

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1-2
Audited Financial Statements	
Combined statement of Financial Position.....	3
Combined Statement of Activities.....	4
Combined Statement of Cash Flows.....	5-6
Notes to the Combined Financial Statements.....	7-13
Supplementary Information.....	14



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

April 30, 2012

Directors and Trustees
Citizens for Global Solutions, Inc.
World Federalist Association
D.B.A. Citizens for Global
Solutions Education Fund
World Federalist Association
Endowment Fund Trust
418 7th Street, S.E.
Washington, D.C. 20003

We have audited the accompanying combined statement of financial position of Citizens for Global Solutions, Inc. and Affiliates (non-profit organizations) as of September 30, 2011 and the related statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the organizations' management. Our responsibility is to express an opinion on these combined 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 combined financial position of Citizens for Global Solutions, Inc. and Affiliates as of September 30, 2011 and the combined changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Directors and Trustees
Citizens for Global Solutions, Inc.
and Affiliates
April 30, 2012
Page 2

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combined 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

ROMANO & MITCHELL, CHARTERED
Certified Public Accountants

Romano & Mitchell

CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS / MANAGEMENT CONSULTANTS

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Combined Statement of Financial Position
September 30, 2011

ASSETS

Cash and Cash Equivalents		\$ 206,096
Contributions Receivable (Net of Allowance for Doubtful Accounts of \$-0-)		412,657
Rent Receivable		1,600
Prepaid Expenses		2,718
Investments		1,252,307
Property and Equipment		
Land	\$ 1,000	
Building and Improvements	475,388	
Furniture, Fixture and Equipment	<u>138,747</u>	
Total Property and Equipment	\$ 615,135	
Less: Accumulated Depreciation	<u>(167,024)</u>	
Net Property and Equipment		<u>448,111</u>
TOTAL ASSETS		<u>\$2,323,489</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 129,980	
Mortgage Payable	<u>1,380,152</u>	
Total Liabilities		\$1,510,132

NET ASSETS

Unrestricted	\$ 381,406	
Temporarily Restricted	<u>431,951</u>	
Total Net Assets		<u>813,357</u>

TOTAL LIABILITIES AND NET ASSETS		<u>\$2,323,489</u>
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The accompanying notes are an integral part of these financial statements.

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATE
Combined Statement of Activities
For the Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions	\$ 636,219	\$ 44,600	\$ 680,819
Foundation Support	232,458	-0-	232,458
Rental Income	20,100	-0-	20,100
Other Income	18,629	-0-	18,629
Interest and Dividends	37,864	-0-	37,864
Realized and Unrealized (Loss) on Investments	(54,240)	-0-	(54,240)
Net Assets Released from Restrictions	<u>649,330</u>	<u>(649,330)</u>	<u>-0-</u>
 Total Support and Revenues	 <u>\$ 1,540,360</u>	 <u>\$ (604,730)</u>	 <u>\$ 935,630</u>
EXPENSES			
Program Services	\$ 851,654	\$ -0-	\$ 851,654
Administrative and General	315,435	-0-	315,435
Fundraising	<u>103,072</u>	<u>-0-</u>	<u>103,072</u>
 Total Expenses	 <u>\$ 1,270,161</u>	 <u>\$ -0-</u>	 <u>\$1,270,161</u>
 Change in Net Assets	 \$ 270,199	 \$ (604,730)	 \$ (334,531)
NET ASSETS, Beginning of Year	 <u>111,207</u>	 <u>1,036,681</u>	 <u>1,147,888</u>
NET ASSETS, End of Year	<u>\$ 381,406</u>	<u>\$ 431,951</u>	<u>\$ 813,357</u>

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

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Combined Statement of Cash Flows
For the Year Ended September 30, 2011

CHANGE IN NET ASSETS		\$ (334,531)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	\$ 6,285	
Realized and Unrealized Loss on Investments	54,240	
(Increase) Decrease in:		
Contributions Receivable	622,425	
Rent Receivable	(1,600)	
Prepaid Expenses	(2,718)	
(Decrease) Increase in:		
Accounts Payable and Accrued Expenses	<u>(53,052)</u>	
Total Adjustments		<u>625,580</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 291,049
CASH FLOWS (USED) BY FINANCING ACTIVITIES		
Repayment of Mortgage Payable		(223,238)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Proceeds from Sale of Investments		<u>122,213</u>

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

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
 Combined Statement of Cash Flows (Continued)
 For the Year Ended September 30, 2011

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 190,024
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>16,072</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 206,096</u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	<u>\$ 90,250</u>
Income Taxes Paid	<u>\$ -0-</u>

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

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Notes to the Combined Financial Statements
September 30, 2011

1. Organization

Citizens for Global Solutions, Inc. (the "Corporation"), formerly Campaign for UN Reform, Inc., was founded as a grassroots membership organization in 1983, and incorporated as a non-profit in the State of New Jersey. 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. World Federalist Association Endowment Fund Trust (the "Endowment Fund") 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. The Corporation, the Education Fund, and the Endowment Fund (collectively, the "Organizations") are under common management. The purpose of the Organizations 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.

The Corporation's political action committee, Global Solutions PAC, works to elect federal candidates who support building effective democratic global institutions that will apply the rule of law while respecting the diversity and autonomy of national and local communities. Global Solutions PAC raises funds for candidates who share these goals, who are engaged in competitive races, who champion the Corporation's policy goals on the Hill, and who lead important committees in Congress. It is not affiliated with any political party and only accepts contributions from the Corporation's members. The Corporation's membership dues are not mandatory, and therefore recognized as revenue when received. However, membership dues are required to be paid in order to participate in Global Solutions PAC. The Education Fund develops proposals for creating, reforming and strengthening international laws and institutions and educates Americans about global interdependence.

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 Organizations and changes therein are classified and reported as follows:

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Notes to the Combined Financial Statements (Continued)
September 30, 2011

2. Summary of Significant Accounting Policies (Continued)

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.

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.

Principles of Combination

The combined financial statements include the accounts of the Organizations. All intercompany balances and transactions have been eliminated in the combination of the financial statements.

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 \$177,683 in cash and \$28,413 of money market funds.

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.

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Notes to the Combined Financial Statements (Continued)
September 30, 2011

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The Organizations use 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.

Concentration of Credit Risk

Cash

The Organizations maintain cash and money market funds at various institutions which are covered under the Federal Deposit Insurance Organization (FDIC) or the Securities Investor Protection Corporation (SIPC). Management monitors cash balances on a regular basis to maximize the FDIC and SIPC insurance coverage available to the Organization. At September 30, 2011, the Organizations had no cash balances in excess of federal insurable amounts.

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.

Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. The Education Fund and the Endowment Fund are tax-exempt organizations 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.

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Notes to the Combined Financial Statements (Continued)
September 30, 2011

2. Summary of Significant Accounting Policies (Continued)

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 as follows:

<u>Asset Categories</u>	<u>Useful Life</u>
Furniture, Fixtures and Equipment	5-7 Years
Buildings and Improvements	40 Years

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 \$6,285.

Functional Allocations of Expenses

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

3. Related Party Transactions

Note Payable - Director

The Education Fund 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 \$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.

4. Restrictions on Net Assets

The temporarily restricted net assets are as follows:

Purpose Restricted:

Global Solutions PAC	
Unexpended Cash	19,294

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Notes to the Combined Financial Statements (Continued)
September 30, 2011

4. Restrictions on Net Assets (Continued)

Time Restricted:

Outstanding receivable of Bequest from the Frederick Bailey Estate	<u>412,657</u>
Total Temporarily Restricted Net Assets	<u>\$ 431,951</u>

5. Contributions Receivable

Contributions receivable at September 30, 2011 consisted solely of unconditional pledges due from the estate of Frederick K. Bailey. These receivables are deemed fully collectible and are due currently.

6. Investments

Investments at September 30, 2011 consist of the following:

Equity Securities	\$ 583
Debt Securities	12,221
Mutual Funds	1,128,152
Other Investment Funds	<u>111,351</u>
Total	<u>\$1,252,307</u>

7. Retirement Plan

The Education Fund 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 \$15,400 for the year ended September 30, 2011.

8. Subsequent Events

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

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Notes to the Combined Financial Statements (Continued)
September 30, 2011

9. Joint Costs

The Organizations 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	<u>\$ 41,311</u>	<u>\$ 17,740</u>	<u>\$ 4,695</u>	<u>\$ 63,746</u>

10. 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.

11. Mortgage Payable

6.3% mortgage payable to a bank, payable in monthly installment of principal and interest of \$9,249, due September, 2035, secured by a lien on the building and land, as well as a substantial portion of the investments.

\$ 1,380,152

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

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
Notes to the Combined Financial Statements (Continued)
September 30, 2011

11. Mortgage Payable (Continued)

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.

SUPPLEMENTARY INFORMATION

CITIZENS FOR GLOBAL SOLUTIONS, INC. AND AFFILIATES
 Combined Schedule of Functional Expenses
 For the Year Ended September 30, 2011

	Program Services	Administrative and General	Fund Raising	Total
Communications	\$ 5,443	\$ 440	\$ 2,641	\$ 8,524
Conferences and Meetings	23,273	1,293	1,673	26,239
Consulting Fees and Outside Services	140,838	79,150	30,427	250,415
Depreciation	845	5,440	-0-	6,285
Dues and Chapter Expenses	1,975	-0-	-0-	1,975
Equipment Rental and Maintenance	1,424	949	-0-	2,373
Government Fees and Regulations	9,884	1,235	1,235	12,354
Insurance	-0-	2,267	-0-	2,267
Interest and Service Charges	1,540	88,141	513	90,194
Miscellaneous	20,802	4,679	-0-	25,481
Occupancy	15,848	2,037	2,487	20,372
Office Supplies & Expense	3,294	4,016	412	7,722
Penalties	-0-	1,386	-0-	1,386
Political Contributions	8,700	-0-	-0-	8,700
Postage and Delivery	43,528	18,743	4,959	67,230
Printing and Publications	5,068	13	79	5,160
Real Estate Taxes	-0-	30,453	-0-	30,453
Repairs and Maintenance	3,745	7,213	468	11,426
Salaries, Taxes and Benefits	552,228	67,279	53,271	672,778
Travel	13,189	701	4,907	18,797
Website Expenses	30	-0-	-0-	30
	<u>\$ 851,654</u>	<u>\$ 315,435</u>	<u>\$ 103,072</u>	<u>\$ 1,270,161</u>

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