

2007

Annual Report

A MESSAGE FROM THE 2007 PRESIDENT

As I sit here placing pen to paper in mid-2008, I find that the Society I joined so many years ago has grown, matured, and prospered. Today, I am proud to say that ASIS International is considered the North Star in the security industry and is the largest and most diverse security association in the world.

The vision that has fueled this substantial growth and change has been shared by dedicated volunteers and ASIS staff members over the years. Their enthusiasm, discipline, and commitment is in no small capacity responsible for the prosperity of ASIS. I am thankful to them for their successes and for paving an easy road for me as president in 2007. Their work continues today. ASIS must keep changing to meet the global security environment that it represents and works within. New challenges and opportunities arrive at our doorstep at an ever-increasing pace and the Society must be prepared to recognize those opportunities, embrace them, and avoid the risks. I believe that the ASIS Board of Directors is well positioned to act in the best interest of the Society and to ensure the Society's 21st century survival, as is evidenced by some of the accomplishments of 2007.

Last year saw the completion of the AGOBA project, a critical and in-depth assessment of the future direction of the security industry. Specific challenges and opportunities were identified. A second phase involved an internal study of ASIS to determine if the organization was properly aligned to meet the identified challenges. Many of the strategic decisions that the Board of Directors is making today are driven by the outcomes of this study.

Education was placed at the forefront of strategic imperatives. The continued growth and success of the Wharton Program and ASIS's affiliation with the University of Pennsylvania flourished with a continued increase of student participation in the ASIS-sponsored business program.

The development and publication of security guidelines was further augmented by the realization that the industry needs published standards, where they make sense. ASIS took a leadership role in transferring certain guidelines to security standards under the ISO umbrella. ISO standards are recognized as a global standard and can be applied and accepted globally.

The assimilation of IT and physical security protocols became a realization. ASIS's long-term strength depends on bringing other diverse disciplines under its umbrella. The work continues today that will strengthen ASIS's overall posture for years to come.

The Society's first Asian Security Conference was held in Singapore. This was followed by the Annual European Security Conference in Berlin. As these diverse locations build membership, ASIS will be there to help support their programs.

In closing, I ask that you volunteer and contribute to this great Society. Each one of us brings something special to the table, and what you give is returned ten-fold.

STEVE D. CHUPA, CPP
ASIS President 2007

ASIS International and Affiliates

Consolidated Statements of Financial Position

December 31,	2007	2006
Assets		
Cash and cash equivalents	\$ 7,159,736	\$ 883,509
Investments, at fair value	35,332,196	33,851,459
Accounts receivable, net of allowance for doubtful accounts of \$65,022 and \$104,000 for 2007 and 2006, respectively	1,059,651	2,063,531
Prepaid expenses	832,277	812,977
Other assets	1,440,578	1,002,786
Inventory	448,545	385,178
Property and equipment, net	7,827,988	8,132,561
Total Assets	\$54,100,971	\$47,132,001
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 979,645	\$ 1,268,296
Accrued liabilities	793,410	643,796
Due to other affiliates	29,278	39,397
Dues, subscriptions, fees, and rents collected in advance	9,816,251	12,045,576
Mortgage note payable	10,565,090	5,231,786
Post-retirement benefit obligation	4,044,315	3,457,028
Total Liabilities	\$26,227,989	\$22,685,879
Net Assets		
Unrestricted	\$27,375,323	\$23,959,824
Temporarily restricted	121,838	114,127
Permanently restricted	375,821	372,171
Total Net Assets	\$27,872,982	\$24,446,122
Total Liabilities and Net Assets	\$54,100,971	\$47,132,001

The accompanying notes are an integral part of these statements.

ASIS International and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

December 31,	2007	2006
Changes in Unrestricted Net Assets		
Revenues		
Membership and general society	\$ 3,703,400	\$ 3,594,064
Publishing	5,430,591	5,734,886
Seminar	17,095,882	15,053,300
Education	1,956,953	2,043,715
Certification program	485,430	361,270
Publications and merchandise sales	1,786,928	1,444,178
Rental operations, net	78,490	97,355
Donations by:		
Chapters	18,155	19,831
Companies	147,289	301,488
Individuals	62,578	48,567
Scholarships	33,900	35,625
Foundation Dinner	31,611	63,599
Charity golf	39,495	37,674
Special event	7,452	12,625
Investment income	2,037,044	1,718,102
Satisfaction of program restrictions	18,108	500
Total Revenues	\$32,933,306	\$30,566,779
Expenses		
<i>Program services:</i>		
Publishing	\$ 6,425,278	6,485,144
Seminar	8,416,093	7,711,386
Education	2,762,577	2,745,886
Certification program	2,023,903	1,733,903
Publications and merchandise sales	1,968,681	1,474,506
Awards and scholarships	72,535	55,000
Foundation Dinner	68,944	79,161
Charity golf	48,568	33,136
<i>Support services:</i>		
Membership and general	7,461,072	7,169,918
Fundraising	286,527	148,140
Total Expenses	\$29,534,178	\$27,636,180
Increase in Net Assets Before Unrealized Gain on Investments	3,399,128	2,930,599
Unrealized gain on investments	221,421	1,577,988
Change in Unrestricted Net Assets	\$ 3,620,549	\$ 4,508,587

The accompanying notes are an integral part of these statements.

ASIS International and Affiliates

Consolidated Statements of Activities and Changes in Net Assets—Continued

December 31,	2007	2006
Changes in Temporarily Restricted Net Assets		
Revenue		
Investment income	\$ 31,766	\$ 19,666
Satisfaction of program restrictions	(18,108)	(500)
Increase in Net Assets Before Unrealized (Loss) Gain on Investments	13,658	19,166
Unrealized (loss) gain on investments	(5,947)	30,384
Change in Temporarily Restricted Net Assets	\$ 7,711	\$ 49,550
Change in Permanently Restricted Net Assets		
Revenue		
Donations by:		
Individuals	\$ 3,650	\$ 360
Change in Permanently Restricted Net Assets	3,650	360
Change in Net Assets before Application of FASB 158	3,631,910	4,558,497
Change in Net Assets to Initially Apply the Recognition Provisions of FASB 158	(205,050)	—
Change in Net Assets	3,426,860	4,558,497
Net Assets, beginning of year	24,446,122	19,887,625
Net Assets, end of year	\$27,872,982	\$24,446,122

The accompanying notes are an integral part of these statements.

ASIS International and Affiliates

Consolidated Statements of Cash Flows

Year ended December 31,	2007	2006
(Decrease) Increase in Cash		
Cash Flows from Operating Activities		
Change in net assets	\$3,426,860	\$4,558,497
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	505,169	482,802
Gain on sale of capital assets	2,828	—
Unfunded (funded) post-retirement benefits expense	587,287	(13,878)
Realized gains on investments	(684,746)	(806,455)
Unrealized gains on investments	(215,474)	(1,608,372)
Changes in assets and liabilities:		
Account receivable	1,003,880	(377,232)
Inventory	(63,367)	45,819
Other assets	(437,792)	(23,947)
Prepaid assets	(19,300)	(222,722)
Accounts payable	(288,651)	510,573
Accrued liabilities	149,614	100,364
Due to other affiliates	(10,119)	39,397
Dues, subscriptions, fees, and rents collected in advance	(2,229,324)	2,167,184
Net Cash Provided by Operating Activities	\$1,726,865	\$4,852,030
Cash Flows from Investing Activities		
Capital expenditures for property and equipment	\$ (203,424)	(307,176)
Proceeds from sale of investments	26,646,196	4,026,739
Purchases of investments	(27,226,714)	(7,907,579)
Net Cash Used in Investing Activities	(783,942)	(4,188,016)
Cash Flows from Financing Activities		
Principal payments under mortgage note	(166,696)	(153,937)
Proceeds from note payable	5,500,000	—
Net Cash Provided by (Used in) Financing Activities	5,333,304	(153,937)
Net Increase in Cash	6,276,227	510,077
Cash and Cash Equivalents, beginning of year	883,509	373,432
Cash and Cash Equivalents, end of year	\$7,159,736	\$ 883,509

The accompanying notes are an integral part of these statements.

ASIS International and Affiliates

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

Note A—Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of ASIS International (International) and its affiliates, ASIS Foundation, Inc. (the Foundation) and ASIS Political Action Committee (PAC). 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 non-profit 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 PAC was formed as a voluntary unincorporated non-profit committee to raise election campaign funds and encourage support of issues related to the security industry. The PAC activity is included in the cash and donations by individual balances of International in the consolidating schedule of financial position and consolidating statement of activities and changes in net assets for the years ended December 31, 2007 and 2006. In 2007 and 2006, the total donations collected were \$6,375 and \$5,550 and the total donations disbursed were \$-0- and \$3,500 respectively.

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 non-operating 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 2007 and 2006 was approximately \$160,000 and \$150,000 respectively.

Inventory

Inventories consisting of goods held for resale are valued at the lower of cost or market, using the weighted average method. This represents a change from the previous first-in, first-out method. ASIS believes the change in methodology will result in a more accurate valuation of its inventory.

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.

ASIS International and Affiliates

Notes to Consolidated Financial Statements—Continued

December 31, 2007 and 2006

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.

Interest Rate Swap Agreement

On December 31, 2007, ASIS entered into an interest rate swap agreement that is a derivative financial instrument and is accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which requires ASIS to recognize the derivative instrument as either an asset or liability in the statement of position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument is recognized as a change in net assets in the period of change. As of December 31, 2007, the notional amount was \$5,500,000 and since the agreement was entered into on the last day of the year, there was no change in the fair value of the hedge to be recognized in the statement of activities.

Concentration of Credit Risk

At times during the year, ASIS maintains a significant amount of its cash balance at a few financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Uninsured balances aggregate to approximately \$7,102,000 at December 31, 2007. ASIS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and investments.

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:

	2007		2006	
	Cost	Market	Cost	Market
International				
Money market funds	\$ 25,204	\$ 25,204	\$ 27,032	\$ 27,032
Mutual funds	31,350,224	32,013,503	30,652,424	30,957,305
Common stock	2,068,677	2,443,191	1,657,146	2,179,105
	\$33,444,105	\$34,481,898	\$32,336,602	\$33,163,442
Foundation				
Mutual funds	803,975	850,298	596,581	688,017
Total Investment portfolio	\$34,248,080	\$35,332,196	\$32,933,183	\$33,851,459

Composition of ASIS's investment income is as follows for the years ended December 31:

2007	International	Foundation	Total
Realized gain	\$ 684,746	\$ —	\$ 684,746
Interest and dividends	1,320,706	63,358	1,384,064
Investment income	2,005,452	63,358	2,068,810
Unrealized gain	210,587	4,887	215,474
	\$2,216,039	\$ 68,245	\$2,284,284

ASIS International and Affiliates

Notes to Consolidated Financial Statements—Continued

December 31, 2007 and 2006

2006	International	Foundation	Total
Realized gain	\$ 798,732	\$ 7,723	\$ 806,455
Interest and dividends	901,464	29,849	931,313
Investment income	1,700,196	37,572	1,737,768
Unrealized gain	1,549,426	58,946	1,608,372
	\$3,249,622	\$ 96,518	\$3,346,140

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 2007 and 2006, respectively.

International currently pays the salaries and benefits of the employees of the Foundation. In 2007 and 2006, these payments totaled \$208,922 and \$207,994, respectively.

Effective January 1, 1993, International agreed to pay all the indirect overhead expenses of the Foundation. In 2007 and 2006, the proportionate share of rent and overhead expenses paid by International on behalf of the Foundation was \$326,671 and \$308,201, respectively.

ASIS formed the Alliance for Enterprise Security Risk Management (AESRM) with two other Associations during the prior year for the purpose of addressing issues surrounding the convergence of physical (traditional) and logical (IT) security. As of December 31, 2007 and 2006, ASIS owed approximately \$16,000 and \$39,000, respectively, to the alliance.

Note D—Property and Equipment

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

	2007	2006
Building	\$ 7,398,950	\$ 7,398,950
Office furniture and equipment	1,554,325	1,535,297
Computer software	977,120	923,966
Computer hardware	1,228,101	1,201,259
Land	1,599,086	1,599,086
Leasehold improvements	823,378	823,378
	\$13,580,960	13,481,936
Less: accumulated depreciation and amortization	(5,752,972)	(5,349,375)
	\$ 7,827,988	\$ 8,132,561

Note E—Mortgage Note Payable

Mortgage note payable consists of the following at December 31:

	2007	2006
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.	\$ 5,065,090	\$5,231,786
Promissory note payable in monthly installments and a balloon payment of \$4,674,447; due January 1, 2013; interest at a fixed rate of 5.76%; secured by the first deed of trust on the Alexandria, Virginia, property, furniture, fixtures and property attached to the building and leases relating to the building	\$ 5,500,000	\$ —
	\$10,565,090	\$5,231,786

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

Year ending December 31,	
2008	\$ 5,200,735
2009	157,895
2010	167,366
2011	177,405
2012	187,241
Thereafter	4,674,448
Total	\$10,565,090

ASIS International and Affiliates

Notes to Consolidated Financial Statements—Continued

December 31, 2007 and 2006

Note F—Temporarily Restricted Net Assets

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.

Temporarily restricted net assets are available for the following purposes:

	Net Assets at January 1, 2007	Revenue	Satisfaction of Program Restrictions	Net Assets at December 31, 2007
Nicholas Abbaticola Endowment	\$2,751	\$ 877	\$ —	\$ 3,628
Marion Parker Scholarship Fund	3,671	542	(500)	3,713
Healy Endowment	3,729	432	—	4,161
Interest for scholarships				
John Buckley Endowment	50,511	7,171	—	57,682
Interest for scholarships or research projects				
John Manning Endowment	25,099	8,429	(12,100)	21,428
Interest for scholarships				
Noggle Fund	16,720	2,756	(2,000)	17,476
Ralph E. Pusey Scholarship Fund	1,990	609	(1,000)	1,599
September 11th Memorial Fund	7,784	2,433	—	10,217
E. J. Criscuoli Endowment	1,872	2,570	(2,508)	1,934
	\$114,127	\$25,819	\$(18,108)	\$121,838

	Net Assets at January 1, 2006	Revenue	Satisfaction of Program Restrictions	Net Assets at December 31, 2006
Nicholas Abbaticola Endowment	\$ 905	\$ 1,846	\$ —	\$ 2,751
Marion Parker Scholarship Fund	2,528	1,143	—	3,671
Healy Endowment	2,865	864	—	3,729
Interest for scholarships				
John Buckley Endowment	36,161	14,350	—	50,511
Interest for scholarships or research projects				
John Manning Endowment	7,350	17,749	—	25,099
Interest for scholarships				
Noggle Fund	10,915	5,805	—	16,720
Ralph E. Pusey Scholarship Fund	1,154	1,336	(500)	1,990
September 11th Memorial Fund	2,699	5,085	—	7,784
E. J. Criscuoli Endowment	—	1,872	—	1,872
	\$64,577	\$50,050	\$(500)	\$114,127

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, 2007	Additions	Balance at December 31, 2007
Nicholas Abbaticola Endowment	\$ 14,615	\$1,800	\$ 16,615
Marion Parker Endowment	7,075	—	7,075
Healy Endowment	2,000	—	2,000
John Buckley Endowment	44,687	—	44,687
John Manning Endowment	141,900	—	141,900
Noggle Endowment	37,900	—	37,900
General Endowment	23,491	—	23,491
Pusey Endowment	10,085	—	10,085
September 11th Endowment	40,418	450	40,868
E. J. Criscuoli Endowment	50,000	—	50,000
Bordes Endowment	—	1,400	1,400
	\$372,171	\$3,650	\$375,821

ASIS International and Affiliates

Notes to Consolidated Financial Statements—Continued

December 31, 2007 and 2006

Note G—Permanently Restricted Net Assets—Continued

	Balance at January 1, 2006	Additions	Balance at December 31, 2006
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	141,900	—	141,900
Noggle Endowment	37,900	—	37,900
General Endowment	23,491	—	23,491
Pusey Endowment	10,085	—	10,085
September 11th Endowment	40,058	360	40,418
E. J. Criscuoli Endowment	50,000	—	50,000
	\$371,811	\$360	\$372,171

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 2007 and 2006, and is included in publishing revenue.

Note I—Employee Benefits

Pension Plans

ASIS has a non-contributory, 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, 2007 and 2006, were \$545,587 and \$516,378, 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, 2007 and 2006, were \$213,108 and \$178,221, 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 four years. Future rental receipts expected under non-cancelable operating leases are as follows at December 31:

Year ending December 31,	Rental Income
2008	\$183,647
2009	176,989
2010	112,838
2011	9,685
	\$483,159

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

	2007	2006
Gross rent	\$329,160	\$344,665
Building operating expenses attributable to rental activities	(250,670)	(247,310)
	\$ 78,490	\$ 97,355

International leases office equipment for its Alexandria office. Future minimum rental payments under all non-cancelable operating leases as of December 31, 2006, are as follows:

2008	\$59,608
2009	34,903
2010	7,648
	\$102,159

ASIS International and Affiliates

Notes to Consolidated Financial Statements—Continued

December 31, 2007 and 2006

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 health care 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.

In fiscal year 2007, International implemented a new financial accounting standard, Financial Accounting Standards No. 158, *Employer's Accounting for Defined Benefit Pension and Other Post-Retirement Plans*. These standards require that under funded status of such plans be recognized as a liability in the statement of financial position and as a reduction of unrestricted net assets in the statement of activities as well as certain additional disclosures. Retroactive implementation for fiscal year 2006 is not permissible, and, as a result, plan reporting in the accompanying financial statements is not comparable between the years. The incremental impact of applying FASB 158 was to reduce Net Assets by \$205,050 and it is not recognized as a net periodic benefit cost.

	2007	2006
Benefit obligation at December 31	\$4,044,315	\$3,727,175
Accrued post-retirement medical benefit cost recognized in statement of financial position	\$4,044,315	\$3,457,028
Items not yet recognized as a component of net periodic postretirement benefit cost:		
	2007	2006
Unrecognized transition obligation/(Asset)	\$ —	\$ —
Unrecognized prior service cost	(157,807)	(184,907)
Unrecognized net (gain)/Loss	362,857	455,054
Total unrecognized	\$205,050	\$270,147
	2007	2006
Net periodic post-retirement benefit cost	\$423,616	\$437,903
Employer contribution	41,379	61,046
Benefits paid	41,379	61,046

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

	Gross Post-Retirement Benefits	Expected Medicare D Subsidy	Net Post-Retirement Benefits
2008	\$ 102,126	\$ 3,022	\$ 99,104
2009	135,095	3,787	131,308
2010	153,130	5,980	147,150
2011	207,346	7,244	200,102
2012	284,982	10,247	274,735
2013-2016	1,434,020	81,208	1,352,812
	\$2,316,699	\$111,488	\$2,205,211

The measurement dates for determining the actuarial calculations for the plan is January 1.

Assumptions used in accounting for the Plan were as follows at December 31:

	2007	2006
Discount rate	5.75%	5.5%
Assumed medical trend rate		
Pre-Medicare	9.5%	10.0%
Post-Medicare	7.5%	8.0%
Ultimate medical cost trend rate	5.0%	5.0%

Note L—Supplemental Cash Flow Disclosures

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

	2007	2006
Interest	\$315,362	\$320,393
Income taxes	\$ —	\$ —

Report of Independent Certified Public Accountants

Board of Directors

ASIS International and Affiliates

We have audited the accompanying consolidated statements of financial position of ASIS International and its Affiliates (ASIS) as of December 31, 2007 and 2006, 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 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 Affiliates as of December 31, 2007 and 2006, 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.

As discussed in Note K to the accompanying consolidated financial statements, ASIS has adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans" as of December 31, 2007.

Grant Thornton LLP

McLean, Virginia
May 12, 2008