

**WORLD FEDERALIST ASSOCIATION
NOW d.b.a.
CITIZENS FOR GLOBAL SOLUTIONS
EDUCATION FUND**

Financial Statements and Independent Auditor's Report

June 30, 2003

**DENBURG & LOW, PA
Certified Public Accountants
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Washington, DC 20036**

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World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

We have audited the accompanying statement of financial position of the World Federalist Association, now d.b.a. Citizens for Global Solutions Education Fund (a non-profit organization) as of June 30, 2003 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of the World Federalist Association as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, DC

March 2, 2004

website: www.denburg.com

Members of:

The American Institute of
Certified Public AccountantsThe Maryland Association of
Certified Public AccountantsGreater Washington Society of
Certified Public Accountants

STATEMENT OF FINANCIAL POSITION

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

June 30, 2003

ASSETS

Cash	\$ 91,361
Investments (Note C)	2,138,632
Accounts receivable	5,661
Prepaid expenses	5,489
Land, buildings, and equipment (Note D)	438,021
Unimproved real estate	<u>1,000</u>
Total assets	<u><u>\$ 2,680,164</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$ 53,728
Annuity reserve (Note E)	<u>29,201</u>
Total liabilities	<u>82,929</u>

NET ASSETS

Unrestricted	
Board designated (Note F)	1,554,290
Unrestricted	<u>376,606</u>
Total Unrestricted	1,930,896
Temporarily restricted (Note G)	<u>666,339</u>
Total net assets	<u>2,597,235</u>
Total liabilities and net assets	<u><u>\$ 2,680,164</u></u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF ACTIVITIES

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

For the Year Ended June 30, 2003

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions	\$ 448,189	\$ 180,346	\$ 628,535
Foundation support	34,000	40,500	74,500
Dues	197,436	-	197,436
Interest and dividends	75,406	-	75,406
Programs, projects and meetings	28,295	-	28,295
Rent	7,200	-	7,200
Net assets released from satisfaction of program restrictions (Note G)	143,895	(143,895)	-
Total revenues and support	934,421	76,951	1,011,372
Expenses:			
Program services	927,677	-	927,677
Administration	179,119	-	179,119
Fund raising	74,940	-	74,940
Total expenses	1,181,736	-	1,181,736
Realized and unrealized net gain on investments	34,673	-	34,673
Changes in net assets	(212,642)	76,951	(135,691)
Net assets - Beginning of period	2,143,538	589,388	2,732,926
Net assets - End of period	\$ 1,930,896	\$ 666,339	\$ 2,597,235

The accompanying notes are an integral part of these financial statements

STATEMENT OF FUNCTIONAL EXPENSES

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

For the Year Ended June 30, 2003

	Program Services	Administration	Fund Raising	Total Program & Supporting Services
Expenses				
Communications	\$ 18,325	\$ 293	\$ 100	\$ 18,718
Consulting fees and outside services	49,691	31,386	13,072	94,149
Interns	18,638	-	-	18,638
Printing and publications	144,805	12,659	12,800	170,264
Conferences and meetings	34,113	8,053	-	42,166
Dues and chapter expenses	34,222	-	-	34,222
Depreciation	21,485	4,035	1,372	26,892
Equipment rental and maintenance	5,125	963	327	6,415
Grants and allocations	3,000	-	-	3,000
Insurance	1,438	270	92	1,800
Miscellaneous	80	7,188	2,935	10,203
Office supplies and expense	5,037	4,221	204	9,462
Postage and delivery	94,300	20,716	14,248	129,264
Occupancy	43,333	6,134	2,085	51,552
Salaries, taxes & benefits	436,798	81,452	27,705	545,955
Travel	17,287	1,749	-	19,036
Total expenses	<u>\$ 927,677</u>	<u>\$ 179,119</u>	<u>\$ 74,940</u>	<u>\$ 1,181,736</u>
Percentage of total expenses	<u>79%</u>	<u>15%</u>	<u>6%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

For the Year Ended June 30, 2003

Cash flows from operating activities	
Change in net assets	\$ (135,691)
Adjustments to reconcile change in net cash used by operating activities:	
Depreciation and amortization	26,893
Realized and unrealized net gain on investments	(34,673)
Decrease in receivables	28,980
Increase in prepaid expenses	(66)
Increase in accounts payable and accrued expenses	<u>14,745</u>
Net cash used by operations	<u>(99,812)</u>
Cash flows from investing activities	
Proceeds from sale of investments	321,177
Purchase of investments	<u>(274,092)</u>
Net cash provided by investing activities	<u>47,085</u>
Cash flows from financing activities	
Decrease in annuity reserve	<u>(2,651)</u>
Net cash used by financing activities	<u>(2,651)</u>
Net decrease in cash	(55,378)
Cash balance - July 1, 2002	<u>146,739</u>
Cash balance - June 30, 2003	<u><u>\$ 91,361</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

June 30, 2003

NOTE A - ORGANIZATION

Exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, the World Federalist Association (which is now doing business as the Citizens for Global Solutions Education Fund) was founded in 1947 and incorporated as a non-profit organization in the District of Columbia in 1968. The organization envisions a future in which nations work together to abolish war, protect our rights and freedoms, and solve the problems facing humanity that no nation can solve alone. This vision requires effective democratic global institutions that will apply the rule of law while respecting the diversity and autonomy of national and local communities

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis. A summary follows of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements.

1. Audit procedures

This audit was performed in accordance with the guidelines included in "Audits of Certain Non-Profit Organizations" issued by the American Institute of Certified Public Accountants.

2. Promises To Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization has not received any permanently restricted net assets. At June 30, 2003 the Organization did not have any promises to give that could be valued.

3. Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

June 30, 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Investments

The Organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

5. Contributions

The Organization also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

6. Membership dues

Membership dues are contributions from and services to members, which are not mandatory, and therefore are recognized as revenue when it is received. Chapters that satisfy minimal standards of programmatic activity are granted a portion of the dues received to support their programs.

7. Marketable securities

Marketable securities are recorded at cost and adjusted for net unrealized gains and losses.

8. Land, buildings and equipment

Land, buildings and equipment are recorded at cost less accumulated depreciation. Depreciation is determined by straight-line method based on an estimated useful life of five to seven years for furniture and equipment and thirty-one and a half years for the buildings.

9. Functional expenses

The Organization accounts for its expenses on a functional basis. Functional expenses include certain directly allocated overhead costs (telephone, depreciation, insurance, etc.).

10. Income taxes

The Organization is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. The Organization is also exempt from DC Corporate Franchise Tax.

NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

June 30, 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Statement of cash flows

For the purpose of reporting cash flows, cash consists of cash on hand and in the banks.

NOTE C - INVESTMENTS

The Organization's investments in marketable securities are reported at fair market value at June 30, 2003. At that date the Association held \$126,876 in corporate bonds, \$353,981 in corporate stock, \$1,566,200 in mutual funds, \$28,225 in partnership interests and \$63,351 in real estate investment trusts.

NOTE D - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

Land and buildings	\$ 605,633
Furniture, fixtures and equipment	<u>91,646</u>
	697,279
 Accumulated depreciation	 <u>259,258</u>
	 <u>\$ 438,021</u>

NOTE E – ANNUITY RESERVE

The Organization has annuity contracts with six individuals as of June 30, 2003 that require payments for periods beyond that date. An estimated reserve in the amount of \$29,201 has been established to make payments on the contracts based on the life expectancies of the annuitants and the required annual payments. At June 30, 2003 the Organization was obligated to pay \$4,798 per year for the life of the annuitants. As of June 30, 2003 investments in the amount of \$91,092 have been set aside to make the payments on these contracts, with \$61,891 of that amount being classified as temporarily restricted. See Note G for details on temporary restriction.

NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

June 30, 2003

NOTE F - ENDOWMENT FUND

An Endowment Fund was designated by the Board of Directors in 1982. This is a trusted endowment fund operated exclusively for the educational purposes in accordance with Section 501 (c) (3) of the Internal Revenue Code. The principal balance of the trust fund is to remain intact until such time as the Organization is dissolved. The net income earned by the trust fund is distributable to the Organization. In June of 1983, separate investment accounts from the general fund were opened. The market value of the account at June 30, 2003 including \$30 in cash was \$1,554,290.

NOTE G - RESTRICTIONS ON ASSETS

Restrictions on Assets are as follows:

Purpose restrictions

John B. Anderson Leadership Fund	\$ 200,100
Harlan M. Smith "Builders of a Better World"	
Scholarship Fund	112,296
Norman Cousins Memorial Fund	71,254
Funsten Fund for Young World Federalists	55,728
Dr. Ray & Jeannette Short Scholarship Fund	11,965
Organizational effectiveness	<u>77,128</u>
Total purpose restrictions	<u>528,471</u>

Time restrictions

Raymond and Elizabeth Bloch Educational	
and Charitable Foundation	20,250
Funsten Fund for Young World Federalists	55,727
Annuity contracts	<u>61,891</u>
Total time restrictions	<u>137,868</u>

Total temporarily restricted net assets	<u>\$ 666,339</u>
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NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association

Now d.b.a. Citizens for Global Solutions Education Fund

June 30, 2003

NOTE H - RETIREMENT PLAN

The Organization maintains a retirement plan for all employees who have been employed for six months. The plan is administered and funded by the Organization. An employee can contribute a maximum of \$12,000 per year, but not more than 100% of their salary. Starting with the first anniversary of employment, the Organization matches up to 3% of the employee's salary being contributed to the retirement plan; after two years the matching contribution rises to 4%; after three years it is 5%; and after four years the match is up to 6%. The Organization expensed \$13,304 related to the plan as part of employee benefits during the year ended June 30, 2003.

NOTE I – JOINT COSTS

The Organization engaged in a direct mail campaign that resulted in costs being allocated to program services, administration, and fund raising. The costs were allocated as follows:

	Program Services	Administration	Fund Raising	Total
Consultants	\$ 48,191	\$ 9,837	\$ 7,972	\$ 66,000
Postage and delivery	83,546	20,716	14,248	118,510
Printing and publications	79,518	12,659	12,800	104,977
Total	<u>\$ 211,255</u>	<u>\$ 43,212</u>	<u>\$ 35,020</u>	<u>\$ 289,487</u>

NOTE J – SUBSEQUENT EVENTS

Subsequent to June 30, 2003 the Organization received a two year grant in the amount of \$280,000 for use in the International Criminal Court Project.

Subsequent to June 30, 2003 the Organization entered into a reorganization agreement with the Campaign for UN Reform (CUNR) to create a closer working relationship between the two organizations. CUNR is an organization exempt under section 501(c)(4) of the Internal Revenue Code. As part of that agreement the organizations were renamed Citizens for Global Solutions, with the World Federalist Association becoming the Educational Fund and CUNR becoming the political action arm of the combined organization.