

2010 ANNUAL REPORT



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Elderhostel is a not-for-profit organization dedicated to providing exceptional learning opportunities to older adults. As the nation's first and the world's largest educational travel organization for adults, we believe that learning is an integral part of life. Since our founding in 1975, more than 4 million adults have experienced our exciting learning adventures. Elderhostel offers you the opportunity to explore fascinating places with passionate people and leading experts who enable you to gain an insider's perspective on the world's varied heritages, cultures and environments.

Our participants on the cover (starting from top left):

Bob Weiner (photo by Lisa Teso), Susan Coulter (photo by Rick Hovis),

Michael and Linda Dowler (photo by Ilene Perlman), Bob Rockwell

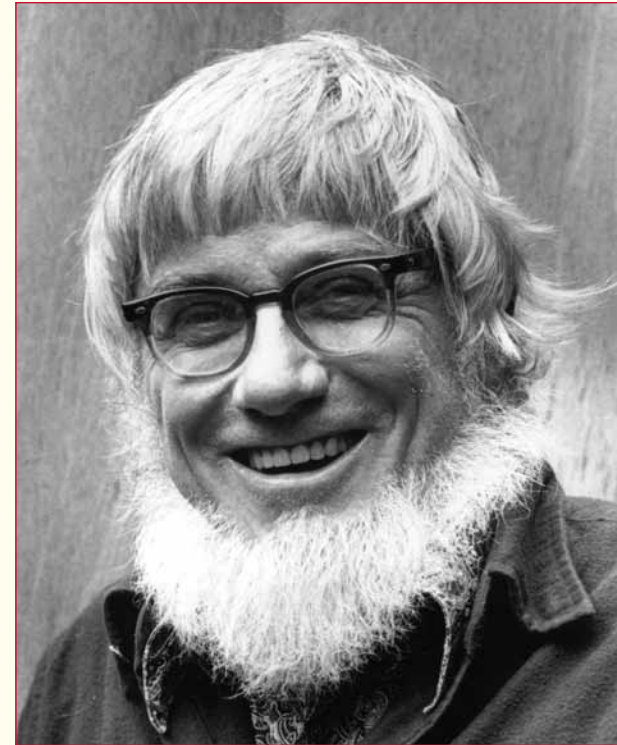
(photo by Ilene Perlman), Taffie Bentley (photo by Greg Bolosky),

Stan and Gloria Wakefield (photo by Carl Studna)

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11 Avenue de Lafayette | Boston, MA 02111-1746

www.roadsscholar.org



Dedicated to Martin P. Knowlton (1920 – 2009)

Martin P. (“Marty”) Knowlton — a free-spirited visionary who co-founded Elderhostel in 1975 with David Bianco — passed away in 2009 in Ventura, Calif. He was 88 years old. The organization created by Marty and David changed the perceptions of aging by introducing a new understanding of older adults as active, engaged learners and explorers. It also changed lives in the process, ushering in an era of active learning in retirement. Since Elderhostel's founding, more than 4 million people have experienced our programs. All of us at Elderhostel are honored to follow the path that he blazed.

LETTER FROM THE CHAIR



Dear Friend,

In 2010, not-for-profit Elderhostel proudly celebrated the 35th anniversary of its founding. This milestone inspires me to look back beyond just the last 12 months to the accomplishments of the past three and a half decades of Elderhostel's history.

In 1975, a moment of inspiration between friends Marty Knowlton and David Bianco launched an idea that became a movement for social change. In those days, lifelong learning was not the broadly understood concept it is today, and the idea that older adults would engage in college-level learning forums was so far from generally accepted notions as to be almost absurd. The first Elderhostel programs attracted 220 brave "pioneers" in New England, the first of more than 4 million older adults who would take part in an Elderhostel learning adventure over the next 35 years. Long-held notions about aging were shattered and a new understanding of the possibilities of older adulthood was born.

The novelty of older adults on college campuses piqued the interest of a broad swath of society and word spread about this exciting new opportunity for intellectual engagement in retirement. Friends told friends about their Elderhostel experiences and those friends told other friends. Journalists were drawn to the Elderhostel story and shared it in newspaper and magazine publications. By 1980, based almost entirely on word-of-mouth endorsement, more than 20,000 older adults participated in programs in all 50 states and most Canadian provinces. Riding this growing wave of enthusiasm, Elderhostel offered its first International programs in 1981 and participants discovered the people, culture, environment and history of the countries visited through in-depth lectures and expert-led field trips.

By the early 2000s, the world had become our classroom, indeed. Participants ventured to more than 90 countries and all the United States on Elderhostel learning adventures. On the strength of its first capital campaign, the organization purchased, renovated and moved into its first owned headquarters building in Boston.

2010 was one of the most exciting years in Elderhostel's history. With the launch of a new program name, Road Scholar, Elderhostel opened the doors of lifelong learning to the next generation of older adults entering their 60s, many of whom were already participating with their parents who had long been Elderhostel aficionados.

Today, as throughout our history, creative program development continues to produce new and unique learning experiences. A broad age range of older adults are enjoying programs of varying activity levels as we strive to meet the requirements of older adults with varying physical needs as well as those who seek out physically demanding learning adventures. And, of course, at the heart of every program is an engaging educational experience to stimulate the mind and inspire understanding and new ideas.

Along with us at each milestone have been our steadfast donors. The generosity of you who believe in our mission enables us to touch the lives of hundreds of thousands of older adults each year. Thanks to careful planning and the support of people like you, Elderhostel has a strong foundation from which to share the message that lifelong learning is critical to the healthy aging of a population that is growing older.

With deep gratitude for your support and faith in Elderhostel's lifelong learning mission, thank you for joining us on this extraordinary journey.

Warmest wishes,

A handwritten signature in black ink that reads "Sandra M. Willen, CFA". The signature is written in a cursive, flowing style.

Sandra Willen
Chair, Elderhostel Board of Directors

LETTER FROM THE PRESIDENT



Dear Elderhostel Friend,

As we conclude fiscal year 2010, Elderhostel's not-for-profit mission to empower older adults through learning is as vital as ever. America's population is growing older as the first wave of the Baby Boom generation turns 65. And Elderhostel is excited to serve this new community of lifelong learners, inspired by the belief that our older years are the perfect time to pursue our dreams of learning about the world

around us — learning for learning's sake alone.

While our mission remains ambitious, our financial goals as we entered fiscal year 2010 were more modest. During the previous two years, Elderhostel had been deeply impacted by the Great Recession as thousands of loyal participants husbanded their resources and assessed the long-term consequences of the collapsing world economy rather than enroll in a program. We expected another difficult year that would conclude with an operating deficit and were determined that it would be the last in which we would incur a deficit as we prepared to do everything possible to ensure a balanced budget in 2011.

You can imagine how pleased I am to report that Elderhostel concluded fiscal 2010 with a slight operating surplus — one year ahead of our projection.

During the Great Recession, we remained committed to providing exceptional, life-changing learning experiences, even as we adjusted the organization to the new fiscal realities of our changed world. We focused our energies on increasing participant enrollment and limiting program cancellations, aggressively negotiating pricing, strategically reinvesting in marketing initiatives and carefully controlling expenses. We adjusted quickly and the changes we implemented were even more effective than anticipated.

You can read more about our strong financial outlook on page 10, but Elderhostel's successes in 2010 go far beyond a positive bottom line. The year presented us with some very difficult challenges, but inspired by our mission, energized by our participants and supported by our donors, we accomplished great things and emerged the better for it.

To name just a few:

- On 4,300 programs in all 50 states and around the world, 97,700 lifelong learners benefited from challenging and enriching experiences, outstanding educational content and a supportive community of engaged participants.
- Elderhostel began to operate our programs under the name Road Scholar. With “road” connoting the real-world experience of the journey, and “scholar” reflecting the deep appreciation for learning that has been at the heart of Elderhostel's programs since 1975, we found a name that captures the essence of our program experience. Participant response to Road Scholar has been overwhelmingly positive. And most importantly, under a new name we continued to create the innovative educational adventures that likely brought you to us in the first place.
- We increased, improved and opened up the ways that we communicate with you about our programs. You can now learn more about a Road Scholar program by discussing it with a fellow participant on Facebook or our own Road Scholar Connection social network, reading about the instructor's background on www.roadscholar.org or, if you like, calling one of our Participant Services Advisors or flipping through the pages of our paper catalogs as you always have.

Everything that we were able to accomplish in 2010 would not have been possible without you: our generous contributors and Annual Fund supporters, donors who make significant gifts to support scholarships and special projects and donors who secure Elderhostel's future through life-income and estate gifts. Your support is invaluable to our mission.

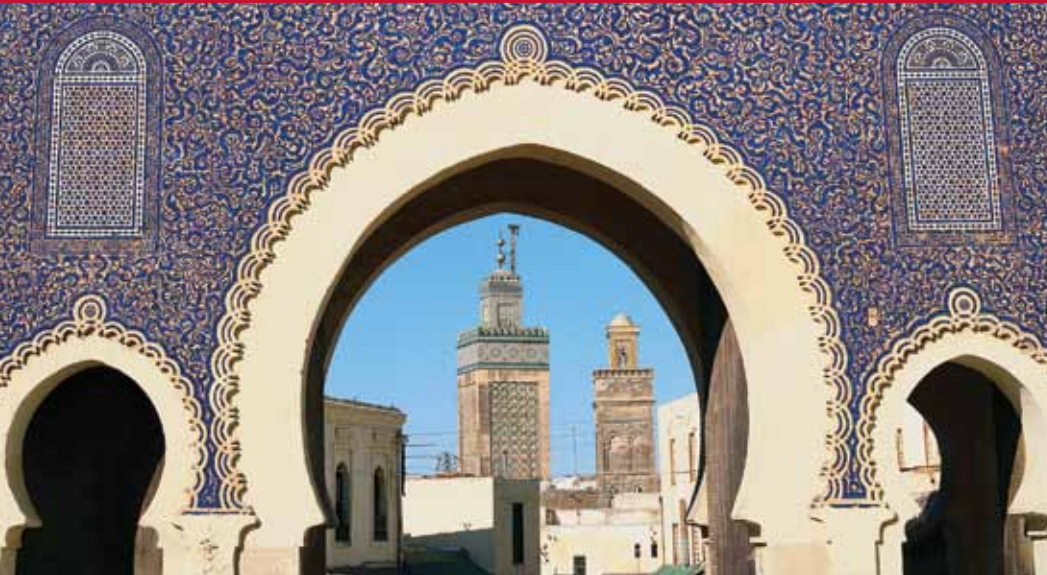
Thank you for your steadfast friendship and eagerness to help. To you I extend my deepest gratitude.

With all good wishes,

A handwritten signature in black ink, appearing to read 'James Moses'. The signature is fluid and cursive, with a large initial 'J' and 'M'.

James Moses
President

PROGRAMMING



Through its Road Scholar programs, Elderhostel provided lifelong learning opportunities to nearly 100,000 adults in fiscal year 2010. From learning about the melting pot of cultures in Morocco to rehabilitating injured raptors in Alaska, participants exercised their intellects, forged lasting friendships and fulfilled lifelong dreams in the 50 United States and in more than 90 countries worldwide.

Inspired in part by director Ken Burns' PBS documentary series *The National Parks: America's Best Idea*, experiencing our National Parks in person was a popular lifelong learning goal for Road Scholar participants in 2010. With renowned naturalists and park experts, participants explored Zion, Bryce, Mount Rushmore, the Grand Canyon and even Denali in Alaska. More than 6,000 participants also ventured across great American landscapes to iconic cities and monuments on our traveling, expert-led "On the Road" programs.

Many Road Scholar participants chose to take part in an educational voyage by river or sea on Adventures Afloat in 2010. The stunning natural environments of Hawaii and the Galápagos Islands called to these explorers, while the ancient world came to life for many participants on voyages to Greece, Turkey and Egypt.

Apart from perennially popular learning adventures — including the Renaissance in Italy, the tropical environments of Costa Rica and the distinctive cultures of Canada — there were some exciting new International programs in 2010. For the first time ever, Road Scholar offered less active Adventures Afloat programs and the response from participants was outstanding. These programs provided enriching educational experiences, without the normal rigors of international travel. Look for more low-activity programs in 2011 and beyond.

Working with a humanitarian aid organization under a license issued by the United States Department of the Treasury, Road Scholar organized a Service Learning mission to deliver humanitarian aid to non-governmental charities in Cuba. More than 100 Road Scholar participants donated much-needed supplies and interacted with local Cuban families.

For families and other groups looking for enriching and bonding experiences, Elderhostel offers the opportunity to reserve an entire program for your exclusive enrollment. Hundreds of participants learned and had fun together as part of a private group on a Road Scholar program, including one family that spent Christmas discovering the natural wonders of Costa Rica and another that explored the Galapagos Islands with expert naturalists.

Elderhostel also took innovative steps to help

participants travel to their Road Scholar programs. With the newly created Road Scholar Travel Services, participants are now able to work with our Advisors on their specific individual travel needs, as well as access special fares and complimentary transfers from and to airports at the beginning and end of their programs.

To meet the lifelong learning aspirations of America's aging population, we offered Day of Discovery programs in continuing care retirement communities to more than 3,000 older adults in 2010. Among the dozens of programs to choose from, participants in 11 communities throughout the United States learned about America's natural treasures on *The National Park Service: An American Legacy*, and participants in nine communities discussed some of America's greatest leaders in *Women in Social & Political Leadership*.

OUTREACH AND COMMUNICATIONS



For Elderhostel, fiscal year 2010 was one that will be remembered for one very large change. In June, Elderhostel extended the Road Scholar name to all of our educational learning adventures. The Road Scholar name was trademarked by Elderhostel in 1992 and was used for several years to describe a particular type of active, small group Elderhostel programs. We learned that Road Scholar is a name that energizes our participants, from lifelong learners in their 80s to newer participants in their 50s. Elderhostel will continue to be the name of our organization, but calling our programs Road Scholar opens the doors of

lifelong learning to another generation of engaged adults. The response to our new program name from our loyal, long-time participants has been overwhelmingly positive.

Elderhostel began a major initiative in 2010 to better showcase the quality of the expert lecturers and group leaders who make our unique learning adventures such rewarding experiences. The biographies of more than 1,000 Road Scholar experts were added to www.roadscholar.org, and we deepened program descriptions in our catalogs and on our website.

We also launched our own social network — the Road Scholar Connection — on www.roadscholar.org, so participants can find a roommate or someone to share a ride with to a program; learn more about what Road Scholar programs are really like from people like themselves; or just share opinions, ideas, stories and even photos and videos. We also joined the world's largest social network, Facebook, where participants can get the latest updates from us whenever they log on to Facebook.

Elderhostel continued to offer "Taste of Road Scholar" events for the African American

community. The "Taste of Road Scholar" event on Martha's Vineyard in August brought a standing-room-only audience to historic Shearer Cottage to hear keynote speaker Geoffrey Fletcher, Academy Award winner in the Best Adapted Screenplay category for "Precious." "Taste of Road Scholar" programs were also held in Chicago and Philadelphia in 2010. In total the three special events drew 350 participants. For the third year, Elderhostel conferred the Asa Grant Hilliard III Award for Lifelong Learning to a lifelong learner who reflects the values of the noted educator, historian, psychologist and teacher of African history.

WHAT DOES ROAD SCHOLAR MEAN TO YOU?

Whether educating or helping to fulfill lifelong dreams, Road Scholar programs touch the lives of thousands of older adults every year. Here's what those participants from 2010 said Road Scholar meant to them ...

90% of participants learned something new

85% met interesting fellow participants

45% were revitalized by their program experience

25% stepped outside their comfort zone

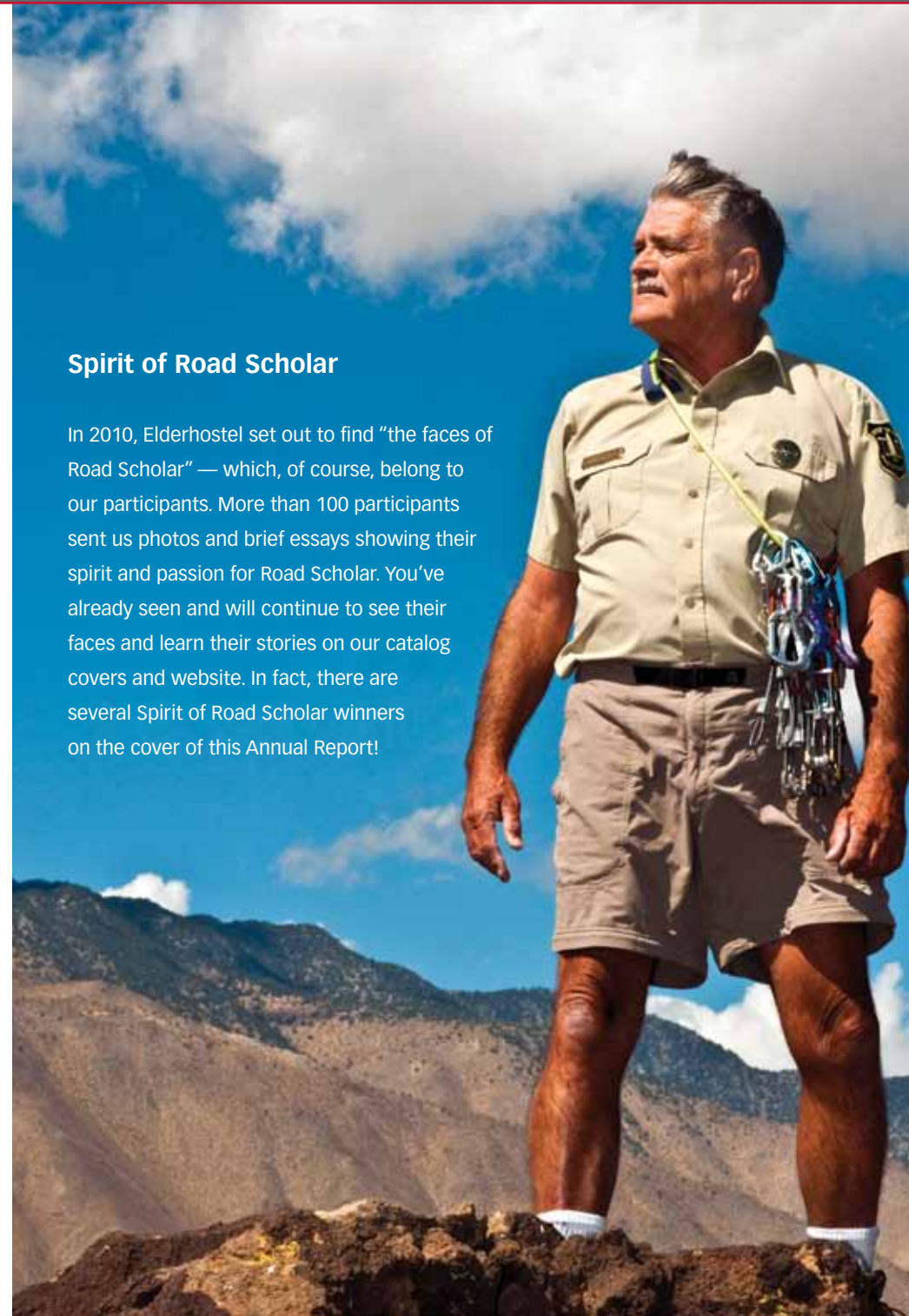
20% had their perspective on the world changed

15% fulfilled a lifelong dream



Spirit of Road Scholar

In 2010, Elderhostel set out to find “the faces of Road Scholar” — which, of course, belong to our participants. More than 100 participants sent us photos and brief essays showing their spirit and passion for Road Scholar. You’ve already seen and will continue to see their faces and learn their stories on our catalog covers and website. In fact, there are several Spirit of Road Scholar winners on the cover of this Annual Report!



RESOURCE DEVELOPMENT OVERVIEW



Spotlight on David Stevenson

As a not-for-profit organization, Elderhostel is governed by a volunteer Board of Directors — an accomplished group that donates its time and expertise to advance our lifelong learning mission. The Board provides invaluable strategic direction and financial oversight of the organization. From 2000 to 2009, David Stevenson was a member of the Elderhostel Board, serving as Treasurer for part of that time.

“During my nine years volunteering on the board, I saw up close the impact Elderhostel has on the lives of older adults. I was especially touched by the stories of scholarship recipients who were so grateful for the opportunities to learn on Elderhostel programs and fulfill their lifelong dreams.

When I retired from the Board, my wife and I decided to create an endowed scholarship fund as a way to make Road Scholar programs possible for those who lack the means but are eager to participate. Our endowment is a gift that keeps on giving to those who are committed to lifelong learning.”

— David Stevenson, former member, Elderhostel Board of Directors

Since the earliest days of our history, Elderhostel has relied on the support of generous donors — lifelong learners who choose to look beyond their own program experience to the big picture of the Elderhostel mission. The year 2010 was challenging, as each year has been since the start of the recession in 2008. However, Elderhostel’s friends once again showed their loyalty and commitment to lifelong learning by giving to the Annual Fund, helping to fund current projects and expanding our endowment, and remembering Elderhostel in their estate plans.

In fiscal year 2010, Elderhostel received more than \$2.6 million in financial support from generous annual and planned gift donors. This support was essential in returning the organization to a positive operating position and we are very grateful.

Thank you to all who contributed to Elderhostel in 2010. Pursuing the organization’s mission of empowering older adults to explore the world’s places, peoples, cultures and ideas would simply be impossible without such support. Elderhostel is grateful to its contributors for being vital members of our extended community of lifelong learners.

The Annual Fund

Like most educational institutions, not-for-profit Elderhostel relies on donors who each year provide essential operating funds that help “close the gap” between tuition and the actual costs of developing and supporting thousands of quality educational experiences worldwide. In 2010, closing this gap was a challenge as the impact of the economic downturn was felt and many people were forced to adjust their charitable giving as they altered all their spending. Nevertheless, Elderhostel was once again able to count on the support of its loyal, generous donors. Nearly 36,000 Annual Fund donors contributed \$1.9 million dollars to Elderhostel’s mission in 2010.

We are especially grateful to our leadership donors who — year after year — give generously in support of the annual fund and special projects. Gifts to the Annual Fund of \$10,000 or more are recognized in the Presidents Circle, gifts of \$1,000-\$9,999 are honored in the Lifelong Learning Society, and gifts of \$500-\$999 are listed in the inaugural class of the Scholars Circle.

Major and Planned Gifts

Elderhostel was fortunate to receive a number of special gifts and grants in 2010, including from The S.D. Bechtel, Jr. Foundation and Vital Projects Fund of the Horace W. Goldsmith Foundation, which continues its generous philanthropic support of Elderhostel. Donors made additional contributions

to named scholarship funds, part of the Elderhostel permanent endowment, to enable those with limited resources to share the gift of lifelong learning. They also provided funds for Elderhostel's research and diversity outreach initiatives.

We are grateful to the donors who provided special support for research, including the Elderhostel K. Patricia Cross Research Grant; and to donors who established charitable gift annuities and contributed to the Elderhostel Pooled Income Fund. We thank those who included a bequest to Elderhostel in their will or trust or named the organization as a beneficiary of their IRA or other retirement fund. Their gifts help Elderhostel plan for the future, and we are pleased to honor them as members of the Elderhostel Legacy Society.

In 2010, Elderhostel received a total of \$768,808 in Major and Planned Gifts, including significant bequests from estates and trusts.

Founders' Circle

The Founders' Circle, named in honor of founders Marty Knowlton and David Bianco, recognizes donors who have contributed \$100,000 or more to Elderhostel. Like Jim and Mindi Elliot (see right), members of the Founders' Circle continue the work of our visionary founders through their extraordinary support.

Scholarships

Gifts to Elderhostel had a direct impact on the lives of those who lacked the means to attend one of our life-changing educational programs in 2010, as they allowed us to provide \$237,000 in scholarships to 350 deserving participants with demonstrated financial need.

Because of my limited income, this scholarship means I am able to continue to learn and keep interested in people and the world around me. Thank you. — Anonymous scholarship recipient

Support of the Annual Fund and creation of Named Scholarship Funds allow us to continue this vital part of our mission that enables recipients to have an inspiring, life-changing learning experience and enhances the Road Scholar experience for all.

A Tribute to Jim Elliot

Throughout our 35-year history, few have been more enriched by and given as generously to Elderhostel than Jim Elliot. From 1977 until 2005, Jim was a dedicated participant in 265 Elderhostel learning adventures. He was also a committed Annual Fund supporter, and with the combination of his annual gifts and a generous testamentary bequest through which he and his wife, Mindi, designated Elderhostel as a beneficiary of their trust, The Elliot Living Trust, Jim and Mindi became members of the Founders' Circle — a recognition society to distinguish those who have contributed \$100,000 or more to Elderhostel.



After graduating from Yale University in 1940, Jim taught in China and worked for the Office of War Information during WW II. Fluent in Mandarin Chinese and Japanese, he joined the United States State Department, serving in Washington, D.C., for eight years and overseas for 22 years in China, Japan, Indonesia, Malaysia and Singapore.

In retirement, Jim never tired of increasing his knowledge of a variety of subjects and found that Elderhostel provided the ideal setting for him to pursue his many interests. From programs on history and politics to classical music, theater and literature, he had an unquenchable desire to learn about the world.

Jim Elliot passed away in 2005, and we are all still inspired by the legacy of learning and generosity he left behind.

FISCAL OVERVIEW

After two extraordinarily difficult years, the financial results of fiscal 2010 provide a sense of solid accomplishment. We worked very hard throughout this recession to adjust Elderhostel's operations to the world's very changed economic reality, and we returned the organization to a positive operating result a full year ahead of our projection.

The Great Recession greatly affected our constituents. Beginning in 2008, thousands of individuals curtailed discretionary spending — forgoing enrollment in our programs and charitable support to Elderhostel. Even those who had been stalwart participants and supporters without interruption over many, many years were compelled to husband their resources and miss out on the joys of an Elderhostel program as they struggled through a worsening economy. Still, we remained deeply committed to providing exceptional learning opportunities and scholarships during these very difficult times. In 2010, we provided 4,300 programs worldwide to nearly 97,700 lifelong learning enthusiasts, and awarded \$237,000 in need-based scholarships to deserving individuals with demonstrated financial need. We received more than \$2.6 million in financial support from nearly 36,000 generous donors. This support was essential in helping return the organization to a positive operating position and we are very grateful.

We increased our cash and investments by 5% to \$53 million and our net assets by 2% to nearly \$35 million. We are fortunate to have built up these reserves over Elderhostel's 35-year history — thanks to our many loyal donors and the wise fiscal oversight of our Board of Directors. Without these funds, we would not have been able to fulfill our lifelong learning mission serving so many thousands of participants as faithfully as we have through such extraordinarily difficult economic times.

We're proud that these financial statements show that Elderhostel, a not-for-profit organization, directs the vast majority of its revenue directly to serving its constituents, whose love of learning is at the heart of our mission.

STATEMENT OF FINANCIAL POSITION

September 30, 2010

ASSETS

Cash	\$ 9,699,263
Investments	43,009,062
Advances to program providers	13,563,814
Other assets	2,502,795
Fixed assets	10,862,388
Total assets	\$79,637,322

LIABILITIES

Accounts payable and accrued expenses	\$ 4,727,193
Registration fees	32,371,796
Other liabilities	1,657,477
Bonds payable	6,225,000
Total liabilities	44,981,466

NET ASSETS

Unrestricted	
Undesignated	13,373,553
Designated by the Board	20,209,426
Temporarily and permanently restricted	1,072,877
Total net assets	34,655,856
Total liabilities and net assets	\$79,637,322

Where does your dollar go?

For every dollar in revenue and support we received, we spent **82 cents** on direct program costs (Elderhostel's unique educational experience and participant accommodations, transportation and meals), **17 cents** on operating costs (registering and serving our participants, developing, marketing and administering programs, and the day-to-day running of the organization), and we put away **1 cent** of every dollar for future use in ensuring that Elderhostel is around for generations to come.

DIRECT PROGRAM COSTS



OPERATING COSTS



FUTURE USE

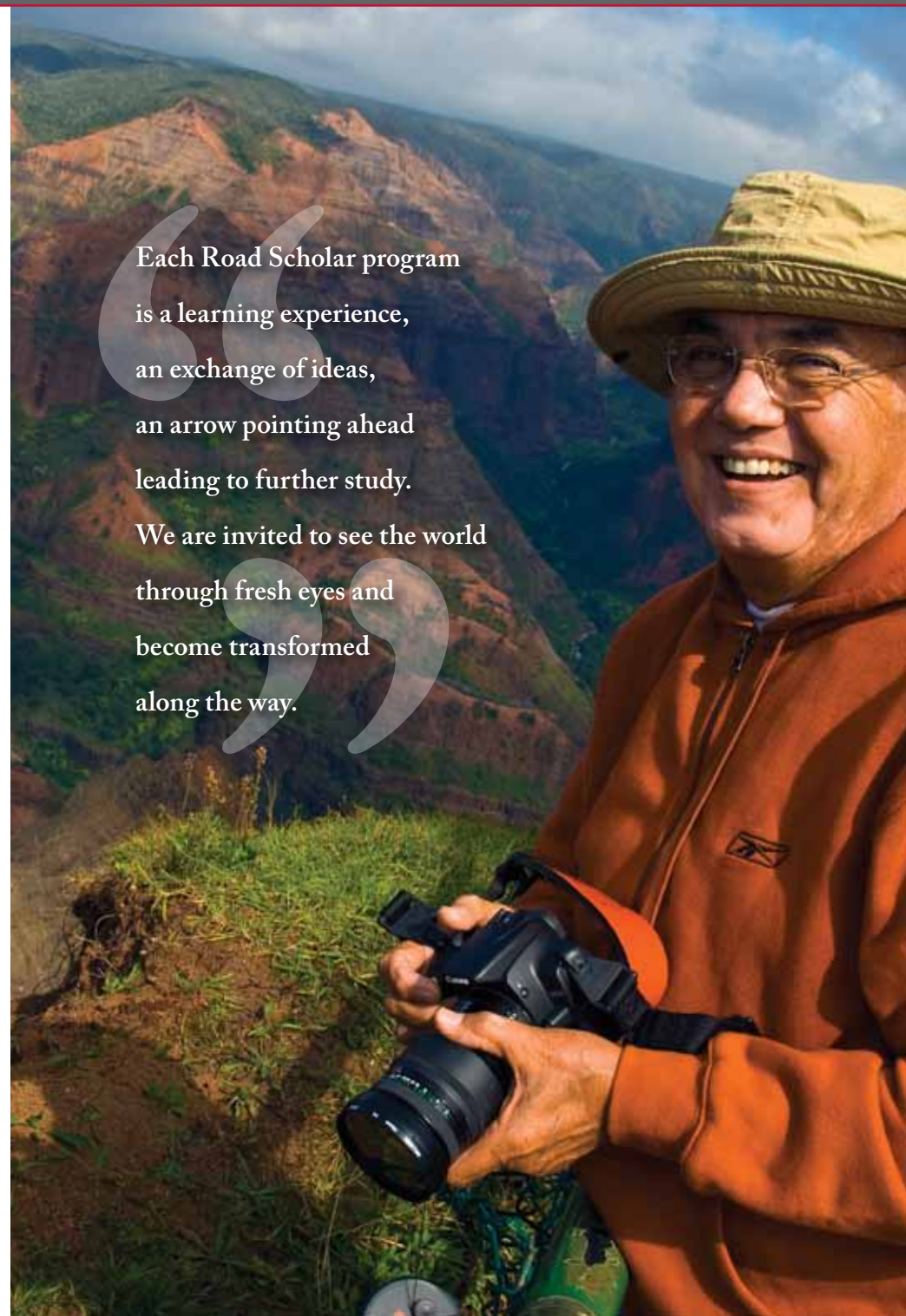


STATEMENT OF ACTIVITIES

For the year ended September 30, 2010

		Percentage of total revenue & support
REVENUE AND SUPPORT		
Program fees	\$149,534,006	
Contributions	2,637,122	
Investment and other	5,315,621	
Total revenue and support	157,486,749	100%
EXPENSES		
Direct program expenses		
Traditional International	43,638,028	
Traditional North America	62,457,519	
Adventures Afloat	23,528,693	
Day of Discovery	164,402	
Total direct program expenses	129,788,642	82%
Operating expenses		
Marketing and catalogs	7,413,452	
Program development and administration	5,780,823	
Registration services	5,250,622	
Systems, administration and finance	7,033,755	
Development	916,944	
Total operating expenses	26,395,596	17%
Non-operating expenses	589,094	0%
Change in net assets	\$ 713,417	1%

Each Road Scholar program is a learning experience, an exchange of ideas, an arrow pointing ahead leading to further study. We are invited to see the world through fresh eyes and become transformed along the way.



This was my first Road Scholar experience and I highly recommend this program to everyone. The instructor was great, and I learned many things about geology, earthquakes along the coast and good old rocks. Each day was filled with fascinating experiences, and being a solo traveler and joining a group of like minds makes these programs well worth experiencing. You may make friendships that will last a lifetime.

— *Chris V., participant on Oregon Coast Geology and Cultural History*



Elderhostel, Inc., the not-for-profit world leader in lifelong learning since 1975, is the creator of Road Scholar educational adventures.