



Financial Statements and Report of Independent
Certified Public Accountants

The Asia Foundation

Years Ended September 30, 2010 and 2009

Contents

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTARY SCHEDULES:	
Schedules of Functional Expenses	28
Schedule of Expenditures on Non-Federal Bilateral and Multilateral Awards	29-31



Report of Independent Certified Public Accountants

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To the Board of Trustees of
The Asia Foundation

We have audited the accompanying statements of financial position of The Asia Foundation (the "Foundation") as of September 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 The Asia Foundation as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 28-31 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

San Francisco, California
March 21, 2011

The Asia Foundation

STATEMENTS OF FINANCIAL POSITION

September 30,
(U.S. Dollars in thousands)

	<u>2010</u>	<u>2009</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 14,658	\$ 6,072
RECEIVABLES:		
Program receivables	13,336	13,385
Related party receivables	387	79
Other receivables	94	160
BOOKS FOR ASIA INVENTORY	25,540	23,806
PREPAID EXPENSES AND OTHER ASSETS	2,763	2,355
INVESTMENTS - At fair value	10,190	9,310
PROPERTY AND EQUIPMENT-Net	<u>1,600</u>	<u>1,635</u>
TOTAL ASSETS	<u>\$ 68,568</u>	<u>\$ 56,802</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 6,060	\$ 4,754
Deferred support	17,488	9,364
Accrued postretirement benefit obligation	<u>1,130</u>	<u>1,343</u>
Total liabilities	<u>24,678</u>	<u>15,461</u>
NET ASSETS:		
Unrestricted:		
Undesignated	8,763	8,635
Designated for long-term investment	<u>7,046</u>	<u>6,566</u>
Total unrestricted	15,809	15,201
Temporarily restricted	26,642	24,701
Permanently restricted	<u>1,439</u>	<u>1,439</u>
Total net assets	<u>43,890</u>	<u>41,341</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 68,568</u>	<u>\$ 56,802</u>

The accompanying notes are an integral part of these financial statements.

The Asia Foundation

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended September 30,
(U.S. Dollars in thousands)

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUE:								
Support:								
Government: bilateral and multilateral institutions	\$ 102,653	\$ -	\$ -	\$ 102,653	\$ 90,197	\$ -	\$ -	\$ 90,197
Foundations, corporations and individuals	5,874	498	-	6,372	5,724	491	-	6,215
Books for Asia program	-	44,416	-	44,416	-	46,145	-	46,145
Net assets released from restrictions	43,176	(43,176)	-	-	44,124	(44,124)	-	-
Total support	151,703	1,738	-	153,441	140,045	2,512	-	142,557
Revenue:								
Net realized and unrealized gain on investments and dividend and interest income	855	203	-	1,058	301	62	-	363
Other	53	-	-	53	(9)	-	-	(9)
Total revenue	908	203	-	1,111	292	62	-	354
Total support and revenue	152,611	1,941	-	154,552	140,337	2,574	-	142,911
EXPENSES:								
Program, grants and related services	98,103	-	-	98,103	86,213	-	-	86,213
Books for Asia distributions	42,682	-	-	42,682	43,438	-	-	43,438
Supporting services:								
Administration and general	11,072	-	-	11,072	9,833	-	-	9,833
Fundraising	356	-	-	356	348	-	-	348
Other expense	-	-	-	-	28	-	-	28
Total expenses	152,213	-	-	152,213	139,860	-	-	139,860
Excess of revenues over expenses from operating activities	398	1,941	-	2,339	477	2,574	-	3,051
NONOPERATING ACTIVITIES:								
Postretirement benefit change other than net periodic benefit cost	210	-	-	210	(270)	-	-	(270)
CHANGE IN NET ASSETS	608	1,941	-	2,549	207	2,574	-	2,781
NET ASSETS:								
Beginning of year	15,201	24,701	1,439	41,341	14,994	22,127	1,439	38,560
End of year	\$ 15,809	\$ 26,642	\$ 1,439	\$ 43,890	\$ 15,201	\$ 24,701	\$ 1,439	\$ 41,341

The Asia Foundation

STATEMENTS OF CASH FLOWS

Years ended September 30,
(U.S. Dollars in thousands)

	<u>2010</u>	<u>2009</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING ACTIVITIES:		
Change in net assets	\$ 2,549	\$ 2,781
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Contribution of investment securities	(42)	(7)
Depreciation	573	607
Net realized and unrealized loss (gain) on investments	806	(93)
Net loss (gain) on sale of property and equipment	(24)	41
Books for Asia inventory	(1,734)	(2,707)
Changes in operating assets and liabilities:		
Receivables	(192)	(3,257)
Prepaid expenses and other assets	(408)	(622)
Accounts payable and accrued expenses	1,303	255
Deferred support	8,124	(1,743)
Accrued postretirement benefit cost	<u>(213)</u>	<u>252</u>
Net cash provided by (used in) operating activities	<u>10,742</u>	<u>(4,493)</u>
INVESTING ACTIVITIES:		
Proceeds from sales of investments	3,564	8,771
Purchases of investments	(5,207)	(7,200)
Proceeds from sale of property and equipment	53	14
Purchases of property and equipment	<u>(566)</u>	<u>(759)</u>
Net cash provided by (used in) investing activities	<u>(2,156)</u>	<u>826</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,586	(3,667)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>6,072</u>	<u>9,739</u>
End of year	<u>\$ 14,658</u>	<u>\$ 6,072</u>

The accompanying notes are an integral part of these financial statements.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 1 – ORGANIZATION

The Asia Foundation (the “Foundation”) is a non-profit, non-governmental organization committed to the development of a peaceful, prosperous, just, and open Asia-Pacific region. The Foundation supports programs in Asia that help improve governance, law, and civil society; women’s empowerment; economic reform and development; and international relations. Drawing on more than 50 years of experience in Asia, the Foundation collaborates with private and public partners to support leadership and institutional development, exchanges, and policy research. With a network of 19 offices throughout Asia, an office in Washington, D.C., and its headquarters in San Francisco, the Foundation addresses these issues on both a country and regional level.

The Foundation is funded by private foundations and corporations, competitively bid awards from governmental and multilateral development agencies, including the U.S. Agency for International Development and the Asian Development Bank, and by an annual appropriation from the U.S. Congress. The Foundation also receives gifts in kind, including books and software from major independent publishing houses that the Foundation’s Books for Asia program distributes each year to institutions throughout Asia. Grants from the U.S. Government provided 42% and 36% of the Foundation’s support, in 2010 and 2009, respectively.

The Foundation is recognized by the Internal Revenue Service as a qualified nonprofit organization as described in Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”) and is, therefore, exempt from federal income taxes on operations related to its exempt purpose and investment income. The Foundation is also recognized by the California Franchise Tax Board as exempt in California under the California Revenue and Taxation Code Section 23701(d).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Presentation—The financial statements are presented on the accrual basis of accounting with unrestricted, temporarily restricted and permanently restricted net assets in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents—Cash and cash equivalents consist of money market accounts and funds with original maturities at date of acquisition of ninety days or less. This balance also includes cash in Asia which is maintained in foreign currencies and translated, for reporting purposes, into U.S. dollars at appropriate free market exchange rates. Any foreign exchange translation gain or loss is included in the Foundation’s results of activities.

Investments—Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. The valuation of certain alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers or general partners. The Foundation reviews and evaluates the values provided by the third parties and agrees with the valuation methods and assumptions used in determining the fair values of the alternative investments.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued) —Because the alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material. Alternative investments of the Foundation include hedge funds of funds. Gains and losses on investments resulting from market fluctuations are recorded in the statement of activities in the period such fluctuations occur. Realized gains or losses on sales of investments are calculated on an adjusted cost basis. Dividend and interest income are accrued when earned.

Books for Asia Inventory —The Foundation records support for contributions of books, software and related shipping services to the Books for Asia program at their fair value, determined by discounting the average price of books by general subject areas from an independent publisher's pricing guide.

Property and Equipment —Property and equipment are recorded at cost if purchased or, if donated, at fair value, at the date of the gift, less any accumulated depreciation and amortization. Depreciation is provided, on the straight-line method, over the estimated useful life of the asset, which ranges from three to ten years with the exception of leasehold improvements. Leasehold improvements qualify as a capital asset if they add to the value of the property or prolong its useful life and are amortized over the shorter of the life of the leasehold improvement or the lease term.

Deferred Support —Deferred support represents the unearned portion of funds billed under exchange transactions and collected conditional contributions. Such amounts are recognized as support when earned as the related services are provided or when the donor's conditions are met.

Unrestricted Net Assets —Unrestricted net assets consist of resources of the Foundation that have not been restricted by the donor. The major sources of revenue for the Foundation are grants from government and private institutions. Unrestricted net assets may be designated for specific purposes by the Foundation's Board of Trustees.

Temporarily Restricted Net Assets —Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. 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.

Permanently Restricted Net Assets —Permanently restricted net assets represent contributions to be held as investments in perpetuity as directed by the donor. The use of income from these investments is limited by donor imposed stipulations.

Revenue Recognition —Support from exchange transactions are recognized when earned as the related services are provided. Payments under such transactions are generally received on a cost-reimbursement basis.

Contributions are recognized as revenue when they are unconditionally received or promised.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued) —The Foundation reports unconditional gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Temporarily restricted unconditional contributions are reported as temporarily restricted support when received or pledged and as net assets released from restrictions, when the restrictions are satisfied. Conditional gifts are recorded as deferred support until the donor's conditions have been met.

Included in the Foundation's revenues and expenditures, in fiscal years 2010 and 2009 were \$0 and \$1,497, respectively, of procurement funds that the Foundation manages on behalf of the American University in Afghanistan under an agreement with U.S. Agency for International Development in which the Foundation is named as grantee.

Included in receivables are certain unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible contributions receivable is established based upon estimated losses related to specific accounts and is recorded through a provision for bad debt which is charged to expense. At September 30, 2010 and 2009, all unconditional promises to give are considered to be collectible in full, and accordingly, an allowance for uncollectible contributions is not considered necessary. Unconditional promises to give that are expected to be collected in future years are discounted to the present value of their estimated future cash flows. The discounts on those amounts are computed using appropriate interest rates applicable in the years in which those promises are received. At September 30, 2010 and 2009, all unconditional promises are due within one year and, accordingly, no discount on these receivables was considered necessary.

Concentration of Credit Risk —Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments and grants receivable. The Foundation places its cash and cash equivalents and investments with various major financial institutions and counterparties, which at times, may exceed federally insured limits. The Foundation transacts business in various foreign countries. As of September 30, 2010, the Foundation held approximately \$3,027 in various foreign countries, \$671 of which was in foreign currencies. Repatriation of funds restrictions may exist in a small number of foreign currency accounts. The Foundation has not experienced any losses in such accounts, closely monitors its investments, and therefore believes it is not exposed to any significant credit risk on cash and cash equivalents, or investments.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocations —Expenses, such as salaries and related payroll taxes and benefits, office rent and utilities, and travel are allocated among program, grants and related services, administration and general, and fundraising expense classifications on an activity basis.

Use of Estimates —The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Applicable Accounting Pronouncements

- In April 2009, the Financial Accounting Standards Board (“FASB”) issued ASC Topics 820-10-35, 50 and 55 (formerly FSP FAS 157-4), *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased*. This provides additional guidance on estimating the fair value of an asset where the level of activity has decreased significantly, and affirms that the objective fair value is the price that would be received to sell the asset in an orderly transaction, even when the market for the asset is not active. The Foundation adopted ASC topics 820-10-35, 50 and 55 effective October 1, 2009.
- *Accounting for Uncertainty in Income Taxes*, ASC 740-10-25, clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity’s uncertain tax positions, if any. The Foundation has adopted ASC 740-10-25 and the adoption in fiscal 2010 of this standard had no material effect on the Foundation’s financial statements and no material change is anticipated in the next 12 months.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Applicable Accounting Pronouncements (continued)

- Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This pronouncement amends the guidance in US GAAP for measuring the fair value of investments in certain entities that do not have a quoted market price but calculate net asset value per share or its equivalent. Equivalents to net asset value per share include net asset value per member unit or per an ownership interest in partners' capital that is entitled to a proportionate share of net assets. Such investments sometimes referred to as alternative investments can include certain hedge funds, private equity funds, real estate funds, venture capital funds, and offshore funds. As a practical expedient, the amendments in ASU 2009-2 permit, but do not require, a reporting entity to measure the fair value of an investment in an investee's net asset value per share or its equivalent. The Foundation early-adopted this pronouncement in 2009 and has therefore utilized the practical expedient. For the fiscal year ended September 30, 2010, the Foundation adopted the new disclosure requirements, as required. The adoption did not have a material effect on the financial statements.

Upcoming Applicable Accounting Pronouncements

- In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to require additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels I and II of the fair value hierarchy, and the reasons for those transfers. ASU 2010-06 is effective for fiscal years beginning after December 15, 2009. In addition, the guidance requires separate presentation of purchases and sales in Level III asset reconciliation; this is effective for fiscal year beginning after December 15, 2010. The adoption of this guidance is not expected to have a material impact on the Foundation's financial statements.
- In July 2010, the FASB issued ASU No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. This enhances the disclosure requirements for financing receivables in ASC 310, *Receivables*. The amended disclosures are designed to provide more information to financial statement users about the credit quality of a creditor's portfolio of financing receivables and the adequacy of its allowance for credit losses by requiring entities to disclose: the nature of the credit risk inherent in the receivables; how the entity analyzes and assesses credit risk to estimate the allowance for credit losses; and the changes in both the receivables and the allowance for credit losses, and the reason for those changes. Financing receivables include, but are not limited to, loans, trade accounts receivable, notes receivable, and receivables related to a lessor's leveraged, direct financing, and sales-type leases. ASU 2010-20 is effective for fiscal years ending on or after December 15, 2011. The adoption of this guidance is not expected to have a material impact on the Foundation's financial statements.

Statement of Activities Classifications —The accompanying statements of activities and changes in net assets distinguish between operating and non-operating activities. Operating activities represent those activities attributable to the Foundation's primary mission. Non-operating activities include activities considered to be of a more unusual nature or non-recurring nature and include changes in accounting principles and changes in post-retirement benefit obligations other than net periodic benefit cost.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 3 – PROGRAM RECEIVABLES

Program receivables represent amounts due under funding agreements with public and private entities for program services rendered or to be performed.

At September 30, program receivables included in the accompanying statements of financial position are as follows:

	<u>2010</u>	<u>2009</u>
Billed	\$ 7,035	\$ 9,974
Unbilled	<u>6,301</u>	<u>3,411</u>
Net program receivables	<u>\$ 13,336</u>	<u>\$ 13,385</u>

NOTE 4 – INVESTMENTS, AT FAIR VALUE

Interest and dividend income from investments for the years ended September 30, 2010 and 2009 was \$236 and \$316, respectively.

Fair Value Measurements

Investments are recorded at estimated fair value.

Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e. the exit price).

FASB ASC 820-10-05 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I are publicly traded equity securities.

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category are publicly traded equity securities with restrictions or debt securities.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 4 – INVESTMENTS, AT FAIR VALUE (continued)

Fair Value Measurements (continued)

Level III – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments are estimated using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition and financing transactions subsequent to the acquisition of the investment.

The inputs into the determination of fair value require significant judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally are interests in hedge funds which represent approximately 15% of the Foundation’s investment portfolio at September 31, 2010.

Equities (Large Cap US, SMID Cap US, International, Global) consist of investments in funds or made directly that focus in equity securities listed in or with exposure to: United States, Europe, Asia and other developing and emerging markets around the world. Real Estate investments are liquid publicly traded Real Estate Investment Trusts (“REIT’s”). Fixed Income (US and Global) consists of investments that provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. Fixed Income investments may include exposure to United States, Europe, Asia and other developing and emerging markets around the world. Tactical investments allocate assets domestically and internationally in a wide variety of assets including Equity, Fixed Income, Cash, Commodities, Futures, Options, REIT’s and employs some margin and short selling to manage risk prudently. Hedge Funds are investments in funds that are expected to be multi-disciplinary and with managers that have the expertise to engage in both event-driven and hedged positions.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the Foundation’s investments by the above FASB ASC 820-10-05 fair value hierarchy levels as of September 30, 2010:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity – Large Cap US	\$ 1,762	\$ 1,762	\$ -	\$ -
Equity – SMID Cap US	517	517	-	-
Equity – International	2,201	2,201	-	-
Equity – Global	509	509	-	-
Real Estate – REIT’s	694	694	-	-
Fixed Income – US	1,845	1,845	-	-
Fixed Income – Global	657	657	-	-
Tactical	508	508	-	-
Hedge Funds	1,497	-	-	1,497
Total Investments	<u>\$ 10,190</u>	<u>\$ 8,693</u>	<u>\$ -</u>	<u>\$ 1,497</u>

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 4 – INVESTMENTS, AT FAIR VALUE (continued)

The changes in investments classified as Level III are as follows:

	<u>Total</u>	<u>HFOF Lazard</u>	<u>HFOF Torrey</u>	<u>HFOF Private Advisors</u>
Balance, October 1, 2009	\$ 1,588	\$ 690	\$ 154	\$ 743
Total realized/unrealized gains (losses)	68	34	5	29
Net purchases (sales and settlements)	-	-	-	-
Net transfers in (out)	<u>(159)</u>	<u>-</u>	<u>(159)</u>	<u>-</u>
Balance, September 30, 2010	<u>\$ 1,497</u>	<u>\$ 724</u>	<u>\$ -</u>	<u>\$ 772</u>

The amount included in the statement of activities for the period attributable to the change in unrealized gains related to Level III assets still held at the reporting date was:

	<u>Total</u>	<u>HFOF Lazard</u>	<u>HFOF Torrey</u>	<u>HFOF Private Advisors</u>
	<u>\$ 175</u>	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ 126</u>

The following table summarizes the valuation of the Foundation's investments by the above FASB ASC 820-10-05 fair value hierarchy levels as of September 30, 2009:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity – Large Cap US	\$ 2,834	\$ 2,834	\$ -	\$ -
Equity – SMID Cap US	904	904	-	-
Equity – International	1,340	1,340	-	-
Real Estate – REIT's	854	854	-	-
Fixed Income – US	1,790	1,790	-	-
Hedge Fund Securities	<u>1,588</u>	<u>-</u>	<u>-</u>	<u>1,588</u>
Total Investments	<u>\$ 9,310</u>	<u>\$ 7,722</u>	<u>\$ -</u>	<u>\$ 1,588</u>

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 4 – INVESTMENTS, AT FAIR VALUE (continued)

The changes in investments classified as Level III are as follows:

	<u>Total</u>	<u>HFOF Lazard</u>	<u>HFOF Torrey</u>	<u>HFOF Private Advisors</u>
Balance, October 1, 2008	\$ 1,550	\$ 620	\$ 930	\$ -
Total realized/unrealized gains (losses)	(104)	15	(216)	97
Net purchases (sales and settlements)	701	55	-	646
Net transfers in (out)	<u>(559)</u>	<u>-</u>	<u>(559)</u>	<u>-</u>
Balance, September 30, 2009	<u>\$ 1,588</u>	<u>\$ 690</u>	<u>\$ 155</u>	<u>\$ 743</u>

The amount included in the statement of activities for the period attributable to the change in unrealized gains related to Level III assets still held at the reporting date was:

	<u>Total</u>	<u>HFOF Lazard</u>	<u>HFOF Torrey</u>	<u>HFOF Private Advisors</u>
	<u>\$ 72</u>	<u>\$ 15</u>	<u>\$ (40)</u>	<u>\$ 97</u>

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 4 – INVESTMENTS, AT FAIR VALUE (continued)

The Foundation uses Net Asset Value (“NAV”) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists the attributes of investments valued using NAV as of September 30, 2010.

	Fair Value	# of Funds	Remaining Life	Unfunded Commitments	Timing to Drawdown Commitments	Redemption Frequency (if currently eligible)	Redemption Restrictions in Place at Year End
HFOF: Lazard	\$724	1	N/A	N/A	N/A	Generally, end of each calendar quarter (subject to the Board’s tender offer), upon 65 days’ written notice; at least 90% paid within 30 days of the Valuation Date with the remaining 10% paid after annual audit.	Generally, redemptions in full are subject to a holdback of 10% on redemption proceeds in the sole discretion of the Fund’s management until the Fund’s subsequent audit is completed as set forth in detail in the Fund’s Offering Memorandum.
HFOF: Private Advisors	\$773	1	N/A	N/A	N/A	Quarterly withdrawals with 65 days written notice.	Redemptions in full are subject to a hold back of 10% on redemption proceeds in the sole discretion of the Fund’s management until the Fund’s subsequent audit is completed as set forth in detail in the Fund’s Private Placement Memorandum. Interest will not be paid on hold back.
Total Investments	\$1,497	2					

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 4 – INVESTMENTS, AT FAIR VALUE (continued)

The investment assets of the Foundation are held in custody by a major financial services firm, except for assets invested with partnerships and commingled funds, which have separate arrangements related to their legal structure.

The Foundation holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such change could materially affect the amounts reported in the financial statements.

NOTE 5 – BOOKS FOR ASIA INVENTORY

The Books for Asia program receives gifts in kind donations of books, software and shipping services. These gifts in kind were contributed from major independent publishing houses under the condition that they may not be sold by the Foundation.

The Foundation records Books for Asia contributions and related inventory at their fair value, determined by discounting the average price of books by general subject areas from an independent publisher's pricing guide. The fair value approximates the amounts the Foundation believes it would have paid using its own resources to purchase the donated books and software at published wholesale prices. Inventory is maintained and managed at the Foundation's warehouse facilities in the United States and is expensed upon shipment from the United States. Inventories maintained by Asian field offices are not significant.

The following summarizes Books for Asia inventory activity for the years ended September 30:

	2010		2009	
	Volumes	Amount	Volumes	Amount
Beginning inventory	442,154	\$ 23,881	488,223	\$ 21,174
Contributions received	964,511	44,416	914,765	46,145
Shipments	(964,848)	(42,561)	(960,834)	(43,349)
Shipping services	-	(121)	-	(89)
Ending inventory	441,817	25,615	442,154	23,881
Allowance for discards	-	(75)	-	(75)
Net inventory	<u>441,817</u>	<u>\$ 25,540</u>	<u>442,154</u>	<u>\$ 23,806</u>

The Books for Asia program received donated shipping services in the amount of \$121 and \$88 during the years ended September 30, 2010 and 2009, respectively. These donated services are included in donated book program support and expenses from the Books for Asia program in the accompanying statements of activities and changes in net assets.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 6 – PROPERTY AND EQUIPMENT

The components of property and equipment as of September 30 are as follows:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 2,140	\$ 2,245
Leasehold improvements	1,148	964
Automobiles	<u>1,288</u>	<u>1,224</u>
Total	4,576	4,433
Less accumulated depreciation and amortization	<u>(2,976)</u>	<u>(2,798)</u>
Property and equipment, net	<u>\$ 1,600</u>	<u>\$ 1,635</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as of September 30 for the following purposes:

	<u>2010</u>	<u>2009</u>
Books for Asia	\$ 25,540	\$ 23,806
Programs and scholarships	<u>1,102</u>	<u>895</u>
Total	<u>\$ 26,642</u>	<u>\$ 24,701</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as specified by donors during the years ended September 30 as follows:

	<u>2010</u>	<u>2009</u>
Books for Asia	\$ 42,682	\$ 43,438
Programs and scholarships	<u>494</u>	<u>686</u>
Total	<u>\$ 43,176</u>	<u>\$ 44,124</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of contributions to be held as investments in perpetuity as directed by the donors.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 9 – COMMITMENTS AND CONTINGENT LIABILITIES

The Foundation leases certain office, equipment and warehouse facilities under various operating leases. As of September 30, 2010, future minimum lease payments for non-cancelable operating leases are summarized as follows:

Year ending September 30,:

2011	\$ 989
2012	944
2013	184
2014	175
Thereafter	<u>148</u>
Total	<u>\$ 2,440</u>

Rental expense was \$4,530 and \$4,079 for the years ended September 30, 2010 and 2009, respectively.

The Foundation is liable for accumulated termination rights of employees working overseas in certain countries. The Foundation's policy is to accrue termination rights when local law mandates that payment be made on separation irrespective of the specific circumstances. Amounts accrued as of September 30, 2010 and 2009 were \$1,438 and \$987, respectively.

Under the terms and conditions of grant agreements with the Foundation's funders, support funds not spent in accordance with the intent of the grant agreements may be recovered by the funder. In the opinion of management, adequate provision has been made in the accompanying financial statements for any funds that may be recovered by or are not recoverable from the Foundation's funders.

The Foundation receives funds which are subject to audits by the funders. In the opinion of management, the Foundation's liability, if any, resulting from such claims will not materially affect the Foundation's financial position or its results of activities.

Commitments due under grant agreements to sub-recipients, for services not yet provided, of the Foundation totaled \$17,553 and \$11,419 as of September 30, 2010 and 2009, respectively.

NOTE 10 – PENSION PLANS AND POSTRETIREMENT BENEFITS

The Foundation provides a defined contribution retirement plan for its U.S. payrolled employees paid by the Foundation as a cooperating institution in the Teachers Insurance and Annuity Association/College Retirement Equities Fund ("TIAA/CREF"). The Foundation's policy is to fund accrued retirement costs. The retirement plan expense incurred by the Foundation related to TIAA/CREF was \$1,429 and \$1,386 for the years ended September 30, 2010 and 2009, respectively, and was based on a percentage of salary expense taking into account age of employee.

The Foundation also provides various defined contribution retirement plans for its local employees at the Asian field office locations. The plans vary by country with the majority of contributions based on a percentage of salary expense. Total contributions made by the Foundation to these plans were \$438 and \$373 for the years ended September 30, 2010 and 2009, respectively.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 10 – PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

In addition to pension benefits, the Foundation provides certain health care and life insurance benefits to retired U.S. employees and their dependents (the “Plan”). The Plan was amended and curtailed in 2001 to exclude all current and future employees from coverage. The Foundation has the right to modify or terminate these benefits at its discretion.

As of September 30, the actuarial present value of benefit obligations recognized in the accompanying statements of financial position was as follows:

	<u>2010</u>	<u>2009</u>
Change in benefit obligation:		
Accrued postretirement benefit obligation, beginning of year	\$ 1,343	\$ 1,091
Plus net periodic cost	64	44
Less actual benefits paid	(67)	(62)
Adjustment to unrestricted net assets	<u>(210)</u>	<u>270</u>
Accrued postretirement benefit obligation, end of year	<u>\$ 1,130</u>	<u>\$ 1,343</u>

The following table presents the Plan’s assets as of September 30, 2010 and 2009 based on a measurement date of September 30,;

	<u>2010</u>	<u>2009</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ -	\$ -
Employer contributions	67	62
Lump-sum payments	<u>(67)</u>	<u>(62)</u>
Fair value of plan assets, end of year	<u>\$ -</u>	<u>\$ -</u>

For the years ended September 30, net periodic postretirement benefit cost included the following components:

	<u>2010</u>	<u>2009</u>
Interest cost	\$ 67	\$ 73
Amortization of unrecognized gains/losses	29	3
Amortization of unrecognized prior service cost	<u>(32)</u>	<u>(32)</u>
Total	<u>\$ 64</u>	<u>\$ 44</u>

Amounts recognized in unrestricted net assets consist of:

	<u>2010</u>	<u>2009</u>
Transition obligation	\$ -	\$ -
Unrecognized net loss	128	368
Prior service cost	<u>-</u>	<u>(32)</u>
Net loss	<u>\$ 128</u>	<u>\$ 336</u>

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 10 – PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Amounts in unrestricted net assets expected to be recognized in net periodic benefit cost in fiscal year 2011:

Amortized transition obligation	\$ -
Amortized prior service cost	-
Amortization of unrecognized net loss	<u>2</u>
Total	<u>\$ 2</u>

Total contributions made by the Foundation to the Plan were \$67 and \$62 for 2010 and 2009, respectively. Unrecognized net gains/losses are being amortized over the average future lifetime of covered retirees.

The trend rates for all health plans, prescription drug coverage and dental benefits for 2010 are assumed to be 9.5%, 17.5% and 4%, respectively, per year for pre- and post-65. In subsequent years, the rates of increase for health plans and prescription drug coverage are assumed to decrease by 0.5% per year until ultimate rates of 5% are attained for both benefit types.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 4.27% and 5.20% as of September 30, 2010 and 2009, respectively. The Foundation expects to make contributions to the Plan as benefit payments are required.

Projected benefit payments for the next ten years are:

Year ending September 30,:

2011	\$ 78
2012	83
2013	86
2014	89
2015	91
Thereafter	<u>460</u>
Total	<u>\$ 887</u>

NOTE 11 – RELATED PARTY TRANSACTIONS

The Foundation receives contributions from members of its Board of Trustees. Contributions receivable from members of the Board of Trustees were \$30 and \$5 at September 30, 2010 and 2009, respectively. Contributions from members of the Board of Trustees during the years ended September 30, 2010 and 2009 amounted to \$271 and \$327, respectively. Members do not receive payment for their Board services.

Related party receivables as of September 30, 2010 and 2009 include \$0 and \$38, respectively, interest free promissory note (the “Note”) from the President of the Foundation. The outstanding principal balance, secured by real property, is due annually in incremental installments which started September 1, 2007 and continue for the following three years. Each installment shall be forgiven if, on its due date, the President has not resigned or been terminated for cause from the Foundation. Therefore, the Foundation has not recorded any interest income related to the Note using an imputed interest rate, as management expects the Note will be forgiven based on fulfillment of the conditions described above.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 12 – GIVE2ASIA

The Foundation is related to an affiliate nonprofit public benefit corporation, Give2Asia, whose purpose is to increase U.S. philanthropy to Asian charities and serve as a resource to community foundations, private foundations, financial advisors, investment firms and Asian charities. During the year ended September 30, 2010, the Foundation paid expenses on behalf of Give2Asia totaling \$1,688 and received reimbursements of \$1,434 of which \$141 was due to the Foundation at September 30, 2010. The corresponding amounts for the year ended September 30, 2009 were \$1,886, \$1,524 and \$277, respectively. The amount not reimbursed or due to the Foundation by Give2Asia was a contribution of \$253 and \$363 to Give2Asia from the Foundation during the years ended September 30, 2010 and 2009, respectively. In addition, the Foundation received grants from Give2Asia in the amount \$194 and \$1,005 for the years ended September 30, 2010 and 2009, respectively. The Foundation recognized revenue on grants from Give2Asia in the amount of \$597 and \$681 during the same periods.

The Foundation has neither a financial nor a controlling interest in Give2Asia. As such, the assets and liabilities and results of activities of Give2Asia have not been consolidated with the financial position and results of activities of the Foundation.

NOTE 13 – CONDITIONAL PROMISES TO GIVE

The Foundation has been named as a beneficiary of certain revocable wills and trusts, where the amount and date of expected future contributions are not determinable. Accordingly, these conditional promises to give are not included in the financial position or results of activities of the Foundation.

NOTE 14 – ENDOWMENTS

The Foundation's endowment consists of 6 individual funds established for a variety of purposes. The endowment includes donor-restricted and board designated endowment funds. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") has been adopted by the State of California. The Foundation considers the language of a specific endowment agreement as the primary determinant of the application of spending policy to a donor-restricted endowment. UPMIFA permits the continued payout of a prudent amount under the endowment agreement, even when the market value of the endowment principal is below its historic-dollar-value, with the expectation that over time the endowment principal will remain intact. The historic-dollar-value is defined as the fair value of the original gift and subsequent gifts as of the gift date, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor instrument.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 14 – ENDOWMENTS (continued)

The Foundation's Board of Trustees has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets, is classified as temporarily restricted net assets.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund,
- (2) The purposes of the organization and the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the organization, and;
- (7) The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund at September 30, 2010,:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 422	\$ 1,439	\$ 1,861

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2010,:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 316	\$ 1,439	\$ 1,755
Investment income	-	203	-	203
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(97)	-	(97)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 422</u>	<u>\$ 1,439</u>	<u>\$ 1,861</u>

Endowment Net Asset Composition by Type of Fund at September 30, 2009,:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 316	\$ 1,439	\$ 1,755

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 14 – ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2009,:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 351	\$ 1,439	\$ 1,790
Investment income	-	62	-	62
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(97)	-	(97)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 316</u>	<u>\$ 1,439</u>	<u>\$ 1,755</u>

	<u>2010</u>	<u>2009</u>
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 1,439</u>	<u>\$ 1,439</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 1,439</u>	<u>\$ 1,439</u>
Temporarily Restricted Net Assets		
(1) Term endowment funds	\$ -	\$ -
(2) The portion of perpetual endowment funds subject to a time Restriction under UPMIFA:		
Without purpose restrictions	-	-
With purpose restrictions	<u>422</u>	<u>316</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 422</u>	<u>\$ 316</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at September 30, 2010.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 14 – ENDOWMENTS (continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 3.5 percent of its endowment fund's weighted-average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.5 percent plus the rate of inflation annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 15 – INCOME TAXES

The Foundation is recognized by the Internal Revenue Service as a qualified nonprofit organization as described in Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and is, therefore, exempt from federal income taxes on operations related to its exempt purpose and investment income. The Foundation is also recognized by the California Franchise Tax Board as exempt in California under the California Revenue and Taxation Code Section 23701(d). However, unrelated business income, if any, would be subject to income tax.

The Asia Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

Years ended September 31, 2010 and 2009
(U.S. Dollars in thousands)

NOTE 15 – INCOME TAXES (continued)

On October 1, 2009, the Foundation adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state and foreign jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Foundation's financial condition, results of operations or cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions on adoption or as of September 30, 2010.

The Foundation files income tax returns in the U.S federal jurisdiction and various state and foreign jurisdictions. Pursuant to the statute of limitations, the Foundation is open to audit by various taxing authorities from five years to start of business. The Foundation currently does not have any examinations in progress. The Foundation does not anticipate that there will be any material changes in its unrecognized tax positions over the next 12 months.

The Foundation may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Foundation has such an assessment from a taxing authority, it is its accounting policy to recognize any interest and penalties as a component of income tax expense.

NOTE 16 – SUBSEQUENT EVENTS

The Foundation evaluated its September 30, 2010 financial statements for subsequent events through March 21, 2010, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY SCHEDULES

THE ASIA FOUNDATION

SCHEDULES OF FUNCTIONAL EXPENSES

Years ended September 30,

	2010				2009			
	Program Grants and Related Services	Supporting Services Administration and General	Fundraising	Total	Program Grants and Related Services	Supporting Services Administration and General	Fundraising	Total
Programs:								
Program Grants and Subcontracts	\$ 36,430,754	\$ -	\$ -	\$ 36,430,754	\$ 33,777,986	\$ -	\$ -	\$ 33,777,986
Staff Salaries	13,996,914	4,462,512	109,519	18,568,945	11,691,740	3,979,394	111,639	15,782,773
Non-Staff Salaries	9,783,405	-	-	9,783,405	12,055,888	-	-	12,055,888
Payroll Taxes and Employee Benefits	10,123,543	2,710,315	57,721	12,891,579	8,170,206	2,277,033	54,843	10,502,082
Office Rent and Utilities	4,099,881	569,344	10,111	4,679,336	2,874,543	552,313	10,565	3,437,421
Travel	6,750,536	752,615	4,889	7,508,040	5,188,491	632,551	8,107	5,829,149
Professional Fees	377,678	1,469,748	133,596	1,981,022	289,466	1,265,998	140,677	1,696,141
Employee Housing	2,000,870	-	-	2,000,870	1,764,771	28,101	-	1,792,872
Personnel - Moving Expenses	604,044	-	-	604,044	473,350	29,275	-	502,625
Communications and Supplies	3,443,257	214,228	18,124	3,675,609	3,392,594	209,651	16,764	3,619,009
Equipment Expenses	6,325,182	182,679	3,304	6,511,165	3,000,850	184,210	3,653	3,188,713
General Insurance	197,988	74,437	20	272,445	263,959	71,463	42	335,464
Conferences, Training, Other	4,009,161	539,635	18,930	4,567,726	3,187,175	514,263	2,158	3,703,596
Foreign currency translation loss (gain)	(43,486)	(92)	-	(43,578)	81,916	130	-	82,046
Public Relations	-	96,711	-	96,711	-	88,820	-	88,820
	98,099,727	11,072,132	356,214	109,528,073	86,212,935	9,833,202	348,448	96,394,585
Distribution of Books	42,682,013	-	-	42,682,013	43,437,729	-	-	43,437,729
Other In-Kind	2,651	-	-	2,651	27,736	-	-	27,736
	<u>\$ 140,784,391</u>	<u>\$ 11,072,132</u>	<u>\$ 356,214</u>	<u>\$ 152,212,737</u>	<u>\$ 129,678,400</u>	<u>\$ 9,833,202</u>	<u>\$ 348,448</u>	<u>\$ 139,860,050</u>
	<u>92.5%</u>	<u>7.3%</u>	<u>0.2%</u>	<u>100.0%</u>	<u>92.7%</u>	<u>7.0%</u>	<u>0.2%</u>	<u>100.0%</u>

The Asia Foundation

SCHEDULE OF EXPENDITURES ON NON-FEDERAL BILATERAL AND MULTILATERAL AWARDS

Year ended September 30, 2010

Non-Federal Grantor/Program Title	Country	Grant Number	Expenditures
MULTILATERALS			
ASIAN DEVELOPMENT BANK			
Access to Justice for Urban Poor	Governance and Law	COSO/70 108	\$ (48,760)
Institutional Development for Subregional Cooperation	Philippines	COSO/90-585	29,292
Case Decongestion Workshop	Philippines		2,500
Cambodia Country Partnership Strategy	Economic Reform & Develop	TA 7488-CAM	5,689
	Total Asian Development Bank		<u>(11,279)</u>
CIVICUS			
Program to Enhance Capacity Social Accountability (PECSA) and Demand for Good Governance (DFGG)	Cambodia	CR to 31383	25,238
EUROPEAN COMMISSION			
Supporting Female Commune Councillors in Cambodia	Cambodia	EIDHR/2008/164-764	33,843
Torture: Treatment and Advocacy in Times of Conflict	Sri Lanka	EIDHR/2008/166-596	250,975
Karapatan sa Malikaing Paraan (KaSaMa): Knowledge Forum	Philippines	EIDHR/2009/224-388	7,867
Building Peace in Afghanistan: Institutional Support to the National Consultative Peace Jirga	Afghanistan	DCINSAPVID2010/237986	426,023
	Total European Commission		<u>718,708</u>
INTERNATIONAL FINANCE COMMISSION			
Sub-National Investment Climate Reform in Bangladesh	Bangladesh	555688	6,288
Enhancing the Sustainability and Stakeholder Ownership of Investment Climate Reforms in Bangladesh	Bangladesh		609,593
	Total International Finance Commission		<u>615,881</u>
IOM			
IOM co-fund for 31212	Mongolia		6,871
NATIONAL AIDS CONTROL PROGRAM			
Global Fund: Develop Community Strategy	Pakistan	Global Fund	(472)
SWISSCONTACT - KATALYST			
Local Economic Governance: Phase II	Bangladesh	BED/PIJs/07/01	78,299
THE UNITED NATIONS DEMOCRATIC			
Cultivating Democratic Leaders from Marginalized Groups	Thailand	UDF-THA-07-185	126,686
THE WORLD BANK			
Legal Aid Services for Poor and Vulnerable People Affected by the Tsunami	Thailand	TF055621	(3,656)
Support for Poor and Disadvantaged Areas Project (SPADA) - Empowering Women in Aceh Project	Indonesia	Grant No. TF090725	139,513
Support for Poor and Disadvantaged Areas Project (SPADA)- Economic Governance in Aceh Project	Indonesia	Grant No. TF090789	876,511
Sub-national Investment Climate Reform	Indonesia	7149381	282,902
Sub-Grant Component of the Program to Enhance Xapacity in Social Accountability (PECSA) in Cambodia	Cambodia	TF 092718	361,042
Demand for Good Governance	Cambodia	Grant No: H441 - KH	462,165
Political Economy of Decentralization in Sri Lanka	Sri Lanka	7153048	80,100
Program to Strengthen Social Accountability with Local Authorities in Sri Lanka	Sri Lanka		8,609
State and Peace-Building Fund	Philippines	TF096578	5,648
	Total World Bank		<u>2,212,834</u>
UNDP			
Support to Center Government Project	Afghanistan	AFG/2006/02/02	(105)
Provision of Service for Orientation Programme for the Newly Elected DPR and DPD RI Members	Indonesia	UNDP - 011/2009	147,870
Support for Formulation of Socio-Economic Development Strategy 2011 - 2020	Vietnam	50577	51,312
Support for Formulation of Socio-Economic Development Strategy 2011 - 2020	Vietnam	RFP #8	52,578
Support for Formulation of Socio-Economic Development Strategy 2011 - 2020	Vietnam	RFP#7	49,719
	Total UNDP		<u>301,374</u>
TOTAL MULTILATERALS			<u>4,074,140</u>
OTHER GOVERNMENTS			
ANTARA			
Business Enabling Environment Program for Nusa Tenggara (BEE)	Indonesia	ABN 23 006 170 869	583,327
AUSAID			
Regional Elections Program	Indonesia	CON 13748 A4951	6,902
Voter Education Program for Supporting Free and Fair Elections in Pakistan	Pakistan	45003	5,638
Developing an Engagement Strategy in Conflict -Affected Areas in Mindanao	Philippines	46273 (prv 45749)	112
Creating Opportunities for Economic Revival and Development in Nuwara Eliya (CORD)	Sri Lanka	45963	10,527
Justice Sector Support Facility's Community Justice - Baseline Survey	Timor - Leste		532
Public Outreach and Civic Education Assistance for Afghanistan Elections in 2009/2010	Afghanistan	48743	593,268
Promoting Independent, Impartial, and Effective Investigation of Human Rights Violations	Philippines		7,634
Extending Creating Opportunities for Economic Revival and Development (CORD) Phase II	Sri Lanka	50611	126,746
Afghanistan Elections Observation Mission 2009	Afghanistan	50895	167,228
Promoting Transparent And Fair Election In The Philippines In 2010	Philippines	53215	480,061
Revitalizing Indonesia's Knowledge Sector for Development Policy - Management of Program Learning	Indonesia	53577	470,144
Understanding Reform in the Philippines	Philippines	54347	15,507
Local Economic Governance Survey	Indonesia	55096	349,441
Peace,Conflict and Development Panel - Advisory Support Group	Governance and Law	51485	34,631
Improving the Governance of Elections in Indonesia	Indonesia	55418	463,932
Support to Elections-Related Public Outreach and Civic Education	Afghanistan	55706	239,727
Sri Lanka Local Economic Governance Project	Sri Lanka	55249	180,692
Change Management and Institutional Strengthening Ministry of Agriculture, Irrigation and Livestock	Afghanistan	55417	5,813
International Election Observation Mission	Afghanistan	56773	456,868
Political Economy Assessment for Education in ARMM	Philippines	56948	261
AUSTRALIA - DFAT			
Prison Reform in Indonesia Phase II	Indonesia	ABN 47 065 634 525	289,872
Defuse Conflict, Resolve Disputes, Enhance Justice and Security to Counter Radicalization in NWFP	Pakistan	ABN 47 065 634 525	175,843
Engage and Provide Civic Participation Skills to At-Risk Sabahan Youth	Malaysia	ABN 47 065 634 525	26,875
	Total AUSTRALIAN		<u>4,691,581</u>

The Asia Foundation

SCHEDULE OF EXPENDITURES ON NON-FEDERAL BILATERAL AND MULTILATERAL AWARDS (continued)

Year ended September 30, 2010

Non-Federal Grantor/Program Title	Country	Grant Number	Expenditures
BELGIAN GOVERNMENT			
Assistance to the Independent Directorate for Local Governance and its Afghanistan Social Outreach Program	Afghanistan		321,549
Belgium Small Grants Program	Afghanistan		307,879
Performance Based Governor's Fund (PBGf)	Afghanistan		417,211
	TOTAL BELGIAN		1,046,639
BRITISH EMBASSY			
Temporary Media Centre	Afghanistan		890,732
Strengthening Security in Ulaanbaatar's Ger Districts	Mongolia		43,498
Deepening Public Consultation in the Making of Law on Access to Information	Vietnam		409
Facilitate Early Engagement of the NA in the Making of Law on Access to Information	Vietnam		11,092
Evaluating the Performance of Local Legislatures to Enhance Accountability	Indonesia	PSA 26 & dso 6	(21,136)
Localizing Counter Corruption in 6 Cities in Luzon and Visayas	Philippines	PEP GEM 000402	107,750
Government-Civil Society Trust - Building Dialogues	Philippines	DSO 6	(1,135)
English Language Centre at the Ministry of Foreign Affairs	Afghanistan		84,932
Regional Cooperation Centre, Ministry of Foreign Affairs, Afghanistan	Afghanistan		493,432
UK Support to the ANFREL Election Observation Mission	Afghanistan		45,591
BRITISH HIGH COMMISSION			
SAARC/UK Parliamentary Election Study and Observation Program	Bangladesh		92
Community Policing Project (Baluchistan)	Pakistan	PSA CPP APK 000013	293,634
A2J in a Time of Conflict - Phase II	Sri Lanka	PSA CCP SRI 000007	875,039
DFID			
Indonesia Poverty Reduction Partnership: Partnerships with Civil Society (PRP-PCS)	Indonesia	AG 3969	(786)
CoCAS Phase II: Strengthening the Voice of Marginalized Groups in Nepal's Constituent Assembly Process	Nepal	AG5119	34,964
Civil Society Initiative Against Poverty II	Indonesia	AG 5228	1,578,597
Support to Independent Directorate of Local Governance	Afghanistan	AG 4997	565,412
Governor's Performance Improvement Programme (GPIP)	Afghanistan	200996-101	1,375,158
Support for DFID Asia Regional State-Building and Peace-Building Workshop	Governance and Law	PO40026763	55,036
Addressing Gender Based Violence (GBV)	Nepal	108560-104	30,655
Improving Agricultural Potential in Afghanistan: Ministry of Agriculture, Irrigation and Livestock (MAIL) Change Management	Afghanistan	201035-102	102,266
Support for Bureaucracy Reforms within MOHA	Indonesia	108257-103	122,695
Guide to Government in Nepal-Structure, Functions and Practices of the Nepali State	Nepal	CNTR/ESP/EA10-11/325	27,039
INSTITUTE OF DEVELOPMENT STUDIES			
Measuring the Impact of Better Local Economic Governance in Indonesia	Indonesia	09/218	27,977
THE BBC WORLD SERVICES			
Perception Surveys & MDG Guides	Bangladesh		482,934
	TOTAL BRITISH		7,225,877
CANADIAN EMBASSY			
Afghanistan Government Media Center	Afghanistan	GPSF Number 08-011	(7,837)
CIDA			
Fair Election and International Reform Project in Bangladesh	Bangladesh	A-032472-001-PR1	314,637
Providing Electoral Assistance in the Autonomous Region in Muslim Mindanao August 2008	Philippines	A-034426	(336)
Broadening Awareness of Democracy in Afghanistan	Afghanistan	A-034802-001	1,033,985
Support to the Asia Foundation in its Role in the International Contact Group for the GRP-MILF Peace Process	Philippines	A-032828	52,322
Change Management & Critical Institutional Strengthening Interventions for the Ministry of Agriculture, Irrigation & Livestock (MAIL) in AG	Afghanistan	A-034716-001	679,050
Governing for Peace through Language Rights Project	Sri Lanka	1287AS10-1&t1289-PJ10	4,516
MINISTRY OF LABOUR - CANADA			
Strengthening Labour Administration and Creating Public Awareness for Protection of Labour Rights in Afghanistan	Afghanistan		175,263
	TOTAL CANADIAN		2,251,600
ROYAL DANISH EMBASSY			
Strengthening Civic Values through Religious Institutions and the Police in Indonesia	Indonesia	104.Indsn.1.MRD.15-1	292,855
Strengthening Civic Value through Religious Institutions and the Police in Indonesia (Phase II)	Indonesia	104.Indonesien.1.MRD	838,998
	TOTAL DANISH		1,131,853
KDI SCHOOL			
International Development Cooperation Capacity Building Program	Korea, South		245,955
KOREAN CIVIC SERVICE			
Korean Government Overseas Fellowship Program	Asian American Exchange		2,162
	TOTAL KOREAN		248,117
LIKE MINDED GROUP			
Support Free & Fair Election	Pakistan	AHC	3,146
MULTIPLE FUNDERS			
Supporting Local Economic Governance for Private Sector Recovery and Development	Sri Lanka	AUSAID F4781 37220	456,411
LMG-Free and Fair Election Project in Pakistan	Pakistan	SD 7F-02480,	68,490
Civil Society and Pro Poor Markets Components of RDE-DCS/MDLF Natural Resources and Livelihoods Programme	Cambodia	RDE-DC/MDLF	6,282,742
Assistance to the Independent Directorate for Local Governance in Afghanistan	Afghanistan	RNE: KAB/NAT-02/07	49,418
Supporting Transparency, Accountability and Electoral Process in Pakistan	Pakistan	Activity No:20098	2,147,360
Change Management and Institutional Strengthening at the Ministry of Agriculture, Irrigation and Livestock (MAIL)	Afghanistan	20326	4,355,920
The Leadership Program: Development Leaders, Elites and Conditions	Governance and Law	LPDLEC	1,389
	TOTAL MULTIPLE FUNDERS		13,364,876

The Asia Foundation

SCHEDULE OF EXPENDITURES ON NON-FEDERAL BILATERAL AND MULTILATERAL AWARDS (continued)

Year ended September 30, 2010

Non-Federal Grantor/Program Title	Country	Grant Number	Expenditures
NETHERLANDS EMBASSY, KABUL			
Strengthening Rule of Law in Afghanistan through Increased Protection of Women's Rights within Islam and Access to Justice	Afghanistan	KAB/NAT-10/08	565,752
Assistance to the Independent Directorate for Local Governance in Afghanistan (IDLG)	Afghanistan	19807	546,402
ROYAL NETHERLANDS EMBASSY			
Securing our Future	Mongolia		122,805
Strengthening Democracy and Development through Participation	Indonesia		544,806
Mongolia Watershed Monitoring Network (FX Gains)	Mongolia		46,386
Human Rights Fund	Pakistan	Activity No:18778	244,204
Secretariat Support to the Philippines Innovation Marketplace for Human Rights Competition	Philippines	PKP ODA 09/04	13,926
Negotiating Cultural Space: Preserving Pattani-Malay Identity and Culture In Southern Thailand	Thailand	Activity No:20474	71,553
Promoting Access to Justice in Southern Thailand for Victims of Human Rights Violations	Thailand	Activity No:20430	103,863
Assistance to the Government Media and Information Centre (GMIC)	Afghanistan		761,829
Engaging Stakeholders for the Environmental Conservation (ESEC) Programme	Mongolia	21732	48,190
Information and Participation Rights in China: Putting Into Practice Open Government Legislation in Hunan	China	EA/OS-107/08	189,555
TOTAL NETHERLANDS			<u>3,259,271</u>
NEW ZEALAND AID			
Poverty Alleviation for Rural Ethnic Women in Xinjiang Uygur Autonomous Region Project	China		12,770
Data Collection for Monitoring & Evaluation of PNTL Community Policing Pilot Programme	Timor - Leste	CON/725/1	103,782
TOTAL NEW ZEALAND			<u>116,552</u>
NORWEGIAN EMBASSY			
Media Monitoring of the Afghanistan Parliamentary Elections, 2010	Afghanistan	AFG-10/0032	211,550
Media Sponsorship Program for Women and Parliamentary Candidates	Afghanistan	AFG-10/0035	198,874
NORWEGIAN MINISTRY OF FOREIGN AFFAIRS			
Increasing and Enhancing Women's Political Participation in Indonesia	Indonesia		344,963
TAF Women's Economic Development Project	Pakistan	Pak 3017-07/038	825
TOTAL NORWEGIAN			<u>756,212</u>
SWISS AGENCY FOR DEVELOPMENT & COOPERATION			
Increasing Women's Effective Participation in Governance in NWFP	Pakistan	SDC-08-021/PAK-PDF-0	7,948
TOTAL SWISS			<u>7,948</u>
TOTAL OTHER GOVERNMENTS			<u>34,100,526</u>
TOTAL BILATERAL AND MULTILATERAL AWARDS			<u>\$ 38,174,666</u>