

WORLD FEDERALIST ASSOCIATION
ENDOWMENT FUND TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

WORLD FEDERALIST ASSOCIATION
ENDOWMENT FUND TRUST

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Audited Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-10
Supplementary Information.....	11



Romano & Mitchell

CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS / MANAGEMENT CONSULTANTS

7910 WOODMONT AVENUE · SUITE 1110 · BETHESDA, MD 20814
(301) 652-5040 · FAX (301) 907-8210

INDEPENDENT AUDITOR'S REPORT

March 6, 2012

Board of Trustees
World Federalist Association
Endowment Fund Trust
418 7th Street, S.E.
Washington, D.C. 20003

We have audited the accompanying statements of financial position of World Federalist Association Endowment Fund Trust (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 Endowment Fund Trust 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 Trustees
World Federalist Association
Endowment Fund Trust
March 6, 2012
Page 2

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 11 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

Romano & Mitchell

CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS / MANAGEMENT CONSULTANTS

WORLD FEDERALIST ASSOCIATION
ENDOWMENT FUND TRUST
Statement of Financial Position
September 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 34,075
Rent Receivable	1,600
Prepaid Expenses	2,718
Investments	<u>1,226,851</u>

Total Current Assets \$1,265,244

PROPERTY AND EQUIPMENT

Land	\$1,011,825
Buildings and Improvements	<u>795,004</u>

Total Property and Equipment	\$1,806,829
Less: Accumulated Depreciation	<u>(122,562)</u>

Net Property and Equipment 1,684,267

TOTAL ASSETS \$2,949,511

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 6,080
Accrued Expenses	7,246
Due to Affiliates	16,077
Current Portion of Mortgage Payable	<u>24,745</u>

Total Current Liabilities \$ 54,148

NONCURRENT LIABILITIES

Mortgage payable	<u>1,355,407</u>
------------------	------------------

TOTAL LIABILITIES \$1,409,555

NET ASSETS

Unrestricted	<u>1,539,956</u>
--------------	------------------

TOTAL LIABILITIES AND NET ASSETS \$2,949,511

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

WORLD FEDERALIST ASSOCIATION
 ENDOWMENT FUND TRUST
 Statement of Activities
 For the Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Rental Income	\$ 128,100	\$ -0-	\$ 128,100
Interest and Dividends	30,923	-0-	30,923
Realized and Unrealized (Loss) on Investments	<u>(56,500)</u>	<u>-0-</u>	<u>(56,500)</u>
Total Public Support and Revenues	<u>\$ 102,523</u>	<u>\$ -0-</u>	<u>\$ 102,523</u>
EXPENSES			
Program Services	\$ 20,000	\$ -0-	\$ 20,000
Administrative and General	152,414	-0-	152,414
Fundraising	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses	<u>\$ 172,414</u>	<u>\$ -0-</u>	<u>\$ 172,414</u>
Change in Net Assets	\$ (69,891)	\$ -0-	\$ (69,891)
NET ASSETS, Beginning of Year	<u>1,609,847</u>	<u>-0-</u>	<u>1,609,847</u>
NET ASSETS, End of Year	<u><u>\$ 1,539,956</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 1,539,956</u></u>

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

WORLD FEDERALIST ASSOCIATION
 ENDOWMENT FUND TRUST
 Statement of Cash Flows
 For the Year Ended September 30, 2011

CHANGE IN NET ASSETS	\$ (69,891)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	\$ 19,875
Realized and Unrealized Loss on Investments	56,500
(Increase) Decrease in:	
Rent Receivable	(1,600)
Prepaid Expenses	(2,718)
Due from Affiliates	73,492
(Decrease) Increase in:	
Accounts Payable	(5,483)
Accrued Expenses	(6,876)
Due to Affiliates	<u>(25,783)</u>
Total Adjustments	<u>107,407</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 37,516
CASH FLOWS (USED IN) BY FINANCING ACTIVITIES	
Repayment of Mortgage Payable	(23,238)
CASH FLOWS (USED IN) INVESTING ACTIVITIES	
Proceeds from Sale of Investments	<u>9,075</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 23,353
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>10,722</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 34,075</u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	<u>\$ 87,750</u>

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

WORLD FEDERALIST ASSOCIATION
ENDOWMENT FUND TRUST
Notes to the Financial Statements
September 30, 2011

1. Organization

World Federalist Association, d.b.a. Citizens for Global Solutions Education Fund (the "Education Fund") was founded in 1947 and incorporated as a non-profit organization in the District of Columbia in 1968. The purpose of the Education Fund 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. World Federalist Association Endowment Fund Trust (the "Endowment Fund", "Organization") was part of the Education Fund, and was designated by the Board of Directors in 1982 with investments set aside for educational purposes. In 2005, the Endowment Fund became a separate entity, and the related investments were transferred from the Education Fund. Subsequently, the Endowment Fund purchased real estate from the Education Fund and leases the property back to the Education Fund to be used as office space.

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.

WORLD FEDERALIST ASSOCIATION
ENDOWMENT FUND TRUST
Notes to the Financial Statements (Continued)
September 30, 2011

2. Summary of Significant Accounting Policies (Continued)

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 all money market funds.

Concentration of Credit Risk

Cash

The Organization maintains cash and money market funds at institutions which are covered under the Securities Investor Protection Corporation (SIPC). Management monitors cash balances on a regular basis to maximize the SIPC insurance coverage available to the Organization. As of September 30, 2010, the Organization had no cash balances in excess of the maximum SIPC coverage.

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 (40 years) of the assets.

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, 2011 was \$19,875.

Income Taxes

The Organization is tax-exempt 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.

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.

WORLD FEDERALIST ASSOCIATION
ENDOWMENT FUND TRUST
Notes to the Financial Statements (Continued)
September 30, 2011

2. Summary of Significant Accounting Policies (Continued)

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.

Impairment of Long-Lived Assets

The Endowment Fund reviews its real estate property for impairment whenever events or changes in circumstances indicate that carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference.

Investments

Investments in marketable securities with readily determinable fair values are reported at fair value based on quoted market price. Realized and unrealized gains and losses are included in the change in net assets.

3. Related Party Transactions

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

The Organization leases office space to the Education Fund under an operating lease on a month-to-month basis. The rental income earned during the current year amounted to \$108,000. The Education Fund also guarantees the mortgage on the property held by the Organization. The Education Fund and the Corporation share the office facility under a cost sharing agreement.

The Education Fund made various payments on behalf of the Organization during the year. These amounts are non-interest bearing and are due on demand. Additionally, the Organization provided grants totaling \$20,000 to the Education Fund.

At September 30, 2011, the Organization had outstanding balances of \$16,077 due to the Education Fund.

WORLD FEDERALIST ASSOCIATION
ENDOWMENT FUND TRUST
Notes to the Financial Statements (Continued)
September 30, 2011

4. Mortgage Payable

6.3% mortgage payable to a bank, payable in monthly installments of principal and interest of \$9,249, due September, 2035, secured by the land and buildings, as well as the investments. \$ 1,380,152

The maturities of the loan payable over each of the next five years are as follows:

Year Ending September 30,	
2012	\$ 24,745
2013	26,350
2014	28,059
2015	29,879
2016	31,816
2017 and Thereafter	<u>1,239,303</u>
Total	<u>\$ 1,380,152</u>

Total interest incurred on the mortgage payable amounted to \$87,628 for the current year.

5. Investments

Investments at September 30, 2011 consist of the follows:

Mutual Funds	\$ 1,115,499
Other Investment Funds	<u>111,352</u>
Total Investments	<u>\$ 1,226,851</u>

6. 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 mutual funds and other investment funds held by the Organization.

WORLD FEDERALIST ASSOCIATION
ENDOWMENT FUND TRUST
Notes to the Financial Statements (Continued)
September 30, 2011

6. Fair Value Measurements (Continued)

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.

7. Subsequent Events

The Organization had evaluated subsequent events through March 6, 2012, which was the date of the audit report.

SUPPLEMENTARY INFORMATION

Schedule 1

WORLD FEDERALIST ASSOCIATION
 ENDOWMENT FUND TRUST
 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>
Consulting Fees and Outside Services	\$ -0-	\$ 6,080	\$ -0-	\$ 6,080
Depreciation	-0-	19,875	-0-	19,875
Grants	20,000	-0-	-0-	20,000
Insurance	-0-	247	-0-	247
Interest and Service Charges	-0-	87,628	-0-	87,628
Penalties	-0-	1,386	-0-	1,386
Repairs and Maintenance	-0-	6,745	-0-	6,745
Real Estate Taxes	-0-	30,453	-0-	30,453
	<u>\$ 20,000</u>	<u>\$ 152,414</u>	<u>\$ -0-</u>	<u>\$ 172,414</u>

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