<u> </u>	<u> </u>	<u> </u>
Salaries	\$ 2,346,996	\$ 288,162	\$ 2,635,158
Payroll taxes	191,734	17,521	209,255
Employee benefits	120,192	17,289	137,481
Consulting	595,420	77,925	673,345
Outside services	221,180	103,023	324,203
Total personnel and related expenses	<u>3,475,522</u>	<u>503,920</u>	<u>3,979,442</u>
Fellowship payments	4,594,483	0	4,594,483
Office supplies and expenses	55,555	6,997	62,552
Occupancy	339,750	22,202	361,952
Telephone, telex and facsimile	141,376	8,343	149,719
Postage and messenger	37,798	16,905	54,703
Printing and publications	84,152	38,721	122,873
Equipment rental and repair	27,117	1,039	28,156
Equipment expensed	17,391	857	18,248
Accounting and audit	16,285	1,470	17,755
Legal fees	0	0	0
Bank and brokerage fees	39,465	1,564	41,029
Travel	644,049	11,597	655,646
Conferences	96,365	1,347	97,712
Miscellaneous expenses	69,321	1,205	70,526
Local transportation and meals	87,571	3,038	90,609
Awards	156,295	507	156,802
Dues, books and subscriptions	12,538	947	13,485
Training	12,380	11	12,391
Insurance	13,761	742	14,503
Property taxes and penalties	4,412	264	4,676
Total expenses before depreciation	<u>9,925,586</u>	<u>621,676</u>	<u>10,547,262</u>
Depreciation of equipment	69,751	5,325	75,076
Total expenses	<u>\$ 9,995,337</u>	<u>\$ 627,001</u>	<u>\$ 10,622,338</u>

(See accompanying notes and independent auditor's report)

Supporting Services

<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total Expenses</u>
306,518	\$ 394,969	\$ 701,487	\$ 3,336,645
22,939	35,037	57,976	267,231
27,275	20,982	48,257	185,738
37,328	27,585	64,913	738,258
<u>(126,694)</u>	<u>54,998</u>	<u>(71,696)</u>	<u>252,507</u>
267,366	533,571	800,937	4,780,379
0	0	0	4,594,483
2,417	3,993	6,410	68,962
69,302	58,062	127,364	489,316
6,123	9,916	16,039	165,758
2,680	85,004	87,684	142,387
3,383	81,422	84,805	207,678
(8,435)	36	(8,399)	19,757
4,874	561	5,435	23,683
3,937	2,699	6,636	24,391
1,000	0	1,000	1,000
5,139	3,651	8,790	49,819
4,235	76,296	80,531	736,177
3	2,993	2,996	100,708
1,030	1,487	2,517	73,043
979	10,564	11,543	102,152
1,250	0	1,250	158,052
1,032	14,564	15,596	29,081
43	29	72	12,463
2,062	1,811	3,873	18,376
1,043	743	1,786	6,462
<u>369,463</u>	<u>887,402</u>	<u>1,256,865</u>	<u>11,804,127</u>
<u>21,022</u>	<u>14,372</u>	<u>35,394</u>	<u>110,470</u>
<u>\$ 390,485</u>	<u>\$ 901,774</u>	<u>\$ 1,292,259</u>	<u>\$ 11,914,597</u>

ASHOKA

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2004 and 2003

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 is a global association of leading social entrepreneurs. These practical change-makers apply their commitment and professional skill in fields of noncommercial public concern such as education, health, economic development, human rights, civic participation and the environment.

Ashoka provides venture support (both financial investment and professional services) to assist those ready to launch important new ideas in these fields. It enables these social entrepreneurs to find one another, to share information and ideas, and to address common opportunities collaboratively. It provides professional services to these innovators in conjunction with its partners worldwide. It works to define and strengthen the field of social entrepreneurship. It also works to spread the ideas and proven models developed by its Fellows and Members, and in the process works to replace false negative stereotypes with respectful understanding across the world's many divisions.

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 \$17,865,044 on August 31, 2004. 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.

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.

Note 1(b) (Continued)

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. Although this was intended to be a permanently restricted endowment contribution, the donor has stipulated that up to \$5,000,000 of this gift can be reclassified to temporarily restricted net assets for the support of the Ashoka US/Canada program if that program does not raise the full \$20,000,000 start up funds required for its first five years. As of August 31, 2004 Ashoka has raised \$17,707,600 for this program with one more year to raise the balance. This endowment contribution has been invested in a separate account, the Ashoka Endowment Fund B in order to facilitate reclassification should it become necessary.

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>2,004</u>	<u>2003</u>
E. Noel Bergere	\$ 239,165	\$ 211,939
Joan Bergere	530,592	494,958
Buckminster Fuller	57,467	54,755
Benjamin Franklin	70,091	66,793
Columbia I	66,119	62,998
Columbia II	65,614	62,494
Cresta, C.M. Fund	270,472	257,731
Maurice Fitzgerald	415,246	395,706
John and Eleanor Forrest	415,246	395,706
Albert O. Hirschman	66,354	63,221
Arthur Lewis	66,354	63,221
Jacob Oxman	192,304	183,233
Daniel H. Saks	130,701	123,974
Harris and Eliza Kempner	110,085	104,892
Mack Lipkin, Sr.	162,880	155,201
Henry Beal	139,002	132,426
Fort Hill	80,508	76,709
Padma Raj Datta	38,131	36,350
Benjamin Bloom	157,263	121,805
Jimmy Hopkins	267,496	254,938
Helen Meresman	65,164	62,086
General	75,145	62,542
James P. Grant	212,426	192,505
Francisco "Chico" Mendes	144,455	137,693
Sanjoy Ghose	144,455	137,693
Sarah Dunbar	92,174	87,889
Amaterasu	71,460	68,097
Ashoka Endowment Fund B	13,131,920	11,688,659
Michael Fein	1,557	1,485
Mort Sand	59,258	56,490
Jawaharlal Nehru	71,377	68,029
Jan Schmidt Marmor	165,345	35,473
Diane Pierce Phillips	25,702	23,100
Father Eugene Watrin	63,516	0
Total	<u>\$ 17,865,044</u>	<u>\$ 15,940,791</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.

(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, 2004 and 2003 was \$109,078 and \$110,470 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 \$497,969 and \$901,849 at August 31, 2004 and 2003 respectively.

NOTE 2. Restrictions on Assets:

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

	<u>2004</u>	<u>2003</u>
Venture support and fellow stipends	\$ 5,423,962	\$ 7,847,474
Global fellowship programs	3,612,566	1,854,957
Other specified purposes	1,587,114	839,851
Unspecified purposes for periods after Aug. 31,	11,188,800	240,000
	<u>\$ 21,812,442</u>	<u>\$ 10,782,282</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.

Program restrictions accomplished:	<u>2004</u>	<u>2003</u>
Venture support and fellow stipends	\$ 6,966,580	\$ 6,060,293
Global fellowship programs	2,777,087	1,200,269
Other specified purposes	3,024,292	1,295,853
Any purpose future periods	240,000	252,467
Total restrictions released	<u>\$ 13,007,959</u>	<u>\$ 8,808,882</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, 2004. The resulting discount amounted to \$855,436 and \$165,759 at August 31, 2004 and 2003 respectively. Maturities of unconditional promises to give are as follows:

	<u>2004</u>		<u>2003</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Current	\$ 972,961	\$ 10,734,169	\$ 772,575	\$ 5,034,243
1 to 5 years	207,992	11,738,487	26,752	5,974,173
Less allowance	(75,592)	(1,960,888)	(75,592)	(3,005,910)
	<u>\$ 1,105,361</u>	<u>\$ 20,511,768</u>	<u>\$ 723,735</u>	<u>\$ 8,002,506</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 2004 and 2003.

A summary of investments at August 31, follows:

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Short term:				
Money market *	\$ 5,155,870	\$ 5,155,870	\$ 7,674,306	\$ 7,674,306
Certificates of deposit	3,835,926	3,835,926	2,879,496	2,879,496
Davco Fund	373,029	535,099	373,029	499,669
Notes and commercial paper	896,680	896,680	0	0
	<u>\$ 10,261,505</u>	<u>\$ 10,423,575</u>	<u>\$ 10,926,831</u>	<u>\$ 11,053,471</u>
Long term:				
Money market *	\$ 8,811,202	\$ 8,811,202	\$ 10,916,675	\$ 10,916,675
Royce Micro-cap Fund	83,741	120,906	75,074	100,606
Acorn Fund	272,672	446,434	271,745	381,799
Acorn International Fund	71,008	95,120	70,023	73,379
Spain Fund	13,332	15,540	0	0
Champion Enterprises	14,315	55,854	16,182	47,850
GECC commercial paper	597,784	597,784	0	0
Cavalier Homes	189,697	270,630	207,368	161,650
Davco Fund	2,578,063	3,177,791	1,578,063	2,073,906
Franklin Street Partners	1,242,500	1,242,500	942,500	942,500
Government bonds	2,000,758	2,000,758	0	0
Evergreen Select Fund	110	110	412,551	407,870
Gabelli G Multimedia	2,167	2,009	2,167	1,846
MSCI Singapore Free Fund	0	0	16,146	16,260
Royce Value Trust	201,540	295,252	180,447	246,209
Singapore Fund	57,850	63,500	28,746	29,877
UICI Common Stock	94,797	242,904	163,442	187,500
Brazil Fund	73,423	171,515	76,373	127,671
Weitz Partners Value Fund	213,356	255,235	211,851	225,193
	<u>\$ 16,518,315</u>	<u>\$ 17,865,044</u>	<u>\$ 15,169,353</u>	<u>\$ 15,940,791</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>2004</u>	<u>2003</u>
Furniture	\$ 29,059	\$ 26,659
Office equipment	528,338	452,351
Leasehold improvements	160,490	160,490
	<u>717,887</u>	<u>639,500</u>
Less accumulated depreciation	(476,357)	(367,279)
	<u>\$ 241,530</u>	<u>\$ 272,221</u>

NOTE 7. Fellowship Obligations:

In 2004 and 2003 Ashoka made commitments to support new Fellows and extended the obligations to existing Fellows for periods ranging from one to three years. The number of new Fellows elected were 136 and 147 in 2004 and 2003 respectively. At August 31, fellowship obligations were as follows:

	<u>2004</u>	<u>2003</u>
Prior year elected Fellows	\$ 3,399,666	\$ 3,904,059
New Fellows and extensions:		
Global	326,048	0
Asia	679,170	526,270
Africa	799,061	1,344,756
South America	664,338	804,848
Central America	404,579	528,173
North America	2,442,669	978,332
Central Europe	709,782	412,104
Total	<u>\$ 9,425,313</u>	<u>\$ 8,498,542</u>

NOTE 8. Lease Obligations:

Ashoka has negotiated operating leases for office space and a copier. A new lease for office space effective January 1, 2000 with a term of six years with an option to renew for an additional four years was entered into. The minimum future lease payments under the terms of these operating leases is as follows:

Year ending:	<u>2004</u>	<u>2003</u>
Aug. 31, 2004	\$ -	\$ 357,423
2005	357,423	357,423
2006	134,949	134,949
2007	10,308	10,308
2008	-	-
2009	-	-
Total	<u>\$ 502,680</u>	<u>\$ 860,103</u>

Rental expense for the years ended August 31, 2004 and 2003 was \$357,423 and \$357,423 respectively.

Notes (Continued)

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, Central Europe, Africa and Asia. At August 31, 2004 and 2003 these deposits totaled \$495,886 and \$522,605 respectively.

NOTE 10. Commitments Budget:

Ashoka typically provides financial support to its Fellows for a three year period. It therefore budgets for that three year commitment and tries to keep outlays plus commitments balanced by income plus future pledges. The Commitments Budget reflects as expenses only the new commitments made to the Fellows elected in the current year, plus all non Fellow payments made in that year.

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 2004 and 2003 respectively Ashoka:

Spent (not including payments to Fellows committed to and funded in prior years) and committed (to new Fellows) \$16,374,288 and \$11,914,597.

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) \$16,451,491 and \$11,976,856.

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. These transactions totaled \$33,302 and \$166,502 for the years ending August 31, 2004 and 2003 respectively.

