ASIS International

2010

Annual Report

A MESSAGE FROM THE 2010 PRESIDENT

Our Society completed 2010 showing numerous positive signs for ASIS, its members, and the security management profession. A quick glance at membership trends, growth in chapters (214 chapters at year-end, 74 outside the United States), a salary survey indicating an approximate six percent increase in compensation of security professionals, and many other indicators reveals that the look forward is full of opportunities and growth for ASIS International.

2010 brought an expanded and broadened global footprint by bringing events to Sydney, Australia; Lisbon, Portugal; and Rio de Janeiro, Brazil. The ASIS International 56th Annual Seminar and Exhibits in Dallas realized a slight increase in attendance, but even more telling was the upbeat mood among both attendees and exhibitors. The Society planned 2011 events for the Middle East, Europe, Malaysia, Mexico, and Brazil in addition to the annual seminar in Orlando, Florida.

ASIS continues to economize and seek greater efficiencies in its headquarters and international operations while also enhancing member benefits, adding more value than ever to an ASIS membership. Speaking of value, in 2010 alone, ASIS embarked on *nine* American National Standards Initiatives, coupled with an existing three published standards and nine published guidelines. In addition, we received significant recognition when the U.S. Department of Homeland Security adopted the ASIS Organizational Resilience (OR) ANSI Standard for its Private Sector Preparedness (PS-PREP) Program.

We continued strategic development of the Chief Security Officer (CSO) Roundtable by increasing its membership and adding educational offerings at events in the United States and internationally. In addition, strategic partnerships are continually developing that include the International Information Systems Security Certification Consortium, Inc., the Information Systems Security Association, the Financial Services Information Sharing and Analysis Center, the Cloud Security Alliance, the Risk and Insurance Management Society, and the International Association of Chiefs of Police. Of significant note, we are partnering with $(ISC)^2$ for their annual conference to be colocated with the ASIS International 57th Annual Seminar and Exhibits in Orlando.

The Society's strength is that it continues to improve constantly. To all those who contributed to this effort, I give you my thanks. Along with the rest of the Board of Directors and staff, I thank you for your continued support and look forward to representing you and the security profession in the years ahead.

The volunteer leaders of ASIS contributed countless hours to achieve the many accomplishments described in this report. ASIS committees and chapters worked hard on many programs, documents, and new initiatives designed to keep you at the forefront of security. We thank them for their time, energy, and expertise.

I would also like to encourage you to get involved at any level, whether it is your local chapter, a committee or council, writing for ASIS publications, or in other ways.

Sincerely,
Joseph R. (Bob) Granger, CPP
ASIS President 2010

Audited Consolidated Financial Statements with Consolidating and Other Financial Information

ASIS INTERNATIONAL AND AFFILIATES

December 31, 2010

ASIS International and Affiliates

Contents

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Independent Auditor's Report
on the Consolidated Financial Statements

To the Board of Directors
ASIS International and Affiliates

We have audited the accompanying consolidated statement of financial position of ASIS International and Affiliates (the Organization) as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ASIS International and Affiliates as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
May 20, 2011

ASIS International and Affiliates

Consolidated Statement of Financial Position

December 31, 2010

Assets	
Cash and cash equivalents - Note B	**$ 3,892,151**
Investments - Note C	**28,094,740**
Accounts receivable, net - Note D	**5,468,021**
Prepaid expenses	**881,664**
Other assets	**4,367,742**
Inventory	**605,662**
Investments held for deferred compensation - Note C & G	**466,283**
Property and equipment, net - Note E	**7,521,861**
Total assets	**$ 51,298,124**
Liabilities and net assets	
Liabilities	
Accounts payable and accrued expenses	**$ 2,333,698**
Deferred revenue	**13,481,293**
Note payable - Note F	**5,026,773**
Deferred compensation - Note G	**466,283**
Interest-rate swap agreement - Note F	**38,145**
Postretirement benefit obligation - Note H	**3,966,673**
Total liabilities	**25,312,865**
Net assets	
Unrestricted - Note M	**25,543,521**
Temporarily restricted - Note I	**101,840**
Permanently restricted - Note J	**339,898**
Total net assets	**25,985,259**
Commitments and contingencies - Note L	**-**
Total liabilities and net assets	**$ 51,298,124**

ASIS International and Affiliates

Consolidated Statement of Activities

Year Ended December 31, 2010

Unrestricted activities	
Revenue and support	
Seminar	$ 14,107,049
Publishing	4,910,181
Membership and general society	3,801,909
Education	1,847,367
Publications and merchandise sales	1,399,788
Certification program	575,345
Investment income	479,248
Contributions	180,443
Rental operations, net - Note L	42,933
Special events	36,500
Scholarships	24,724
Miscellaneous	41,278
	27,446,765
Net assets released from restriction - Note I	16,438
Total revenue and support	27,463,203
Expense	
Program services	
Seminar	7,642,343
Publishing	5,404,599
Education	2,774,644
Certification program	1,712,370
Publications and merchandise sales	1,625,177
Awards and scholarships	63,527
Special events	57,273
Endowment	5,787
Total program services	19,285,720
Supporting services	
General and administrative	8,044,207
Fundraising	48,405
Total supporting services	8,092,612
Total expense	27,378,332
Change in unrestricted net assets before other items	84,871
Other items	
Unrealized gain on investments	1,468,066
Unrealized gain on interest rate swap - Note F	175,246
Postretirement benefit credit - Note H	506,221
Change in unrestricted net assets	2,234,404
Temporarily restricted activities	
Investment income - Note I	11,728
Net assets released from restriction - Note I	(16,438)
Change in temporarily restricted net assets	(4,710)
Permanently restricted activities	
Contributions - Note J	345
Change in permanently restricted net assets	345
Change in net assets	2,230,039
Net assets, beginning of year, as restated - Note M	23,755,220
Net assets, end of year	$ 25,985,259

ASIS International and Affiliates

Consolidated Statement of Cash Flows

Year Ended December 31, 2010

Cash flows from operating activities	
Change in net assets	**$ 2,230,039**
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	**769,112**
Gain on disposal of equipment	**(572)**
Net gain on investments	**(1,549,457)**
Unrealized gain on interest rate swap agreement	**(175,246)**
Changes in assets and liabilities:	
Accounts receivable	**54,949**
Inventory	**7,487**
Other assets	**(809,211)**
Prepaid assets	**32,151**
Accounts payable	**(81,763)**
Deferred revenue	**(368,435)**
Postretirement benefit obligation	**(510,220)**
Total adjustments	**(2,631,205)**
Net cash used in operating activities	**(401,166)**
Cash flows from investing activities	
Purchases of property and equipment	**(96,194)**
Purchases of investments	**(5,439,175)**
Proceeds from sales of investments	**6,940,154**
Net cash provided by investing activities	**1,404,785**
Cash flows from financing activities	
Principal payments on note payable	**(180,798)**
Net increase in cash and cash equivalents	**822,821**
Cash and cash equivalents, beginning of year	**3,069,330**
Cash and cash equivalents, end of year	**$ 3,892,151**

Supplemental disclosures of cash flow information	
Cash paid during the period for interest	**$ 248,108**

See notes to the consolidated financial statements

A. Organization and Summary of Significant Accounting Policies

Organization: ASIS International (ASIS) was founded in 1955 as a non-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. ASIS 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 ASIS.

ASIS Foundation, Inc. (the Foundation) was incorporated in 1966 in the District of Columbia as a non-profit organization for the purpose of advancing professional standards and managing effective programs in the field of security protection and loss prevention. The Foundation manages various endowment funds for education and research scholarships.

During 2005, the ASIS Political Action Committee (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 within the cash and contributions of ASIS in the consolidating statement of financial position and consolidating statement of activities for the years ended December 31, 2010 and 2009. In 2010 and 2009, the total contributions collected were $4,500 and $5,525 and the total disbursements were $41 and $0, respectively.

Principles of consolidation: The consolidated financial statements include the accounts of ASIS, the Foundation, and the PAC (collectively, the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Income tax status: ASIS is exempt from the payment of income tax on its exempt activities under Section 501(c)(6) of the Internal Revenue Code. The Foundation is exempt the payment of income tax on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation under Section 509(a)(1) of the IRC. The PAC is exempt from Federal income taxes under Section 527 of the IRC, except for taxes paid on investment income.

The Organization believes that it has appropriate support for any income tax positions taken. Therefore, management has not identified any uncertain income tax positions. At a minimum, the December 31, 2007 through 2010 tax years are open for examination by taxing authorities.

Basis of accounting: The Organization prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and cash equivalents: For consolidated financial statement purposes, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts receivable: Accounts receivable are presented at net realizable value, or the amount the Organization expects to collect, in the accompanying consolidated statements of financial position. The Organization's management periodically reviews the status of all accounts receivable balances for collectability. The Organization provides for probable losses on accounts receivable using the allowance method. The allowance is determined based on management's experience and results of collection efforts. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off. The allowance for doubtful accounts amounted to $43,750 at December 31, 2010.

Inventory: Inventory consists of goods held for resale and are recorded at the lower of cost or market value, using the weighted average method.

Other assets: Other assets include deposits, prepaid costs for ASIS' association management system, and the rights to the Buyer's Guide and Protection of Assets Manual. The rights to the Buy's Guide and Protection of Assets Manual have been recorded at cost and are being amortized over 10 years on a straight-line basis. The Protection of Assets Manual rights became fully amortized in the year ended December 31, 2008. Amortization expense for the Buyer's Guide was approximately $82,501 for the year ended December 31, 2010.

Deferred revenue: Deferred revenue consists of rent, member dues, subscriptions, education programs, and seminar exhibit booth registrations received in advance of the period in which they are earned. The Organization records accounts receivable and deferred revenue when contracts are signed for exhibit booth space. At December 31, 2010, there was approximately $4,617,600 of exhibit booth registrations recorded in both deferred revenue and accounts receivable.

Net assets: For financial statement purposes, net assets consist of the following:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. The Organization's unrestricted net assets are undesignated.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use has been donor restricted by either specified time or purpose limitation, and consist primarily of interest income earned on permanently restricted funds that are restricted for scholarships.

Permanently restricted: Permanently restricted net assets are required by donor stipulation to be maintained in perpetuity by the Foundation. See Note J for details of endowment funds.

Contributions: Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in either temporarily or permanently restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when purpose or time restrictions expire. Temporarily restricted support that expires in the same period is classified as unrestricted net assets.

A. Organization and Summary of Significant Accounting Policies – Continued

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through May 20, 2011.

B. Concentrations

Credit risk: The Organization maintains demand deposit and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Organization.

Market value risk: The Organization also invests funds in professionally managed portfolios containing various types of marketable securities. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

C. Investments

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments are not necessarily an indication of risk.

> Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;
>
> Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data;
>
> Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

C. INVESTMENTS - CONTINUED

The following is a summary of the input levels used to determine fair value of assets, measured on a recurring basis, at December 31, 2010:

	Total	Level 1	Level 2	Level 3
Investments				
Money market	$ 7,199,215	$ 7,199,215	$ -	$ -
Mutual funds	17,999,344	17,999,344		
Equities	2,844,910	2,844,910		
Certificates of deposit	51,271		51,271	
	$ 28,094,740	$ 28,043,469	$ 51,271	$ -
Investment held for deferred compensation				
Mutual funds	$ 466,283	$ 466,283	$ -	$ -
	$ 28,561,023	**$ 28,509,752**	**$ 51,271**	**$ -**

Investments which were classified at Level 2 were valued by pricing vendors using outside data. In determining fair value of the investments, the pricing vendors use a market approach to obtain pricing spreads based on credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair value of assets classified in Level 2 to be a reasonable approximation of fair value.

The following is a summary of investment income and gains for the year ended December 31, 2010:

Net gain on investments	$ 1,549,457
Interest and dividends	409,585
Investment fees	(55,361)
	$ 1,903,681
Unrestricted	$ 1,891,953
Temporarily restricted	11,728
	$ 1,903,681

D. Accounts Receivable

Accounts receivable consists of the following at December 31, 2010:

Exhibits	$ 4,617,608
Advertising	433,757
General	252,137
Education	97,315
Certification	90,548
Other	20,406
	5,511,771
Less allowance for doubtful accounts	(43,750)
	$ 5,468,021

E. Property and Equipment

Furniture, equipment and software are depreciated using the straight-line method over the estimated useful lives of the assets (3 – 10 years). Building is depreciated using the straight-line method over an estimated useful life of 39 years. Leasehold improvements are amortized over the shorter of the useful life or the remaining term of the lease. Acquisitions of furniture and equipment over $1,000 with a life of more than one year are capitalized.

Property and equipment consists of the following at December 31, 2010:

Land	$ 1,599,086
Building	7,398,950
Office furniture and equipment	1,941,378
Computer software	1,071,729
Computer hardware	1,017,068
Leasehold improvements	219,564
	13,247,775
Less accumulated depreciation and amortization	(5,725,914)
	$ 7,521,861

F. Debt Obligations

Note payable: The Organization has entered into a mortgage loan agreement with Wachovia bank for its office building in Alexandria, Virginia. The promissory note is subject to a fixed interest rate of 5.76% with combination principal and interest payments due in monthly installments and a balloon payment of $4,674,447 due January 1, 2013. The promissory note is secured by the underlying land and building assets. The outstanding amount to which the Organization is obligated under the mortgage agreement at December 31, 2010 is included in the accompanying consolidated statements of activities.

F. Debt Obligations - Continued

The financing agreement contains various covenants, which among other things, place restrictions on the Association's ability to incur additional indebtedness and requires the Association to maintain certain financial ratios.

Subsequent to December 31, 2010, the Organization paid off the debt obligation mentioned above.

Interest rate swap agreement: The Organization has entered into an interest rate swap agreement which is intended to minimize the risk of future fluctuations in market interest rates in relation to the fixed rate of the note payable described above. The Organization recognizes the derivative instrument as either an asset or liability in the accompanying consolidated statements of financial position at fair value. The accounting for changes in the fair value (i.e. gains and losses) of a derivative instrument is recognized as a change in net assets in the period of change.

Under the agreement, payments are made based on a fixed rate of 5.76% of the outstanding principal of the Wachovia mortgage note while a variable USD-LIBOR plus 1.10% (1.33% and 1.54% at December 31, 2010 and 2009, respectively) is received. As of December 31, 2010, the notional amount was $5,026,773 with a corresponding liability of $38,145. The unrealized gain on the interest rate swap of $175,246 has been recorded in the accompanying consolidated statement of activities for the year ended December 31, 2010.

The interest rate swap agreement qualifies as a derivative instrument and is measured at fair value on a recurring basis using significant unobservable inputs (level 3). The fair value of the interest rate swap is the estimated amount that the Bank would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counter parties. Management believes the Bank's mark to market calculation to be a reasonable approximation of the fair value of the interest rate swap agreement.

Subsequent to December 31, 2010, the Organization terminated the interest swap agreement when it paid off the debt obligation.

Interest expense related to the note payable and the interest rate swap agreement was $248,108 for the year ended December 31, 2010.

G. Retirement Plans

Defined contribution: The Organization 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. The Organization made a discretionary contribution of 12% 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 total contribution for the year ended December 31, 2010 was $806,909.

The Organization has a qualified profit-sharing plan under Section 401(k) of the Internal Revenue Code, 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, subject to IRS limits. Additionally, the Organization is required to contribute 2 percent of the compensation of all eligible employees, and will match the employees' voluntary contributions up to an additional 4 percent. The total contribution for the year ended December 31, 2010 was $269,593.

G. Retirement Plans – Continued

Deferred compensation: The Organization established a non-qualified deferred compensation plan to provide certain eligible employees the ability to defer a portion of their compensation as supplemental retirement benefits under Internal Revenue Code Section 457(b). The plan is funded entirely from the compensation of the participants which has been invested in mutual funds held by the Organization. Participants in the 457(b) plan have deferred balances, including investment income, totaling $466,283 at December 31, 2010.

Healthcare plan: The Organization is partially self-insured for medical coverage for its employees, utilizing stop-loss policies to limit its exposure.

H. Postretirement Benefit Obligation

The Organization maintains a postretirement healthcare benefit plan (the Plan) which is unfunded.

During 2010, the Organization froze the Plan. All individuals employed by the Organization at December 31, 2010 and prior remain eligible to receive benefits under the Plan. Any individuals hired beginning after December 31, 2010, are not eligible to participate in the Plan.

As noted above, the Plan was amended and was closed to new participants in 2010. As a result of the amendment, the Organization recognized a curtailment credit of $300,482 during the year ended December 31, 2010. This amount is included within net periodic pension cost recognized in consolidated financial statements.

The postretirement benefit obligation consists the following at December 31, 2010:

Accumulated benefit obligation	
Actives not yet fully eligible to retire	$ 1,883,982
Actives fully eligible to retire	1,664,360
Retirees and dependents	418,331
	3,966,673
Plan assets at fair value	-
Unfunded status	**$ 3,966,673**

The postretirement benefit obligation includes the following changes that have been recognized in the statement of activities for the year ended December 31, 2010:

Accumulated benefit obligation, beginning	$ 4,476,893
Net periodic benefit cost	296,483
Effect of curtailment	(300,482)
Postretirement benefit credit	(506,221)
Accumulated benefit obligation, ending	**$ 3,966,673**

H. POSTRETIREMENT BENEFIT OBLIGATION – CONTINUED

The net periodic benefit cost, included in operations, consists of the following components for the year ended December 31, 2010:

Service cost - benefits earned during the period	$ 175,389
Interest cost on projected benefit obligation	208,089
Amortization of prior service cost	(57,394)
Amortization of net loss	(29,601)
	$ 296,483

The postretirement benefit credit, included in other items, consists of the following components for the year ended December 31, 2010:

Net gain experienced	$ 409,226
Amortization of net loss	67,394
Amortization of prior service cost	29,601
	$ 506,221

The postretirement medical benefit obligation was determined using the following rates for the year ended December 31, 2010:

Discount rate for net periodic benefit cost	5.75%
Health care cost trend rates:	
Present rate before 65	9.20%
Present rate age 65 and older	6.50%
Ultimate rate (year 2023)	5.00%

The measurement date used to determine postretirement benefits was December 31, 2010.

A 1% increase in the health care cost trend rate used would result in a decrease of $583,432 in the accumulated postretirement benefit obligation and an increase of $69,158 in the aggregate for the service and interest components of the 2010 benefit credit.

Participant contributions of $14,415 and benefit payments of $113,441 are expected to be made during the year ended December 31, 2011.

Based on current data and assumptions, estimated future benefits to be paid from the plan are as follows:

2011	$ 113,441
2012	159,810
2013	190,195
2014	238,474
2015	274,173
2016 to 2020	1,815,992

I. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following categories:

	January 01, 2010	Additions & Investment Income	Releases from Restriction	December 31, 2010
Illinois STIC Endowment	$ 59,700	$ -	$ (11,365)	$ 48,335
John Buckley Endowment Fund	24,994	4,781	-	29,775
Noggle Fund	13,314	2,457	(700)	15,071
John Manning Endowment Fund	-	1,900	(1,900)	-
Healy Endowment Fund	2,965	356	-	3,321
EJ Criscuoli Endowment	3,114	558	(1,185)	2,487
Marion Parker Scholarship Fund	2,463	458	(500)	2,421
Ralph E. Pusey Endowment	-	430	-	430
Nicholas Abbaticola Endowment	-	788	(788)	-
	$ 106,550	**$ 11,728**	**$ (16,438)**	**$ 101,840**

J. Endowment

The Organization's endowment fund is donor-restricted endowment fund established to support a variety of scholarship programs. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the Board of Directors of the Foundation has established policies regarding the preservation, investment and spending of endowment related assets.

Consistent with generally accepted accounting principles, the Organization classifies the original value of gifts donated to the endowment, and the original value of any subsequent gifts as permanently restricted net assets. Earnings on the endowment funds are classified, in accordance with donor stipulations, as temporarily restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Foundation. In accordance with generally accepted accounting principles, the Foundation does not have any deficiencies of this nature in unrestricted net assets at December 31, 2010.

The Organization adopted an investment policy for the endowment funds. This investment program is based on growing the endowment fund to provide financial stability for the Organization in perpetuity with no short term plans for withdraws from the fund. The Organization's ability to tolerate risk and volatility should be consistent with that of a conservative growth portfolio, with investments made in companies that demonstrate consistent growth over time. Asset allocations are developed in accordance with this long-term, conservative growth strategy.

J. Endowment - Continued

Donor restricted endowment net assets consists of the following at December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
John Manning Endowment Fund	$ 9,463	$ -	$ 142,245	$ 151,708
John Buckley Endowment Fund		29,775	49,187	78,962
EJ Criscuoli Endowment		2,487	50,000	52,487
Noggle Fund		15,071	37,900	52,971
Illinois STIC Endowment		48,335		48,335
General Endowment			23,491	23,491
Nicholas Abbaticola Endowment	1,409		16,415	17,824
Ralph E. Pusey Scholarship Fund		430	11,585	12,015
Marion Parker Scholarship Fund		2,421	7,075	9,496
Healy Endowment Fund		3,321	2,000	5,321
Endowments	**$ 10,872**	**$ 101,840**	**$ 339,898**	**$ 452,610**

Changes in endowment net assets consist of the following for the year ended December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowments, beginning of year	$ 38,205	$ 106,550	$ 339,553	$ 484,308
Contributions	-	-	345	345
Investment return				
Interest and dividends	-	6,341	-	6,341
Net gain on investments	-	5,387	-	5,387
	-	11,728	345	11,728
Appropriations	(27,333)	(16,438)		(43,771)
Endowments, end of year	**$ 10,872**	**$ 101,840**	**$ 339,898**	**$ 452,610**

K. Related Party Transactions

ASIS currently pays the salaries and benefits of the employees of the Foundation. These payments amounted to $214,562 during the year ended December 31, 2010.

Effective January 1, 1993, ASIS agreed to pay all the indirect overhead expenses of the Foundation. For the years ended December 31, 2010 the proportionate share of rent and overhead expenses paid by ASIS on behalf of the Foundation was $309,260.

L. Commitments and Contingencies

Rental operations: The Organization leases office space to several tenants with expiration dates through 2014. The gross minimum rental receipts expected to be received under the lease agreements are as follows:

Years Ending December 31,		Amount
2011	$	129,916
2012		135,113
2013		140,517
2014		146,139
	$	**551,685**

Rental operations consist of the following for the year ended December 31, 2010:

Gross rents	$	161,681
Building operating expense attributable to rental activities		(118,748)
Net rental operations	**$**	**42,933**

Hotel contracts: The Organization has entered into several contracts for hotel rooms for seminars and conferences to be held in future years. In the event of cancellation, the Organization is required to pay various costs of the hotel rooms as stipulated by contracts, the amounts of which are dependent upon the date of cancellation.

Litigation: The Organization from time to time is a party to litigation arising in the ordinary course of business. Management believes that no pending legal proceeding will have a material adverse effect on the business, financial condition, or changes in net assets and cash flows of the Organization.

M. Restatement of Prior Year Net Assets

ASIS net assets have been restated to recognize revenue in the correct period. The net assets of ASIS have also been restated to properly accrue for retirement plan contributions. The net assets as of January 1, 2010 have been restated as follows:

Unrestricted net assets, as previously reported	$	22,761,753
To recognize revenue in the correct period		1,058,079
To accrue 2009 retirement plan contribution		(686,685)
Effect of restatement		371,394
Unrestricted net assets, as restated	**$**	**23,133,147**

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Independent Auditor's Report on the Consolidating and Other Financial Information

To the Board of Directors
ASIS International & Affiliates

We have audited the consolidated financial statements of ASIS International & Affiliates (collectively, the Organization) as of and for the years ended December 31, 2010, and our report thereon dated May 20, 2011 which expressed an unqualified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and other information on pages 18 through 20 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and other information on pages 18 through 20 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Tate & Tryon

Washington, DC
May 20, 2011

ASIS International and Affiliates

Consolidating Statement of Financial Position

December 31, 2010

	ASIS	Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	$ 3,892,151	$ -	$ -	**$ 3,892,151**
Investments	27,329,681	765,059		**28,094,740**
Accounts receivable, net	5,468,021			**5,468,021**
Due from affiliate	30,323		(30,323)	**-**
Prepaid expenses and deposits	881,664			**881,664**
Other assets	4,367,742			**4,367,742**
Inventory	592,707	12,955		**605,662**
Investments held for deferred compensation	466,283			**466,283**
Property and equipment, net	7,521,861			**7,521,861**
Total assets	$ 50,550,433	$ 778,014	$ (30,323)	**$ 51,298,124**
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	2,317,113	$ 16,585	$ -	**$ 2,333,698**
Deferred revenue	13,477,163	4,130		**13,481,293**
Due to affiliate	-	30,323	(30,323)	**-**
Note payable	5,026,773			**5,026,773**
Deferred compensation	466,283			**466,283**
Interest-rate swap agreement	38,145			**38,145**
Postretirement benefit obligation	3,966,673			**3,966,673**
Total liabilities	25,292,150	51,038	(30,323)	**25,312,865**
Commitments and contingencies	-	-	-	**-**
	25,292,150	51,038	(30,323)	**25,312,865**
Net assets				
Unrestricted	25,258,283	285,238		**25,543,521**
Temporarily restricted		101,840		**101,840**
Permanently restricted		339,898		**339,898**
Total net assets	25,258,283	726,976	-	**25,985,259**
Total liabilities and net assets	$ 50,550,433	$ 778,014	$ (30,323)	**$ 51,298,124**

ASIS International and Affiliates

Consolidating Statement of Activities

Year Ended December 31, 2010

	ASIS	Foundation	Eliminations	Total
Unrestricted activities				
Revenue and support				
Seminar	$ 14,107,049	$ -	$ -	**$ 14,107,049**
Publishing	4,910,181			**4,910,181**
Membership and general society	3,801,909			**3,801,909**
Education	1,847,367			**1,847,367**
Publications and merchandise sales	1,397,851	1,937		**1,399,788**
Certification program	575,345			**575,345**
Donated services and facilities		523,822	(523,822)	**-**
Investment income	461,800	17,448		**479,248**
Contributions	4,500	175,943		**180,443**
Rental operations, net	42,933			**42,933**
Special events		36,500		**36,500**
Scholarships		24,724		**24,724**
Miscellaneous	41,278			**41,278**
	27,190,213	780,374	(523,822)	**27,446,765**
Net assets released from restriction	-	16,438	-	**16,438**
Total revenue and support	27,190,213	796,812	(523,822)	**27,463,203**
Expense				
Program services				
Seminar	7,642,343			**7,642,343**
Publishing	5,404,599			**5,404,599**
Education	2,774,644			**2,774,644**
Certification program	1,712,370			**1,712,370**
Publications and merchandise sales	1,625,177			**1,625,177**
Awards and scholarships		63,527		**63,527**
Special events		57,273		**57,273**
Endowment		5,787		**5,787**
Total program services	19,159,133	126,587	-	**19,285,720**
Supporting services				
General and administrative	8,014,022	554,007	(523,822)	**8,044,207**
Fundraising		48,405		**48,405**
Total supporting services	8,014,022	602,412	(523,822)	**8,092,612**
Total expense	27,173,155	728,999	(523,822)	**27,378,332**
Change in unrestricted net assets before other items	17,058	67,813	-	**84,871**
Other items				
Unrealized gain on investments	1,426,611	41,455		**1,468,066**
Unrealized gain on interest rate swap	175,246			**175,246**
Postretirement benefit credit	506,221			**506,221**
Change in unrestricted net assets	2,125,136	109,268	-	**2,234,404**
Temporarily restricted activities				
Investment income		11,728		**11,728**
Net assets released from restriction		(16,438)		**(16,438)**
Change in temporarily restricted net assets	-	(4,710)	-	**(4,710)**
Permanently restricted activities				
Contributions	-	345		**345**
Change in permanently restricted net assets	-	345	-	**345**
Change in net assets	2,125,136	104,903	-	**2,230,039**
Net assets, beginning of year, as restated	23,133,147	622,073	-	**23,755,220**
Net assets, end of year	$ 25,258,283	$ 726,976	$ -	**$ 25,985,259**

Schedule of Revenue and Expense, by Program, for ASIS International (exclusive of the Foundation)

Year Ended December 31, 2010

	Membership and general society	Publishing	Seminar	Education	Certification program	Publications and merchandise	Overhead	TOTAL
Revenue								
Exhibits	$ -	$ -	$ 10,349,238	$ -	$ -	$ -	$ -	$ 10,349,238
Registrations	150		3,249,411	1,839,367				5,088,928
Dues and fees	3,537,526	1,541,514						5,079,040
Advertising	156,423	3,340,579						3,497,002
Publications and merchandise	15,395					1,174,869		1,190,264
Certification					575,345			575,345
Sponsorships			508,400	8,000				516,400
Investment income							461,800	461,800
Subscriptons		24,128				215,597		239,725
Royalties	91,598	3,960				7,385		102,943
Rental operations, net							42,933	42,933
Other							41,278	41,278
Donations							4,500	4,500
Library	817							817
Total revenue	3,801,909	4,910,181	14,107,049	1,847,367	575,345	1,397,851	550,511	27,190,213
Expenses								
Salaries							7,485,322	7,485,322
Professional fees	977,196	38,201	1,719,870	186,803	331,901	78,418	1,078,367	4,410,756
Payroll, taxes, and employee benefits							3,599,008	3,599,008
Facilities and equipment	145,930	69,601	2,108,851	550,844	15,943		59,406	2,950,575
Postage	284,672	416,505	267,744	241,248	41,327	136,605	41,766	1,429,867
Printing	97,163	397,079	415,626	182,477	61,740	65,244	59,474	1,278,803
Commissions	31,639	835,755	63,525					930,919
Promotions and marketing	96,998	154,052	457,425	49,614	69,130	32,429		859,648
Depreciation and amortization		22,501				60,000	768,841	851,342
Travel and entertainment	197,726	38,312	226,440	148,670	22,022	1,007	44,775	678,952
Cost of goods sold				86,224		520,929		607,153
Insurance			99,012				439,293	538,305
Repairs and maintenance	90,501	8,400	2,328	2,073			368,602	471,904
Mortgage interest							248,108	248,108
Taxes and licenses							163,662	163,662
Telephone	25,911	711	24,614	290	692		110,426	162,644
Professional development	73,839	14,491	3,357	4,583	662		41,884	138,816
Design and layout		117,599						117,599
Office expense and supplies	1,464	265	5,447	5,067	86		99,199	111,528
Surveys and research	240	76,736	10,000					86,976
Sponsorship and donations	321		46,475				2,709	49,505
Bad debt				1,763				1,763
Total expenses before overhead	2,023,600	2,190,208	5,450,714	1,459,656	543,503	894,632	14,610,842	27,173,155
Overhead distribution	5,990,422	3,214,391	2,191,629	1,314,988	1,168,867	730,545	(14,610,842)	-
Total expenses including overhead	8,014,022	5,404,599	7,642,343	2,774,644	1,712,370	1,625,177	-	27,173,155
Other items								
Postretirement benefit plan changes other then net periodic pension costs							506,221	506,221
Unrealized gain on investments							1,426,611	1,426,611
Unrealized gain on interest rate swap							175,246	175,246
Excess revenue over expenses	**$(4,212,113)**	**$ (494,418)**	**$ 6,464,706**	**$ (927,277)**	**$(1,137,025)**	**$ (227,326)**	**$ 2,658,589**	**$ 2,125,136**