

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND

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August 11, 2009

Board of Directors
World Federalist Association
D.B.A. Citizens for Global Solutions
Education Fund
418 7th Street, S.E.
Washington, D.C. 20003

We have audited the accompanying statements of financial position of World Federalist Association, d.b.a. Citizens for Global Solutions Education Fund (a non-profit organization) as of September 30, 2008 and the related statements of activities 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 U.S. 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 of 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 World Federalist Association, d.b.a. Citizens for Global Solutions Education Fund, as of September 30, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

To the Board of Directors of
World Federalist Association
D.B.A. Citizens for Global Solutions
Education Fund
August 11, 2009
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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROMANO & MITCHELL, CHARTERED
Certified Public Accountants

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Statement of Financial Position
September 30, 2008

ASSETS

Cash and Cash Equivalents		\$ 121,592
Investments		378,779
Prepaid Expenses		3,938
Due from Affiliate		180,552
Property and Equipment		
Land	\$ 1,000	
Furniture, Fixture and Equipment	<u>124,790</u>	
Total Property and Equipment	\$ 125,790	
Less: Accumulated Depreciation	<u>(109,083)</u>	
Net Property and Equipment		<u>16,707</u>
TOTAL ASSETS		<u>\$ 701,568</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 156,540	
Due to Affiliate	96,538	
Note Payable - Director	200,000	
Capital Lease Obligation	<u>8,173</u>	
Total Liabilities		\$ 461,251

COMMITMENTS

NET ASSETS

Unrestricted	\$ (140,713)	
Temporarily Restricted	<u>381,030</u>	
Total Net Assets		<u>240,317</u>

TOTAL LIABILITIES AND NET ASSETS		<u>\$ 701,568</u>
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The accompanying notes are an integral part of these financial statements.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Statement of Activities
For the Year Ended September 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions	\$ 425,499	\$ -0-	\$ 425,499
Foundation Support	203,366	75,000	278,366
Other Income	34,472	-0-	34,472
Interest and Dividends	37,861	-0-	37,861
Realized and Unrealized (Losses) on Investments	(198,513)	-0-	(198,513)
Net Assets Released from Restrictions	<u>400,584</u>	<u>(400,584)</u>	<u>-0-</u>
Total Support and Revenues	<u>\$ 903,269</u>	<u>\$ (325,584)</u>	<u>\$ 577,685</u>
EXPENSES			
Program Services	\$ 687,257	\$ -0-	\$ 687,257
Administrative and General	130,398	-0-	130,398
Fundraising	<u>130,939</u>	<u>-0-</u>	<u>130,939</u>
Total Expenses	<u>\$ 948,594</u>	<u>\$ -0-</u>	<u>\$ 948,594</u>
Change in Net Assets	\$ (45,325)	\$ (325,584)	\$ (370,909)
NET ASSETS, Beginning of Year	<u>(95,388)</u>	<u>706,614</u>	<u>611,226</u>
NET ASSETS, End of Year	<u><u>\$ (140,713)</u></u>	<u><u>\$ 381,030</u></u>	<u><u>\$ 240,317</u></u>

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

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Statement of Cash Flows
For the Year Ended September 30, 2008

CHANGE IN NET ASSETS		\$ (370,909)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) BY OPERATING ACTIVITIES		
Depreciation	\$ 5,414	
Realized and Unrealized Losses on Investments	198,513	
(Increase) Decrease in:		
Due from Affiliate	109,072	
Prepaid Expenses	(3,938)	
(Decrease) Increase in:		
Accounts Payable and Accrued Expenses	(166,689)	
Due to Affiliate	<u>96,538</u>	
Total Adjustments		<u>238,910</u>
NET CASH (USED) BY OPERATING ACTIVITIES		\$ (131,999)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Repayment of Capital Lease		(4,064)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Proceeds from Sale of Investments	\$ 187,978	
Purchase of Investments	(81,717)	
Purchase of Property and Equipment	<u>(7,400)</u>	
Total Cash Provided by Investing Activities		<u>98,861</u>

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

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Statement of Cash Flows (Continued)
For the Year Ended September 30, 2008

NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (37,202)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>158,794</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 121,592</u></u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	<u><u>\$ 5,000</u></u>
Income Taxes Paid	<u><u>\$ -0-</u></u>

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

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements
September 30, 2008

1. Organization

World Federalist Association, d.b.a. Citizens for Global Solutions Education Fund (the "Organization") was founded in 1947 and incorporated as a non-profit organization in the District of Columbia in 1968. The purpose of the Organization is to promote a future in which nations work together to abolish war, to protect our rights and freedoms, and to find solutions to problems facing humanity that no nation can achieve alone.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value. Other investments are stated at the estimated fair value. Realized and unrealized gains and losses are included in the change in net assets.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2008

2. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are reported in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restrictions are met the amount is shown as a reclassification of restricted net assets to unrestricted net assets. If a donor's restriction is met in the same period that the revenue is recognized, the contribution is reported as an increase in unrestricted net assets. Restrictions on gift of land, building, or equipment or contributions restricted for the purchase of those assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

Concentration of Credit Risk

Cash

The Organization maintains cash deposits at various institutions which are covered under the Federal Deposit Insurance Organization (FDIC). The federal insurable amount was \$100,000 as of September 30, 2008, and was temporarily increased to \$250,000 after October 5, 2008. Management monitors cash balances on a regular basis to maximize the FDIC insurance coverage available to the Organization. As of September 30, 2008, the Organization had cash balances in excess of the maximum FDIC coverage totaling \$23,877.

Use of Estimates

The Organization uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from estimates made by management.

Fixed Assets

Fixed asset additions exceeding \$1,000 are carried at cost. Depreciation of fixed assets is provided using the straight-line method over the estimated useful lives of the assets ranging from 5 to 7 years.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2008

2. Summary of Significant Accounting Policies (Continued)

Fixed Assets (Continued)

Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its useful life are charged to expense as incurred. Gains or losses on dispositions of fixed assets are included in income.

Depreciation expense for the year ended September 30, 2008 was \$5,414.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for Federal income taxes has been made to the accompanying financial statements.

Functional Allocations of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying supplementary schedule of program services, administrative and general, and fundraising expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Cash and Cash Equivalents

The Organization considers all cash and short term investments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents are stated at cost which approximates the market value.

Grants

The Corporation receives grants from various organizations. It recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified by the grant agreements.

3. Related Party Transactions

Related Parties

The Organization is related to Citizens for Global Solutions, Inc. ("CGS") and World Federalist Association Endowment Fund Trust (the "Endowment Fund") through common management. For informational purposes, the organizations present combined financial statements in addition to separate company financial statements.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2008

3. Related Party Transactions (Continued)

Expense Reimbursement

The Organization shares office space and staff with CGS. Under a cost-sharing agreement, salaries, related taxes and benefits, and occupancy expenses are allocated pro rata between the Organization and CGS based on the actual hours worked in conducting the activities of the respective entities. Such expenses allocated by the Organization to CGS amounted to \$180,552 for the year ended September 30, 2008.

The Organization also acts as the agent for both entities in conducting direct mail fund raising activities. Funds were raised by the Organization on behalf of CGS, and related expenses were allocated to the CGS for the year ended September 30, 2008. Additionally, the Organization collected various incidental monies and incurred various incidental expenses on behalf of CGS during the current year.

At September 30, 2008, the Organization had balance of \$180,552 due from CGS.

Note Payable - Director

The Organization has an unsecured demand note payable to a director. Interest only is accrued at 5% per annum and payable on a quarterly basis. Total interest charged for the current year amounted to \$10,000. Interest accrued but not paid at September 30, 2008 amounted to \$10,000.

Operating Lease

The Organization leases office space from the Endowment Fund under an operating lease expiring in September 2008. Total minimum future rental payments under this operating lease amount to \$108,000 through September 2008. Total rent expense for the year ended September 30, 2008 was \$86,480 (net of allocation to CGS). The Organization also guarantees the mortgage on the property held by the Endowment Fund.

Due to Affiliate

The Organization received various advances from the Endowment Fund during the year. These amounts are due on demand and are non-interest bearing. Additionally, the Endowment Fund provided grants totaling \$108,000 to the Organization during the year. As of September 30, 2008, the net amount due from the Organization to the Endowment Fund was \$96,538.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2008

5. Investments

Investments at September 30, 2008 consisted of the following:

Equity Securities	\$ 254,025
Debt Securities	39,415
Mutual Funds	23,444
Partnership Interest	37,069
Real Estate Investment Trusts	<u>24,826</u>
Total	<u>\$ 378,779</u>

6. Obligations Under Capital Leases

The Organization is the lessee of certain equipment under a capital lease expiring in 2010. The capitalized cost of the equipment and total accumulated depreciation, respectively, was \$19,777 and \$12,855, at September 30, 2008.

Minimum future lease payments under capital leases as of September 30, 2008 and for each of the next five years and in the aggregate are:

Year Ending September 30,	
2009	\$ 5,530
2010	3,686
2011 and thereafter	<u>-0-</u>
Total Minimum Lease Payments	\$ 9,216
Less: Amount Representing Interest	<u>1,043</u>
Present Value of Net Minimum Lease Payments	<u>\$ 8,173</u>

The interest rate on the capitalized lease was 14.05% based on the lessor's implicit rate of return. Total interest paid on the capital lease amounted to \$1,465 for the current year.

7. Restrictions on Net Assets

The temporarily restricted net assets are as follows:

Purpose Restrictions:	
Presidential Fund	\$ 70,568
Harlan M. Smith "Builders of a Better World" Scholarship Fund	153,904
Funsten Fund for Youth	<u>51,258</u>

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2008

7. Restrictions on Net Assets (Continued)

Total Purpose Restrictions				\$ 275,730
Time Restrictions:				
Funsten Fund for Youth	\$	51,258		
Annuity Contracts		<u>54,042</u>		
Total Time Restrictions				<u>105,300</u>
Total Temporarily Restricted Net Assets				<u>\$ 381,030</u>

The Organization has annuity contracts with three individuals to whom annual payments are required to be made for the life of the annuitants. Due to the age of the annuitants and the insignificance of the required annual payments, the liabilities under these annuity contracts are nominal. Accordingly, it is likely that a large portion of the related investments will be released from the restriction in the near future.

8. Retirement Plan

The Organization maintains a tax deferred 403(b) retirement plan to provide retirement benefits for all eligible employees. Participants may contribute up to the lesser of \$15,000 or total eligible compensation per year. Matching employer contributions are based on a percentage of the participants eligible compensation. Additional discretionary contributions may be made with the approval of the Board of Directors. Total employer contributions amounted to \$14,921 for the year ended September 30, 2008.

9. Joint Costs

The Organization engaged in a direct mail campaign with total costs allocated as follows:

	<u>Program Services</u>	<u>General & Admin.</u>	<u>Fund Raising</u>	<u>Total</u>
Consultants	\$ 9,845	\$ 5,003	\$ 1,292	\$ 16,140
Printing and Publications	<u>2,008</u>	<u>652</u>	<u>3,614</u>	<u>6,274</u>
Total	<u>\$ 11,853</u>	<u>\$ 5,655</u>	<u>\$ 4,906</u>	<u>\$ 22,414</u>

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2008

10. Commitments

The Organization leases office equipment under a non-cancelable operating lease expiring in March, 2010. Minimum future rental payments under this operating lease for each of the next five years and in the aggregate are:

Year Ending September 30,	
2009	\$ 5,640
2010	2,350
Thereafter	<u>-0-</u>
Total Minimum Future	
Rental Payments	<u>\$ 7,990</u>

In the ordinary course of business, operating leases are normally renewed or replaced. Total rent expense under this lease amounted to \$5,640 for the year ended September 30, 2008.

SUPPLEMENTARY INFORMATION

Schedule 1

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Schedule of Functional Expenses
For the Year Ended September 30, 2008

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>Total</u>
Communications	\$ 2,816	\$ 899	\$ 5,370	\$ 9,085
Conferences and Meetings	21,000	584	1,182	22,766
Consulting Fees and Outside Services	57,503	24,848	9,657	92,008
Depreciation	-0-	5,414	-0-	5,414
Equipment Rental and Maintenance	4,197	3,433	-0-	7,630
Insurance	-0-	2,714	-0-	2,714
Interest and Service Charges	5,800	2,150	2,050	10,000
Miscellaneous	21,565	5,384	-0-	26,949
Occupancy	59,725	22,004	23,052	104,781
Office Supplies & Expense	-0-	857	-0-	857
Postage and Delivery	9,845	424	9,035	19,304
Printing and Publications	4,904	651	9,770	15,325
Salaries, Taxes and Benefits	480,924	60,115	60,114	601,153
Travel	18,978	921	10,709	30,608
	<u>\$ 687,257</u>	<u>\$ 130,398</u>	<u>\$ 130,939</u>	<u>\$ 948,594</u>

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