# 2005

# Annual Report

*A MESSAGE FROM THE 2005 PRESIDENT*

**This Annual Report** is witness to the Society's successes. In 2005, ASIS International continued to set the pace within the security industry and for security professionals, and forged strategic relationships with industry and government leaders that are essential for a successful future. The opportunities presented did not go unmet because of the efforts of our outstanding staff, volunteers, and members like you. Here are some of the year's highlights.

◆ The ASIS Commission on Guidelines and Standards completed and released guidelines on business continuity and workplace violence prevention and response, both of which can be viewed on the Society's Web site, www.asisonline.org.

◆ The ASIS Foundation, Inc., published a comprehensive security report on the scope of security throughout the United States, as well as trends that are emerging.

◆ A record was set in Orlando last September when more than 20,000 people attended the ASIS 51st Annual Seminar and Exhibits featuring by a keynote address from General Colin Powell (U.S. Army-ret.).

◆ The Alliance for Enterprise Risk Management was formed by ASIS, ISSA, and ISACA to address the convergence of traditional security and IT security.

◆ A survey on enterprise-security risk-management was created and conducted by Booz Allen Hamilton for the Alliance.

◆ ASIS conducted the inaugural Wharton/ASIS Program for Security Executives.

◆ To better serve our members, the Society converted some its existing training programs to Internet-delivered versions.

◆ ASIS participated in the DHS TOPOFF 3 exercise—the most comprehensive terrorism response exercise ever conducted in the United States, designed to strengthen the nation's capacity to prevent, protect against, respond to, and recover from terrorist attacks.

◆ The Society offered its virtual forums at a discounted rate to chapters.

◆ The *Protection of Assets Manual* was updated to maintain its premier place among security research materials.

◆ ASIS reached out to its membership during and after Hurricane Katrina.

◆ ASIS achieved a DHS Safety Act Designation for its guidelines that will assist users in protecting themselves against liability.

◆ The number of candidates tested for ASIS board certification increased 34 percent from 2004.

◆ The *Security Management* weekly e-newsletter was launched in January.

ASIS is the premier organization for helping edify, equip, and educate security professionals around the globe. The Society is fiscally strong and positioned to remain the voice for all security professionals and those interested in helping protect our citizens, coworkers, businesses, organizations, and governments from individuals, groups, or risks that threaten them. ASIS members can look to the future and know that the Society is truly "advancing security worldwide."

*Dan Consalvo, CPP*
*ASIS President 2005*

## ASIS International and Affiliate

### Consolidated Statements of Financial Position

| December 31, | **2005** | 2004 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 373,432** | $ 407,115 |
| Investments, at fair value | **27,555,792** | 23,422,140 |
| Accounts receivable, net of allowance for doubtful accounts of $92,000 and $101,561 for 2005 andand 2004, respectively | **1,686,299** | 1,364,687 |
| Prepaid expenses | **590,255** | 699,377 |
| Other assets | **978,839** | 1,043,124 |
| Inventory | **430,997** | 411,104 |
| Property and equipment, net | **8,308,187** | 8,517,851 |
| **Total Assets** | **$39,923,801** | $35,865,398 |

| | | |
|---|---|---|
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable | **$ 757,723** | $ 895,745 |
| Accrued liabilities | **543,432** | 508,281 |
| Dues, subscriptions, fees, and rents collected in advance | **9,878,392** | 8,784,303 |
| Mortgage note payable | **5,385,723** | 5,527,876 |
| Post-retirement benefit obligation | **3,470,906** | 3,080,170 |
| **Total Liabilities** | **$20,036,176** | $18,796,375 |
| **Net Assets** | | |
| Unrestricted | **$19,451,237** | $16,697,463 |
| Temporarily restricted | **64,577** | 68,823 |
| Permanently restricted | **371,811** | 302,737 |
| **Total Net Assets** | **$19,887,625** | $17,069,023 |
| **Total Liabilities and Net Assets** | **$39,923,801** | $35,865,398 |

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

## ASIS International and Affiliate

### Consolidated Statements of Activities and Changes in Net Assets

| December 31, | **2005** | 2004 |
|---|---|---|
| **Changes in Unrestricted Net Assets** | | |
| **Revenues** | | |
| Membership and general society | **$ 3,515,044** | $ 3,375,160 |
| Publishing | **6,194,965** | 6,133,955 |
| Seminar | **13,176,513** | 11,992,614 |
| Education | **2,270,958** | 1,897,730 |
| Certification program | **450,975** | 322,015 |
| Publications and merchandise sales | **1,603,736** | 1,213,306 |
| Rental operations, net | **47,400** | 65,205 |
| Donations by: | | |
| Chapters | **27,285** | 22,480 |
| Companies | **184,958** | 62,834 |
| Individuals | **23,360** | 23,235 |
| Scholarships | **29,817** | 30,893 |
| Foundation Dinner | **76,950** | 98,020 |
| Charity golf | **55,050** | 45,100 |
| Investment income | **1,388,667** | 486,559 |
| Satisfaction of program restrictions | **4,810** | 12,965 |
| **Total Revenues** | **$29,050,488** | **$25,782,071** |
| **Expenses** | | |
| *Program services:* | | |
| Publishing | **$ 6,884,482** | 6,351,901 |
| Seminar | **6,546,304** | 6,021,607 |
| Education | **2,685,287** | 2,566,945 |
| Certification program | **1,521,876** | 1,445,526 |
| Publications and merchandise sales | **1,253,094** | 1,201,185 |
| Awards and scholarships | **107,685** | 128,167 |
| Foundation Dinner | **185,955** | 162,796 |
| Charity golf | **33,078** | 36,959 |
| *Support services:* | | |
| Membership and general | **6,794,776** | 6,070,029 |
| Fundraising | **146,110** | 43,232 |
| **Total Expenses** | **$26,158,647** | $24,028,347 |
| **Increase in Net Assets Before Unrealized Gain on Investment** | **2,891,841** | 1,753,724 |
| Unrealized (loss) gain on investment | (138,067) | 1,215,376 |
| **Change in Unrestricted Net Assets** | **$ 2,753,774** | $ 2,969,100 |

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

## ASIS International and Affiliate

### Consolidated Statements of Activities and Changes in Net Assets—Continued

| December 31, | 2005 | 2004 |
|---|---|---|
| ***Changes in Temporarily Restricted Net Assets*** | | |
| **Revenue** | | |
| Investment income | **$ 19,044** | $ 10,423 |
| Satisfaction of program restrictions | **(4,810)** | (12,965) |
| **Decrease in Net Assets Before Unrealized Gain on Investment** | **14,234** | (2,542) |
| Unrealized gain on investment | **(18,480)** | 9,020 |
| **Change in Temporarily Restricted Net Assets** | **$ (4,246)** | $ 6,478 |
| ***Change in Permanently Restricted Net Assets*** | | |
| **Revenue** | | |
| Donations by: | | |
| Chapters | **$ 10,000** | $ 1,970 |
| Companies | **935** | 5,030 |
| Individuals | **710** | 2,240 |
| Other revenue | **57,429** | 9,000 |
| **Change in Permanently Restricted Net Assets** | **69,074** | 18,240 |
| **Change in Net Assets** | **2,818,602** | 2,993,818 |
| **Net Assets**, beginning of year | **17,069,023** | 14,075,205 |
| **Net Assets**, end of year | **$19,887,625** | $17,069,023 |

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

## ASIS International and Affiliate

### Consolidated Statements of Cash Flows

| Year ended December 31, | **2005** | 2004 |
|---|---|---|
| **(Decrease) Increase in Cash** | | |
| **Cash Flows from Operating Activities** | | |
| Change in net assets | **$2,818,602** | $2,993,818 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation and amortization | **539,754** | 608,340 |
| Unfunded post-retirement benefits expense | **390,736** | 479,269 |
| Unrealized loss (gain) on long-term investments | **156,547** | (1,224,396) |
| Realized gain on investments | **(905,009)** | (60,404) |
| Gain on disposal of fixed asset | — | 10,306 |
| Changes in assets and liabilities: | | |
| Account receivable | **(321,612)** | (98,057) |
| Inventory | **(19,893)** | (69,307) |
| Other assets | **64,285** | (87,511) |
| Prepaid assets | **109,122** | (249,731) |
| Accounts payable | **(138,022)** | 604,637 |
| Accrued liabilities | **35,151** | 83,106 |
| Dues, subscriptions, fees, and rents collected in advance | **1,094,089** | 761,906 |
| **Net Cash Provided by Operating Activities** | **$3,823,750** | $3,751,976 |
| **Cash Flows from Investing Activities** | | |
| Capital expenditures for property and equipment | **$ (330,090)** | (213,205) |
| Proceeds from sale of investments | **3,049,680** | 1,812,377 |
| Purchases of investments | **(6,434,870)** | (5,086,442) |
| **Net Cash Used in Investing Activities** | **(3,715,280)** | (3,487,270) |
| **Cash Flows from Financing Activities** | | |
| Principal payments under mortgage note | **(142,153)** | (131,271) |
| **Net (Decrease) Increase in Cash** | **(33,683)** | 133,435 |
| **Cash**, beginning of year | **407,115** | 273,680 |
| **Cash**, end of year | **$ 373,432** | $ 407,115 |

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

# ASIS International and Affiliate

## Notes to Consolidated Financial Statements

*December 31, 2005 and 2004*

### Note A—Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of ASIS International (International) and its affiliate, ASIS Foundation, Inc. (the Foundation). A summary of significant accounting policies applied in the preparation of the consolidated financial statements follows.

***Organization Status***

International is a not-for-profit organization, which disseminates information and educational materials to enhance security knowledge, practice and performance. The major sources of revenue are from education fees, exhibit fees, communications advertising, membership dues and fees, and investment income. International publishes a monthly magazine, *Security Management*, in which it sells advertising space for security industry items. Members are charged dues for the benefits received from International.

The Foundation operates as a nonprofit research and educational organization. It undertakes programs and projects for advancement of professional standards and effective programs in the field of security protection and loss prevention. The Foundation's primary services are to provide scholarships for students and security management professionals and to encourage research on behalf of the security industry. The Foundation's major sources of support are charitable donations and contributions, an annual fundraising dinner, and donated services and facilities.

During 2005, the ASIS Political Action Committee (PAC) was formed as a voluntary unincorporated nonprofit committee to raise election campaign funds and encourage support of issues related to the security industry. The PAC collected $3,425 in contributions which is included in the cash and donations by individuals balances of International in the consolidating schedule of financial position and consolidating statement of activities and changes in net assets for the year ended December 31, 2005.

***Principles of Consolidation***

The financial statements of International, the Foundation, and the PAC (collectively, ASIS) have been consolidated in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

***Cash and Cash Equivalents***

ASIS generally considers all highly liquid temporary investments purchased with an original maturity of three months or less to be cash equivalents.

***Investments***

Following the provisions of Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, ASIS's policy is to record all investments in equity securities with readily determinable fair values, and all investments in debt securities at fair value, with realized and unrealized gains and losses included in the statement of activities. Purchases and sales of investments are recorded on the trade date. Unrealized gains and losses on investments are considered to be nonoperating income.

***Other Assets***

Other assets include the rights related to the *Buyer's Guide* and *Protection of Assets Manual*. The rights were recorded at cost and are being amortized over 10 years under the straight-line method. Amortization expense for 2005 and 2004 was approximately $115,000 and $80,000 respectively.

***Inventory***

Inventories consisting of goods held for resale are valued at the lower of cost or market, using the first-in, first-out method.

***Property and Equipment***

Property and equipment are recorded at cost. Depreciation and amortization are calculated under the straight-line method to recover the cost of the property over the following useful lives:

| | |
|---|---|
| Building | 39 years |
| Office furniture and equipment | 3-10 years |
| Computer software | 3 years |
| Computer hardware | 3 years |
| Leasehold improvements | Remaining term of lease |

ASIS capitalizes all capital asset purchases greater than $1,000.

***Deferred Revenue***

Deferred revenue consists of cash received in advance of the service period for rent, membership dues, subscriptions, education programs, and seminar exhibit booth registration.

***Net Assets***

ASIS's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with restrictions placed on available resources. As such, resources are classified for accounting and reporting into funds established according to their nature and purpose. Funds that have similar characteristics have been consolidated in the financial statements into three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted net assets*—are not restricted by donors, or the donor-imposed restrictions have expired.

*Temporarily restricted net assets*—represent the unexpended portion of contributions containing donor-imposed restrictions that only permit ASIS to use or expend the assets as specified by the donor. The restrictions are satisfied by the actions of ASIS or time.

## Notes to Consolidated Financial Statements—Continued

*December 31, 2005 and 2004*

### Note A—Summary of Significant Accounting Policies—Continued

***Net Assets—Continued***

*Permanently restricted net assets*—represent contributions containing donor-imposed restrictions that stipulate the resources be maintained in perpetuity, but permit ASIS to use or expend part of the income derived from the donated assets.

Contributions are considered available for unrestricted use by ASIS unless specifically restricted by the donor. Amounts received that are designated for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If a restriction is fulfilled in the same period in which the contribution is received, ASIS reports the support as unrestricted.

***Income Tax Status***

International is an organization exempt from federal taxes under Section 501(c)(6) of the Internal Revenue Code (IRC). Qualified organizations as defined in this section are taxable only on unrelated business income.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC.

The PAC is generally exempted from federal income taxes under Section 527 of the IRC except for taxes paid on investment income.

***Use of Estimates***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Reclassifications***

Certain reclassifications have been made to the 2004 consolidated financial statements to conform to the 2005 presentation.

### Note B—Investments

Realized gains are computed as the difference between cash received upon the sale of investments and the historical cost of the investments.

Investments are carried at market value. Components of investments are as follows at December 31:

| | **2005** | | 2004 | |
|---|---|---|---|---|
| | **Cost** | **Market** | Cost | Market |
| ***International*** | | | | |
| Money funds | **$ 42,551** | **$ 42,551** | $ 35,661 | $ 35,661 |
| Mutual funds | **26,149,239** | **25,059,607** | 22,084,269 | 21,085,420 |
| Common stock | **1,539,542** | **1,909,588** | 1,306,553 | 1,709,572 |
| | **$27,731,332** | **$27,011,746** | $23,426,483 | $22,830,653 |
| ***Foundation*** | | | | |
| Mutual funds | **561,555** | **544,046** | 576,205 | 591,487 |
| Total Investment portfolio | **$28,292,887** | **$27,555,792** | $24,002,688 | $23,422,140 |

Composition of of investment return for the Foundation is as follows for the years ended December 31:

| 2005 | International | Foundation | Total |
|---|---|---|---|
| Realized gain | **$ 485,706** | $ 13,837 | $ 499,543 |
| Interest and dividends | **886,586** | 21,582 | 908,168 |
| Investment income | **1,372,292** | 35,419 | 1,407,711 |
| Unrealized loss | **(123,755)** | (32,792) | (156,547) |
| | **$1,248,537** | $ 2,627 | $1,251,164 |

| 2004 | International | Foundation | Total |
|---|---|---|---|
| Realized gain | **$ 59,762** | $ 642 | $ 60,404 |
| Interest and dividends | **420,462** | 16,116 | 436,578 |
| Investment income | **480,224** | 16,758 | 496,982 |
| Unrealized gain | **1,206,213** | 18,183 | 1,224,396 |
| | **$1,686,437** | $34,941 | $1,721,378 |

## Notes to Consolidated Financial Statements—Continued

*December 31, 2005 and 2004*

### Note C—Related Parties

The board members of the Foundation are appointed by the president of International. Approximately 60 percent of the Foundation's support was provided by International in the form of donated services in 2005 and 2004, respectively.

International currently pays the salaries and benefits of the employees of the Foundation. In 2005 and 2004, these payments totaled $174,852 and $168,093, respectively.

Effective January 1, 1993, International agreed to pay all the indirect overhead expenses of the Foundation. In 2005 and 2004, the proportionate share of rent and overhead expenses paid by International on behalf of the Foundation was $260,609 and $229,584, respectively.

International also contributed $50,000 and $42,349 for the Foundation Dinner during 2005 and 2004, respectively.

All activity between International and the Foundation has been eliminated during consolidation.

### Note D—Property and Equipment

Property and equipment are recorded at acquisition cost and consists of the following:

| | **2005** | 2004 |
|---|---|---|
| Building | **$ 7,398,950** | $ 7,398,950 |
| Office furniture and equipment | **1,427,340** | 1,216,954 |
| Computer software | **769,440** | 737,769 |
| Computer hardware | **1,156,566** | 1,068,534 |
| Land | **1,599,086** | 1,599,086 |
| Leasehold improvements | **823,378** | 823,378 |
| | **$13,174,760** | $12,844,671 |
| Less: accumulated depreciation and amortization | **(4,866,573)** | (4,326,820) |
| | **$ 8,308,187** | $ 8,517,851 |

### Note E—Mortgage Note Payable

Mortgage note payable consists of the following at December 31:

| | **2005** | 2004 |
|---|---|---|
| Mortgage note payable in monthly installments of $48,197 and a balloon payment of $5,060,922; due January 1, 2008; interest at a fixed rate of 7.99%; secured by first deed of trust on the Alexandria, Virginia, property, furniture, fixtures, and property attached to the building, and leases relating to the building. | **$ 5,385,723** | $5,527,876 |

Maturities of mortgage note payable consist of the following as of December 31, 2005:

| *Year ending December 31,* | |
|---|---|
| 2006 | $ 153,936 |
| 2007 | 170,866 |
| 2008 | 5,060,922 |
| Total | $5,385,723 |

### Note F—Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| | Net Assets at January 1, 2005 | Revenue | Satisfaction of Program Restrictions | Net Assets at December 31, 2005 |
|---|---|---|---|---|
| Nicholas Abbaticola Endowment | $ 883 | $ 22 | $ — | $ 905 |
| Marion Parker Scholarship Fund | 3,014 | 14 | (500) | 2,528 |
| Healy Endowment | 4,850 | 15 | (2,000) | 2,865 |
| Interest for scholarships | | | | |
| John Buckley Endowment | 37,544 | 177 | (1,560) | 36,161 |
| Interest for scholarships or research projects | | | | |
| John Manning Endowment | 7,901 | 199 | (750) | 7,350 |
| Interest for scholarships | | | | |
| Noggle Fund | 10,845 | 70 | — | 10,915 |
| Ralph E. Pusey Scholarship Fund | 1,138 | 16 | — | 1,154 |
| September 11th Memorial Fund | 2,648 | 51 | — | 2,699 |
| | $68,823 | $564 | $(4,810) | $64,577 |

| | Net Assets at January 1, 2004 | Revenue | Satisfaction of Program Restrictions | Net Assets at December 31, 2004 |
|---|---|---|---|---|
| Nicholas Abbaticola Endowment | $ 856 | $ 819 | $ (792) | $ 883 |
| Marion Parker Scholarship Fund | 2,982 | 532 | (500) | 3,014 |
| Healy Endowment | 4,348 | 502 | — | 4,850 |
| Interest for scholarships | | | | |
| John Buckley Endowment | 38,158 | 6,546 | (7,160) | 37,544 |
| Interest for scholarships or research projects | | | | |
| John Manning Endowment | 5,607 | 6,807 | (4,513) | 7,901 |
| Interest for scholarships | | | | |
| Noggle Fund | 8,394 | 2,451 | — | 10,845 |
| Ralph E. Pusey Scholarship Fund | 578 | 560 | — | 1,138 |
| September 11th Memorial Fund | 1,422 | 1,226 | — | 2,648 |
| | $62,345 | $19,443 | $(12,965) | $68,823 |

### Note G—Permanently Restricted Net Assets

Permanently restricted net assets represent the principal amount of gifts and bequests accepted with the donor stipulation that the principal be maintained intact in perpetuity with only the income to be utilized. Income earned is recorded as temporarily restricted revenue until spent.

The permanently restricted net assets are limited to investments in perpetuity, the income for which is expendable to support scholarships.

| | Balance at January 1, 2005 | Additions | Balance at December 31, 2005 |
|---|---|---|---|
| Nicholas Abbaticola Endowment | $ 14,615 | $ — | $ 14,615 |
| Marion Parker Endowment | 7,075 | — | 7,075 |
| Healy Endowment | 2,000 | — | 2,000 |
| John Buckley Endowment | 44,687 | — | 44,687 |
| John Manning Endowment | 130,255 | 11,645 | 141,900 |
| Noggle Endowment | 37,900 | — | 37,900 |
| General Endowment | 23,491 | — | 23,491 |
| Pusey Endowment | 10,000 | 85 | 10,085 |
| September 11th Endowment | 32,714 | 7,344 | 40,058 |
| E. J. Criscuoli Endowment | — | 50,000 | 50,000 |
| | $302,737 | $69,074 | $371,811 |

### Note G—Permanently Restricted Net Assets—Continued

| | Balance at January 1, 2004 | Additions | Balance at December 31, 2004 |
|---|---|---|---|
| Nicholas Abbaticola Endowment | $ 14,615 | $ — | $ 14,615 |
| Marion Parker Endowment | 7,075 | — | 7,075 |
| Healy Endowment | 2,000 | — | 2,000 |
| John Buckley Endowment | 44,687 | — | 44,687 |
| John Manning Endowment | 122,985 | 7,270 | 130,255 |
| Noggle Endowment | 37,900 | — | 37,900 |
| General Endowment | 23,491 | — | 23,491 |
| Pusey Endowment | 10,000 | — | 10,000 |
| September 11th Endowment | 21,744 | 10,970 | 32,714 |
| | $284,497 | $18,240 | $302,737 |

### Note H—Dues Income Allocation

International allocates a percentage of income from membership dues (net of processing fee) to the Publishing Department. The percentage of membership dues allocated was 32 percent for 2005 and 2004, and is included in publishing revenue.

### Note I—Employee Benefits

***Pension Plans***

ASIS has a noncontributory, defined-contribution, money-purchase pension plan covering employees who are at least 21 years of age and who have one full year of service. ASIS is required to contribute 12 percent of all eligible employees' annual compensation based upon the prior-year salary, and the plan is fully funded through the purchase of a group annuity contract. The contributions for the years ended December 31, 2005 and 2004, were $506,003 and $389,576, respectively.

ASIS has a qualified profit-sharing plan under Section 401(k) of the IRC, covering employees with one year of service. Under this plan, the eligible employees may voluntarily elect to have any amount of their compensation deferred and contributed to the plan, up to the IRC maximum for the year. Additionally, ASIS is required to contribute 2 percent of the compensation of all the eligible employees, and will match the employees' voluntary contributions up to an additional 4 percent. The total contributions for the years ended December 31, 2005 and 2004, were $177,009 and $170,330, respectively.

***Health Plan***

ASIS is partially self-insured for medical coverage for its employees, utilizing stop-loss policies to limit its exposure.

***Post-retirement Benefit Plan***

International has a defined benefit post-retirement plan that provides medical, prescription, vision, and dental benefits for retirees and eligible dependents (see Note K for additional discussion).

### Note J—Commitments and Contingencies

***Rental Operations***

Beginning in January 1998, International signed operating lease agreements for its headquarters building. The agreements expire at varying times over the next seven years. Future rental receipts expected under noncancelable operating leases are as follows at December 31, 2005:

| *Year ending December 31,* | Rental Income |
|---|---|
| 2006 | $ 312,401 |
| 2007 | 296,773 |
| 2008 | 183,647 |
| 2009 | 176,989 |
| 2010 | 112,838 |
| Thereafter | 9,685 |
| | $1,092,333 |

Rental operations consist of the following for the years ended December 31:

| | 2005 | 2004 |
|---|---|---|
| Gross rent | $318,238 | $331,193 |
| Building operating expenses attributable to rental activities | (270,838) | (265,988) |
| | $ 47,400 | $ 65,205 |

International leases office equipment for its Alexandria office. A future minimum lease payment under the noncancelable operating lease for the year ending December 31, 2006, is $25,839 at December 31, 2005.

### Note K—Post-Retirement Benefit Obligation

International has a defined-benefit post-retirement plan that provides medical, prescription, vision, and dental benefits for retirees and eligible dependents. International does not fund retiree healthcare benefits in advance, and has the right to modify the plan in the future. International has established plan cost maximums to account for and control future medical costs more effectively. The costs of such benefits, which are primarily for health care, are recognized in the financial statements during the employee's active working career. International makes contributions to the plan when payments are required.

| | **2005** | 2004 |
|---|---|---|
| Benefit obligation at December 31 | **$3,635,941** | $3,764,430 |
| Accrued post-retirement medical benefit cost recognized in statement of financial position | **$3,470,906** | $3,080,170 |

| | **2005** | 2004 |
|---|---|---|
| Benefit cost | **$390,736** | $479,269 |
| Employer contribution | **$ 48,579** | $ 51,619 |
| Benefits paid | **$ 48,579** | $ 51,619 |

The following benefits payments, which reflect expected future service, as appropriate, are expected to be paid:

| | **Post-retirement Benefits** |
|---|---|
| 2006 | $ 68,073 |
| 2007 | 95,342 |
| 2008 | 119,021 |
| 2009 | 122,507 |
| 2010 | 164,343 |
| 2011-2015 | 1,522,892 |
| | $2,092,178 |

The measurement dates for determining the actuarial calculations for the Plan is January 1, 2005.

The Plan's actuary has advised International that its net periodic postretirement benefit cost for the year ending December 31, 2006, will increase to approximately $475,000.

International determines its assumptions based on historical SFAS No. 106, *Employers Accounting for Postretirement Benefits Other Than the Pensions*, claims costs, combined with plan experience, plan provisions, and trends. Assumptions used in accounting for the Plan were as follows at December 31:

| | **2005** | 2004 |
|---|---|---|
| Discount rate | **5.5%** | 6.0% |
| Assumed medical trend rate | | |
| Pre-Medicare | **11.5%** | 12.0% |
| Post-Medicare | **9.0** | 9.0% |
| Ultimate medical cost trend rate | **4.5%** | 5.0% |

### *Note L—Supplemental Cash Flow Disclosures*

The following amounts were paid for interest and income taxes for the years ended December 31:

| | **2005** | 2004 |
|---|---|---|
| Interest | **323,399** | $331,524 |
| Income taxes | **$ —** | $ — |

# Report of Independent Certified Public Accountants

Board of Directors
**ASIS International and Affiliate**

We have audited the accompanying consolidated statements of financial position of ASIS International (ASIS) and its affiliate as of December 31, 2005 and 2004, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of ASIS's management. Our responsibility is to express an opinion on these consolidated 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 Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits 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 ASIS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ASIS International and its affiliate as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Vienna, Virginia
May 18, 2006