

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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INDEPENDENT AUDITOR'S REPORT

April 30, 2012

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, 2011 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, 2011 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.

Board of Directors
World Federalist Association
D.B.A. Citizens for Global Solutions
Education Fund
April 30, 2012
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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 12 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

ROMANO & MITCHELL, CHARTERED
Certified Public Accountants

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Statement of Financial Position
September 30, 2011

ASSETS

Cash and Cash Equivalents		\$ 75,275
Contributions Receivable (Net of Allowance for Doubtful Accounts of \$-0-)		235,532
Investments		25,456
Due from Affiliates		341,498
Property and Equipment		
Land	\$ 1,000	
Furniture, Fixture and Equipment	<u>124,790</u>	
Total Property and Equipment	\$ 125,790	
Less: Accumulated Depreciation	<u>(120,822)</u>	
Net Property and Equipment		<u>4,968</u>
TOTAL ASSETS		<u>\$ 682,729</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 29,146	
Accrued Expenses	<u>71,632</u>	
Total Liabilities		\$ 100,778
NET ASSETS		
Unrestricted	\$ 346,419	
Temporarily Restricted	<u>235,532</u>	
Total Net Assets		<u>581,951</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 682,729</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 Activities
For the Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions	\$ 518,945	\$ 8,912	\$ 527,857
Foundation Support	232,458	-0-	232,458
Other Income	5,778	-0-	5,778
Interest and Dividends	6,941	-0-	6,941
Realized and Unrealized Gain on Investments	2,260	-0-	2,260
Net Assets Released from Restrictions	<u>364,584</u>	<u>(364,584)</u>	<u>-0-</u>
Total Support and Revenues	<u>\$ 1,130,966</u>	<u>\$ (355,672)</u>	<u>\$ 775,294</u>
EXPENSES			
Program Services	\$ 581,990	\$ -0-	\$ 581,990
Administrative and General	113,573	-0-	113,573
Fundraising	<u>75,727</u>	<u>-0-</u>	<u>75,727</u>
Total Expenses	<u>\$ 771,290</u>	<u>\$ -0-</u>	<u>\$ 771,290</u>
Change in Net Assets	\$ 359,676	\$ (355,672)	\$ 4,004
NET ASSETS, Beginning of Year	<u>(13,257)</u>	<u>591,204</u>	<u>577,947</u>
NET ASSETS, End of Year	<u>\$ 346,419</u>	<u>\$ 235,532</u>	<u>\$ 581,951</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, 2011

CHANGE IN NET ASSETS		\$ 4,004
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) BY OPERATING ACTIVITIES		
Depreciation	\$ 1,056	
Realized and Unrealized Losses on Investments	(2,260)	
Debt Forgiveness Income	(200,000)	
(Increase) Decrease in:		
Accounts Receivable	355,672	
Due from Affiliate	(163,312)	
(Decrease) Increase in:		
Accounts Payable	(30,865)	
Accrued Expenses	<u>(5,503)</u>	
Total Adjustments		<u>(45,212)</u>
NET CASH (USED) BY OPERATING ACTIVITIES		\$ (41,208)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Proceeds from Sale of Investments		<u>113,138</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, 2011

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 71,930
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,345</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 75,275</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, 2011

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, 2011

2. Summary of Significant Accounting Policies (Continued)

Contributions

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 Corporation (FDIC) for balances up to \$250,000. Management monitors cash balances on a regular basis to maximize the FDIC insurance coverage available to the Organization. As of September 30, 2011, the Organization had no cash balances in excess of the maximum FDIC coverage.

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. Depreciation expense for the year ended September 30, 2011 was \$1,056.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2011

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.

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. At September 30, 2011, cash and cash equivalents consisted of \$46,863 in cash and \$28,412 of money market funds.

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.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2011

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.

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 \$404,365 for the year ended September 30, 2011.

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, 2010. Additionally, the Organization collected various incidental monies and incurred various incidental expenses on behalf of CGS during the current year.

Note Payable - Director

The Organization had 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 \$2,500. As of the date of the audit report, all accrued interest has been paid, and the principal has been forgiven and included in contribution income in the accompanying statement of activities.

Operating Lease

The Organization leases office space from the Endowment Fund under a month-to-month operating lease. Total rent expense for the year ended September 30, 2011 was \$75,600 (net of allocation to CGS). The Organization also guarantees the mortgage on the property held by the Endowment Fund.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2011

3. Related Party Transactions (Continued)

Loan Guarantee

The Organization is the guarantor of the Endowment Fund's mortgage loan with a balance of \$1,380,152 at September 30, 2011. The performance risk relating to the guarantee is deemed nominal.

Due from Affiliates

The Organization advanced funds to the Endowment Fund during the year. These amounts are due on demand and are non-interest bearing. The Endowment Fund also provided grants totaling \$20,000 to the Organization during the year. As of September 30, 2011, the net amount due to the Organization from the Endowment Fund was \$16,077. Additionally, the Organization had a balance of \$325,421 due from CGS At September 30, 2011 in connection with the expense reimbursement activities noted above.

The Organization engaged a director to provide consulting services for fees totaling \$12,500 during the year.

4. Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value and applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis. Accordingly, the Organization classified its investments according to the following fair value hierarchy:

- Level 1 - Securities traded in an active market for which quoted market prices are observable. This level includes all investments held by the Organization.
- Level 2 - Securities not traded in an active market, but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction.
- Level 3 - Securities not traded in an active market and for which no significant observable market inputs are available.

WORLD FEDERALIST ASSOCIATION
D.B.A. CITIZENS FOR GLOBAL SOLUTIONS EDUCATION FUND
Notes to the Financial Statements (Continued)
September 30, 2011

5. Investments

Investments at September 30, 2011 consisted of the following:

Equity Securities	\$ 583
Debt Securities	12,220
Mutual Funds	<u>12,653</u>
Total	<u>\$ 25,456</u>

6. Restrictions on Net Assets

The temporarily restricted net assets are as follows:

Time Restrictions:	
Bailey Bequest	<u>\$ 235,532</u>

7. 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 \$ 10,868 for the year ended September 30, 2011.

8. Joint Costs

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

	<u>Program Services</u>	<u>General & Admin.</u>	<u>Fund Raising</u>	<u>Total</u>
Consultants	<u>\$ 14,221</u>	<u>\$ 7,227</u>	<u>\$ 1,865</u>	<u>\$ 23,313</u>

9. Contributions Receivable

Contributions receivable at September 30, 2011 consisted solely of unconditional pledges due from the estate of Frederick K. Bailey. The receivables are short-term and considered fully collectible.

10. Subsequent Events

The Organization had evaluated subsequent events through April 30, 2012, which was the date of the audit report.

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, 2011

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>Total</u>
Communications	\$ 1,320	\$ 440	\$ 2,641	\$ 4,401
Conferences and Meetings	17,499	571	951	19,021
Consulting Fees and Outside Services	59,930	41,951	17,979	119,860
Depreciation	845	211	-0-	1,056
Equipment Rental and Maintenance	1,424	949	-0-	2,373
Interest and Service Charges	1,540	513	513	2,566
Miscellaneous	17,047	4,262	-0-	21,309
Occupancy	67,710	9,028	13,542	90,280
Office Supplies & Expense	3,294	412	412	4,118
Postage and Delivery	15,413	7,833	2,021	25,267
Printing and Publications	40	13	79	132
Salaries, Taxes and Benefits	387,514	46,689	32,682	466,885
Travel	8,414	701	4,907	14,022
	<u>\$ 581,990</u>	<u>\$ 113,573</u>	<u>\$ 75,727</u>	<u>\$ 771,290</u>

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