

CITIZENS FOR GLOBAL SOLUTIONS, INC.

Financial Statements and Independent Auditor's Report

June 30, 2004

**DENBURG & LOW, PA
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Citizens for Global Solutions, Inc.

We have audited the accompanying statement of financial position of the Citizens for Global Solutions, Inc. (a non-profit organization) as of June 30, 2004 and the related statements of activities, functional expenses and cash flows for the six months 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.

Citizens for Global Solutions, Inc. entered into a reorganization agreement with the World Federalist Association d.b.a. Citizens for Global Solutions Education Fund that provides that the Organizations will operate as a strategic partnership to accomplish common goals. However the organizations continue to maintain their respective corporate identities and conduct related financial transactions in an arms length manner. As a result these financial statements report the activities of the lobbying and political component of the partnership.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Citizens for Global Solutions, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
May 4, 2005

website: www.denburg.com

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The American Institute of
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STATEMENT OF FINANCIAL POSITION

Citizens for Global Solutions, Inc.

June 30, 2004

ASSETS

Cash	\$ 16,123
Furniture, fixtures and equipment (Note C)	<u>1,649</u>
Total assets	<u><u>\$ 17,772</u></u>

LIABILITIES

Accounts payable and accrued expenses	4,997
Due to Citizens for Global Solutions Education Fund	<u>4,297</u>
Total liabilities	<u>9,294</u>

NET ASSETS

Unrestricted	1,486
Temporarily restricted (Note D)	<u>6,992</u>
Total net assets	<u>8,478</u>
Total liabilities and net assets	<u><u>\$ 17,772</u></u>

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

STATEMENT OF ACTIVITIES

Citizens for Global Solutions, Inc.

For the six months ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 88,616	\$ 9,171	\$ 97,787
Grants	110,000		110,000
Membership dues	104,787	-	104,787
Interest	26	-	26
Net assets released from program restrictions (Note D)	<u>13,561</u>	<u>(13,561)</u>	<u>-</u>
 Total revenues and support	 <u>316,990</u>	 <u>(4,390)</u>	 <u>312,600</u>
 Expenses:			
Program services	213,378	-	213,378
Administration	68,769	-	68,769
Fund raising	<u>37,339</u>	<u>-</u>	<u>37,339</u>
 Total expenses	 <u>319,486</u>	 <u>-</u>	 <u>319,486</u>
 Changes in net assets	 (2,496)	 (4,390)	 (6,886)
Net assets - December 31, 2003	<u>3,982</u>	<u>11,382</u>	<u>15,364</u>
 Net assets - June 30, 2004	 <u>\$ 1,486</u>	 <u>\$ 6,992</u>	 <u>\$ 8,478</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

Citizens for Global Solutions, Inc.

For the six months ended June 30, 2004

	Program Services	Administration	Fund Raising	Total Program & Supporting Services
Expenses				
Communications	\$ 2,258	\$ 23	\$ 68	\$ 2,349
Conferences and meetings	-	60	-	60
Consulting fees and outside services	21,813	11,903	3,139	36,855
Depreciation	2,712	1,260	208	4,180
Dues and chapter expenses	12,073	77	-	12,150
Equipment rental and maintenance	1,091	349	84	1,524
Insurance	458	147	35	640
Miscellaneous	-	1,838	-	1,838
Occupancy	3,249	1,039	250	4,538
Office supplies and expense	276	141	24	441
Political contributions	13,500	-	-	13,500
Postage and delivery	48,341	17,299	10,289	75,929
Printing and publications	51,428	16,512	18,425	86,365
Salaries, taxes & benefits	56,470	18,087	4,308	78,865
Travel	(291)	34	509	252
	<u>\$ 213,378</u>	<u>\$ 68,769</u>	<u>\$ 37,339</u>	<u>\$ 319,486</u>
Total expenses				
Percentage of total expenses	<u>67.0%</u>	<u>21.5%</u>	<u>11.5%</u>	<u>100%</u>

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

STATEMENT OF CASH FLOWS

Citizens for Global Solutions, Inc.

For the six months ended June 30, 2004

Cash flows from operating activities	
Change in net assets	\$ (6,886)
Adjustments to reconcile change in net cash used by operating activities:	
Depreciation	393
Decrease in receivables	1,739
Decrease in prepaid expenses	3,006
Increase in accounts payable and accrued expenses	380
Decrease in amount due to Citizens for Global Solutions Education Fund	<u>(1,826)</u>
Net cash used by operations	<u>(3,194)</u>
Net decrease in cash	(3,194)
Cash balance - December 31, 2003	<u>19,317</u>
Cash balance - June 30, 2004	<u><u>\$ 16,123</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Citizens for Global Solutions, Inc.

June 30, 2004

NOTE A - ORGANIZATION

Exempt from income tax under Section 501(c)(4) of the Internal Revenue Code, Citizens for Global Solutions, Inc. (formerly Campaign for UN Reform, Inc.) was founded in 1983 and incorporated as a non-profit organization in the State of New Jersey. The purpose of the organization in cooperation with its strategic partner, the Citizens for Global Solutions Education Fund, promote 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.

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, 2004 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

Citizens for Global Solutions, Inc.

June 30, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. 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.

5. 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. Membership dues are required to be paid in order to participate in the Political Action Committee.

6. Furniture, fixtures and equipment

Furniture, fixtures and equipment are recorded at cost less accumulated depreciation. Depreciation is determined by straight-line method based on an estimated useful life of five years.

7. Functional expenses

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

8. Income taxes

The Organization is exempt from federal taxation under Section 501(c)(4) of the Internal Revenue Code and is not a private foundation. The Organization is also exempt from DC Corporate Franchise Tax.

9. 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.

10. Statement of cash flows

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

NOTES TO THE FINANCIAL STATEMENTS

Citizens for Global Solutions, Inc.

June 30, 2004

NOTE C - FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consist of the following:

Computers and related equipment	\$ 7,020
Office furniture and equipment	<u>6,937</u>
	13,957
Accumulated depreciation	<u>12,308</u>
	<u>\$ 1,649</u>

NOTE D - RESTRICTIONS ON ASSETS

Restrictions on assets are related to the Political Action Committee and represent the unexpended cash at June 30, 2004. The activity of the committee for the six months ended June 30, 2004 is as follows:

Cash available January 1, 2004	\$ 11,382
Contributions received for the six months ended June 30, 2004	9,171
Political Contributions for the six months ended June 30, 2004	(13,500)
Committee operating expenses for the six months ended June 30, 2004	<u>(61)</u>
Cash available June 30, 2004	<u>\$ 6,992</u>

All other program restrictions were met during the year.

NOTE E - RELATED PARTIES

Effective January 1, 2004 the Organization entered into an agreement with the World Federalist Association d.b.a. Citizens for Global Solutions Education Fund (the Education Fund) to reorganize the combined organizations into a closer working relationship. To that end, the Organization changed its fiscal year end to June 30, and shares office space and staff with the Education Fund. Expenses for salaries, related taxes and benefits, and occupancy costs are allocated between the organizations based on the hours required to conduct their respective activities. The Organization was allocated \$93,243 for these expenses, including \$3,788 in depreciation expense in the six months ended June 30, 2004 and paid \$1,838 in rent owed from the prior year. The Education Fund acted as the agent for both organizations direct mail fund raising activities. In that capacity \$161,142 was collected on behalf of the Organization with \$153,048 being allocated for the expenses related to these activities during the fiscal period (see Note G). Other expenses totaling \$16,698 were paid by the Education Fund on behalf of the Organization while \$14,165 was collected by the Organization on behalf of the Education Fund in the six month period ended June 30, 2004. A grant in the amount of \$110,000 was provided by the Education Fund to support the effort to reorganize the activities the Organization during the fiscal period. There is a balance due to the Education Fund in the amount of \$4,297 at June 30, 2004.

NOTES TO THE FINANCIAL STATEMENTS

Citizens for Global Solutions, Inc.

June 30, 2004

NOTE F - RETIREMENT PLAN

The Organization participates in a retirement plan maintained by the Education Fund for all employees who have been employed for six months. An employee can contribute a maximum of \$13,000 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 contribution is based on the salaries allocated to the Organization resulting in an expense of \$1,876 related to the plan as part of employee benefits during the six months ended June 30, 2004.

NOTE G – 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	\$ 8,344	\$ 5,960	\$ 1,589	\$ 15,893
Postage and delivery	45,634	8,983	10,017	64,634
Printing and publications	50,737	12,040	9,744	72,521
Total	<u>\$ 104,715</u>	<u>\$ 26,983</u>	<u>\$ 21,350</u>	<u>\$ 153,048</u>