

ASHOKA
FINANCIAL STATEMENTS
AUGUST 31, 2005
AND
INDEPENDENT AUDITOR'S REPORT
FEBRUARY 17, 2006



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, 2005 and 2004, 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, 2005 and 2004, 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.

January 17, 2006

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

ASHOKA
Statements of Financial Position
August 31

Assets:	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 1,861,115	\$ 597,969
Short term investments (Note 5)	6,904,267	10,423,575
Unconditional promises to give (Note 4)		
Unrestricted	3,097,952	1,105,361
Restricted	26,055,533	20,511,768
Other receivables	489,923	360,089
Prepaid expenses	28,232	29,852
Security deposits	32,060	32,060
Long term investments (Note 5)	18,827,905	17,865,044
Fixed assets, net of accumulated depreciation of \$587,822 and \$476,357 (Note 6)	<u>217,895</u>	<u>241,530</u>
 Total assets	 <u><u>\$ 57,514,882</u></u>	 <u><u>\$ 51,167,248</u></u>
 Liabilities and net assets:		
Accounts payable	\$ 19,622	\$ 94,362
Accrued expenses	385,542	74,543
Fellowship obligations (Note 7)	9,217,842	9,425,313
Total liabilities	<u>9,623,006</u>	<u>9,594,218</u>
 Net assets:		
Unrestricted	1,537,114	1,895,544
Temporarily restricted (Note 2)	27,526,857	21,812,442
Permanently restricted (Note 1b)	18,827,905	17,865,044
Total net assets	<u>47,891,876</u>	<u>41,573,030</u>
 Total liabilities and net assets	 <u><u>\$ 57,514,882</u></u>	 <u><u>\$ 51,167,248</u></u>

(See accompanying notes and independent auditor's report)

ASHOKA
Statements of Activities
Years Ended August 31

	<u>2005</u>	<u>2004</u>
Unrestricted net assets:		
Public support:		
Contributions	\$ 3,067,864	\$ 2,897,539
Received from federated campaigns	28,648	22,708
Total public support	<u>3,096,512</u>	<u>2,920,247</u>
Revenue:		
Interest income	198,594	111,808
Unrealized gains (losses) on investments	(903)	62,431
Miscellaneous income	35,674	99,046
Total revenue	<u>233,365</u>	<u>273,285</u>
Total support and revenue	<u>3,329,877</u>	<u>3,193,532</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	13,061,432	13,007,959
Endowment income distributions	704,000	250,000
Total net assets released from restrictions	<u>13,765,432</u>	<u>13,257,959</u>
Total unrestricted support and revenue	<u>17,095,309</u>	<u>16,451,491</u>
Expenses:		
Program services:		
Leading social entrepreneurs	9,534,103	10,449,623
Public education	617,893	784,810
New architecture	2,476,791	1,740,062
Group entrepreneurship	2,557,577	1,743,321
Total program services	<u>15,186,364</u>	<u>14,717,816</u>
Supporting services:		
Management and general	706,083	402,064
Fund raising	1,576,409	1,254,408
Total supporting services	<u>2,282,492</u>	<u>1,656,472</u>
Total expenses	<u>17,468,856</u>	<u>16,374,288</u>
Foreign exchange gains (losses)	<u>15,118</u>	<u>(29,494)</u>
Increase (decrease) in unrestricted net assets	<u>(358,429)</u>	<u>47,709</u>
Temporarily restricted net assets:		
Contributions	19,442,059	24,880,487
Net assets released from restrictions (Note 3)	(13,061,432)	(13,007,959)
Allowance for losses on promises to give	(666,212)	(842,368)
Increase (decrease) in temporarily restricted net assets	<u>5,714,415</u>	<u>11,030,160</u>
Permanently restricted net assets:		
Endowment fund support	513,600	1,101,891
Income on investments	540,898	408,790
Endowment income distributions	(704,000)	(250,000)
Realized gains (losses) on investments	58,514	89,129
Unrealized gains (losses) on investments	553,848	574,443
Increase (decrease) in permanently restricted net assets	<u>962,860</u>	<u>1,924,253</u>
Increase (decrease) in net assets	<u>6,318,846</u>	<u>13,002,122</u>
Net assets at beginning of year	41,573,030	28,570,908
Net assets at end of year	<u>\$ 47,891,876</u>	<u>\$ 41,573,030</u>

(See accompanying notes and independent auditor's report)

ASHOKA
Statements of Cash Flows
Years Ended August 31

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,318,846	\$ 13,002,122
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	111,465	109,078
Provision for losses on receivables	211,481	0
(Increase) decrease in operating assets:		
Unrestricted unconditional promises to give	(1,992,591)	(381,626)
Other receivables	(129,834)	(54,041)
Prepaid expenses	1,620	(21,134)
Security deposits	0	(860)
Increase (decrease) in operating liabilities:		
Accounts payable	(74,740)	(92,574)
Accrued expenses	310,999	(9,610)
Fellowship obligations	(207,471)	926,771
Contributions restricted for long term investment	(513,600)	(1,101,891)
Restricted unconditional promises to give	(5,543,765)	(12,509,262)
Realized gains on investments	(58,514)	(89,129)
Unrealized (gains) losses on investments	(552,945)	(636,874)
Interest and dividends restricted for long term investment	(540,898)	(408,790)
Net cash provided (used) by operating activities	<u>(2,659,947)</u>	<u>(1,267,820)</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(87,830)	(78,387)
Proceeds from sale of investments	3,952,409	853,199
Purchase of investments	(1,054,498)	(1,510,682)
Net cash provided (used) by investing activities	<u>2,810,081</u>	<u>(735,870)</u>
Cash flows from financing activities:		
Collection of endowment fund support	513,600	1,101,891
Endowment fund income	540,898	408,790
Realized endowment investment gains	58,514	89,129
Net borrowings	0	0
Net cash provided (used) by financing activities	<u>1,113,012</u>	<u>1,599,810</u>
Net increase (decrease) in cash and cash equivalents	<u>1,263,146</u>	<u>(403,880)</u>
Cash and cash equivalents at beginning of year	597,969	1,001,849
Cash and cash equivalents at end of year	<u>\$ 1,861,115</u>	<u>\$ 597,969</u>

(See accompanying notes and independent auditor's report)

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	<u>2,536,467</u>	<u>404,137</u>	<u>1,583,044</u>
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	<u>9,495,335</u>	<u>611,707</u>	<u>2,452,581</u>
Depreciation of equipment	38,768	6,186	24,210
Total expenses	<u>\$ 9,534,103</u>	<u>\$ 617,893</u>	<u>\$ 2,476,791</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>
\$ 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
<u>1,337,937</u>	<u>5,861,585</u>	<u>476,747</u>	<u>950,189</u>	<u>1,426,936</u>	<u>7,288,521</u>
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
Statement of Functional Expenses
Year Ended August 31, 2004

	Program Services		
	Leading Social Entrepreneurs	Public Education	New Architecture
Salaries	\$ 1,693,586	\$ 276,640	\$ 591,870
Payroll taxes	217,141	20,476	103,412
Employee benefits	122,461	10,570	47,533
Consulting	624,264	124,632	237,680
Outside services	176,056	66,603	47,777
Total personnel and related expenses	<u>2,833,508</u>	<u>498,921</u>	<u>1,028,272</u>
Fellowship payments	6,025,647	0	0
Office supplies and expenses	54,209	3,880	7,360
Occupancy	328,161	51	63,782
Telephone, telex and facsimile	129,921	1,958	23,462
Postage and messenger	27,375	163,778	3,267
Printing and publications	53,402	37,447	15,933
Equipment rental and repair	48,577	150	7,263
Equipment expensed	23,760	818	3,628
Accounting and audit	32,959	0	6,409
Legal fees	0	0	0
Bank and brokerage fees	34,402	0	8,205
Travel	527,109	12,278	199,722
Conferences	73,180	359	32,291
Miscellaneous expenses	28,123	206	3,890
Local transportation and meals	87,717	1,407	10,383
Awards	10,137	0	207,046
Dues, books and subscriptions	11,772	54,836	2,739
Training	3,302	0	22,772
Insurance	21,606	0	2,535
Property taxes and penalties	46,424	206	73,550
Total expenses before depreciation	<u>10,401,291</u>	<u>776,295</u>	<u>1,722,509</u>
Depreciation of equipment	48,332	8,515	17,553
Total expenses	<u>\$ 10,449,623</u>	<u>\$ 784,810</u>	<u>\$ 1,740,062</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>
\$ 369,022	\$ 2,931,118	\$	221,938	\$ 571,404	\$ 793,342	\$ 3,724,460
27,765	368,794		16,644	39,628	56,272	425,066
19,588	200,152		14,699	23,697	38,396	238,548
236,324	1,222,900		81,401	71,807	153,208	1,376,108
16,953	307,389		(81,883)	56,431	(25,452)	281,937
<u>669,652</u>	<u>5,030,353</u>		<u>252,799</u>	<u>762,967</u>	<u>1,015,766</u>	<u>6,046,119</u>
0	6,025,647		0	0	0	6,025,647
6,734	72,183		3,726	6,060	9,786	81,969
4,105	396,099		79,783	72,907	152,690	548,789
17,890	173,231		6,729	22,231	28,960	202,191
5,603	200,023		1,384	160,517	161,901	361,924
7,943	114,725		5,077	67,863	72,940	187,665
4,871	60,861		8,044	6,355	14,399	75,260
1,852	30,058		9,692	2,621	12,313	42,371
1,428	40,796		1,977	3,789	5,766	46,562
0	0		0	0	0	0
763	43,370		7,712	6,025	13,737	57,107
152,316	891,425		6,423	74,062	80,485	971,910
19,728	125,558		489	14,557	15,046	140,604
306	32,525		3,957	7,216	11,173	43,698
14,779	114,286		1,761	20,418	22,179	136,465
818,206	1,035,389		0	0	0	1,035,389
697	70,044		554	5,735	6,289	76,333
3,626	29,700		151	176	327	30,027
36	24,177		3,758	2,882	6,640	30,817
1,353	121,533		1,547	1,283	2,830	124,363
<u>1,731,888</u>	<u>14,631,983</u>		<u>395,563</u>	<u>1,237,664</u>	<u>1,633,227</u>	<u>16,265,210</u>
11,433	85,833		6,501	16,744	23,245	109,078
<u>1,743,321</u>	<u>14,717,816</u>	\$	<u>402,064</u>	<u>\$ 1,254,408</u>	<u>\$ 1,656,472</u>	<u>\$ 16,374,288</u>

ASHOKA

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2005 and 2004

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 \$18,827,905 on August 31, 2005. 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>2005</u>	<u>2004</u>
E. Noel Bergere	\$ 258,056	\$ 239,165
Joan Bergere	555,709	530,592
Buckminster Fuller	58,847	57,467
Benjamin Franklin	71,769	70,091
Columbia I	67,707	66,119
Columbia II	67,202	65,614
Cresta, C.M. Fund	276,956	270,472
Maurice Fitzgerald	425,191	415,246
John and Eleanor Forrest	425,191	415,246
Albert O. Hirschman	67,950	66,354
Arthur Lewis	67,950	66,354
Jacob Oxman	196,920	192,304
Daniel H. Saks	133,828	130,701
Harris and Eliza Kempner	112,728	110,085
Mack Lipkin, Sr.	166,788	162,880
Henry Beal	142,524	139,002
Fort Hill	82,441	80,508
Padma Raj Datta	60,391	38,131
Benjamin Bloom	161,375	157,263
Jimmy Hopkins	273,886	267,496
Helen Meresman	66,731	65,164
General	1,576,913	75,145
James P. Grant	219,130	212,426
Francisco "Chico" Mendes	147,896	144,455
Sanjoy Ghose	147,896	144,455
Sarah Dunbar	94,355	92,174
Amaterasu	73,172	71,460
Ashoka Endowment Fund B	12,432,365	13,131,920
Michael Fein	1,594	1,557
Mort Sand	60,667	59,258
Jawaharlal Nehru	73,080	71,377
Jan Schmidt Marmor	169,266	165,345
Diane Pierce Phillips	26,311	25,702
Father Eugene Watrin	65,120	63,516
Total	\$ <u>18,827,905</u>	\$ <u>17,865,044</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.

(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, 2005 and 2004 was \$111,465 and \$109,078 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 \$1,761,115 and \$497,969 at August 31, 2005 and 2004 respectively.

NOTE 2. Restrictions on Assets:

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

	<u>2005</u>	<u>2004</u>
Venture support and fellow stipends	\$ 11,025,034	\$ 5,423,962
Global fellowship programs	1,983,984	3,612,566
Other specified purposes	2,923,439	1,587,114
Unspecified purposes for periods after Aug. 31,	11,594,400	11,188,800
	<u>\$ 27,526,857</u>	<u>\$ 21,812,442</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>2005</u>	<u>2004</u>
Program restrictions accomplished:		
Venture support and fellow stipends	\$ 7,190,814	\$ 6,966,580
Global fellowship programs	3,530,370	2,777,087
Other specified purposes	2,340,248	3,024,292
Any purpose future periods	0	240,000
Total restrictions released	<u>\$ 13,061,432</u>	<u>\$ 13,007,959</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, 2005. The resulting discount amounted to \$1,135,862 and \$855,436 at August 31, 2005 and 2004 respectively. Maturities of unconditional promises to give are as follows:

	<u>2005</u>		<u>2004</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Current	\$ 3,107,175	\$ 12,416,608	\$ 972,961	\$ 10,734,169
1 to 5 years	22,076	16,266,025	207,992	11,738,487
Less allowance	(31,299)	(2,627,100)	(75,592)	(1,960,888)
	<u>\$ 3,097,952</u>	<u>\$ 26,055,533</u>	<u>\$ 1,105,361</u>	<u>\$ 20,511,768</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 2005 and 2004.

A summary of investments at August 31, follows:

	<u>2005</u>		<u>2004</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Short term:				
Money market *	\$ 1,167,164	\$ 1,167,164	\$ 5,155,870	\$ 5,155,870
Certificates of deposit	739,790	739,790	3,835,926	3,835,926
Davco Fund	373,029	534,196	373,029	535,099
Notes and commercial paper	4,463,117	4,463,117	896,680	896,680
	<u>\$ 6,743,100</u>	<u>\$ 6,904,267</u>	<u>\$ 10,261,505</u>	<u>\$ 10,423,575</u>
Long term:				
Money market *	\$ 344,506	\$ 344,506	\$ 8,811,202	\$ 8,811,202
Royce Micro-cap Fund	96,753	150,758	83,741	120,906
Acorn Fund	297,564	566,782	272,672	446,434
Acorn International Fund	72,714	129,871	71,008	95,120
Spain Fund	0	0	13,332	15,540
Champion Enterprises	9,180	47,988	14,315	55,854
Commercial paper	7,569,997	7,586,957	597,784	597,784
Cavalier Homes	187,545	325,600	189,697	270,630
Davco Fund	2,578,063	3,172,423	2,578,063	3,177,791
Franklin Street Partners	1,542,500	1,730,483	1,242,500	1,242,500
Government securities	2,915,479	2,925,902	2,000,758	2,000,758
Evergreen Select Fund	110	110	110	110
Gabelli G Multimedia	2,167	2,408	2,167	2,009
Certificates of deposit	666,000	666,000	0	0
Royce Value Trust	207,815	346,014	201,540	295,252
Singapore Fund	59,095	77,922	57,850	63,500
UICI Common Stock	83,900	237,622	94,797	242,904
Brazil Fund	67,900	243,560	73,423	171,515
Weitz Partners Value Fund	222,116	272,999	213,356	255,235
	<u>\$ 16,923,404</u>	<u>\$ 18,827,905</u>	<u>\$ 16,518,315</u>	<u>\$ 17,865,044</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>2005</u>	<u>2004</u>
Furniture	\$ 29,059	\$ 29,059
Office equipment	616,168	528,338
Leasehold improvements	160,490	160,490
	<u>805,717</u>	<u>717,887</u>
Less accumulated depreciation	(587,822)	(476,357)
	<u>\$ 217,895</u>	<u>\$ 241,530</u>

NOTE 7. Fellowship Obligations:

In 2005 and 2004 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 99 and 136 in 2005 and 2004 respectively. At August 31, fellowship obligations were as follows:

	<u>2005</u>	<u>2004</u>
Prior year elected Fellows	\$ 3,828,177	\$ 3,399,666
New Fellows and extensions:		
Global	33,000	326,048
Asia	545,894	679,170
Africa	431,490	799,061
South America	1,413,467	664,338
Central America	236,320	404,579
North America	2,264,294	2,442,669
Central Europe	465,200	709,782
Total	<u>\$ 9,217,842</u>	<u>\$ 9,425,313</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>2005</u>	<u>2004</u>
Aug. 31, 2005	\$ -	\$ 357,423
2006	137,505	134,949
2007	14,228	10,308
2008	-	-
2009	-	-
2010	-	-
Total	<u>\$ 151,733</u>	<u>\$ 502,680</u>

Rental expense for the years ended August 31, 2005 and 2004 was \$359,979 and \$357,423 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, Central Europe, Africa and Asia. At August 31, 2005 and 2004 these deposits totaled \$930,303 and \$495,886 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 2005 and 2004 respectively Ashoka:

Spent (not including payments to Fellows committed to and funded in prior years) and committed (to new Fellows) \$17,468,856 and \$16,374,288.

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) \$17,095,309 and \$16,451,491.

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 \$77,865 and \$33,302 for the years ending August 31, 2005 and 2004 respectively.