

CITIZENS FOR GLOBAL SOLUTIONS, INC.

Financial Statements and Independent Auditor's Report

June 30, 2005

**DENBURG & LOW, PA
Certified Public Accountants
1350 Connecticut Avenue, NW, Suite 850
Washington, DC 20036**

CONTENTS

Citizens for Global Solutions, Inc.

	PAGE
Independent Auditor's Report	3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8



DENBURG & LOW, PA

*CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS*

1350 Connecticut Avenue, NW
Suite 850
Washington, DC 20036
voice: 202/785-5600
fax: 202/785-5605
e-mail: info@denburg.com

BALTIMORE OFFICE:
The World Trade Center
23rd Floor
Baltimore, Maryland 21202
410/539-7100

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, 2005 and the related statements of activities, functional expenses 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.

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, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, DC
June 12, 2006

website: www.denburg.com

Members of:

The American Institute of
Certified Public Accountants

The Maryland Association of
Certified Public Accountants

Greater Washington Society of
Certified Public Accountants

STATEMENT OF FINANCIAL POSITION

Citizens for Global Solutions, Inc.

June 30, 2005

ASSETS

Cash	\$ 73,702
Due from Citizens for Global Solutions Education Fund	8,630
Contributions receivable	5,257
Furniture, fixtures and equipment (Note C)	<u>864</u>
Total assets	<u><u>\$ 88,453</u></u>

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 937</u>
Total liabilities	<u>937</u>

NET ASSETS

Unrestricted	78,689
Temporarily restricted (Note D)	<u>8,827</u>
Total net assets	<u>87,516</u>
Total liabilities and net assets	<u><u>\$ 88,453</u></u>

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

STATEMENT OF ACTIVITIES

Citizens for Global Solutions, Inc.

For the year ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 430,856	\$ 53,718	\$ 484,574
Grants and Foundation Support	-	170,000	170,000
Membership dues	77,914	-	77,914
Interest	126	-	126
Other income	503	-	503
Net assets released from program restrictions (Note D)	<u>221,883</u>	<u>(221,883)</u>	<u>-</u>
 Total revenues and support	 <u>731,282</u>	 <u>1,835</u>	 <u>733,117</u>
 Expenses:			
Program services	438,600	-	438,600
Administration	143,875	-	143,875
Fund raising	<u>71,604</u>	<u>-</u>	<u>71,604</u>
 Total expenses	 <u>654,079</u>	 <u>-</u>	 <u>654,079</u>
 Changes in net assets	 77,203	 1,835	 79,038
Net assets - June 30, 2004	<u>1,486</u>	<u>6,992</u>	<u>8,478</u>
 Net assets - June 30, 2005	 <u>\$ 78,689</u>	 <u>\$ 8,827</u>	 <u>\$ 87,516</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

Citizens for Global Solutions, Inc.

For the year ended June 30, 2005

	Program Services	Administration	Fund Raising	Total Program & Supporting Services
Expenses				
Communications	\$ 1,163	\$ 543	\$ 342	\$ 2,048
Conferences and meetings	1,240	334	249	1,823
Consulting fees and outside services	35,232	52,916	6,534	94,682
Depreciation	3,453	2,179	1,116	6,748
Dues and chapter expenses	21,768	-	-	21,768
Equipment rental and maintenance	1,714	692	553	2,959
Insurance	767	309	248	1,324
Interest and service charges	-	5,866	-	5,866
Miscellaneous	-	3,639	26	3,665
Occupancy	4,766	1,905	1,540	8,211
Office supplies and expense	236	184	76	496
Political contributions	51,225	-	-	51,225
Postage and delivery	39,172	13,092	8,388	60,652
Printing and publications	141,666	11,602	11,322	164,590
Salaries, taxes & benefits	126,365	50,614	40,274	217,253
Travel	1,183	-	-	1,183
Website expenses	8,650	-	936	9,586
Total expenses	<u>\$ 438,600</u>	<u>\$ 143,875</u>	<u>\$ 71,604</u>	<u>\$ 654,079</u>
Percentage of total expenses	<u>67.1%</u>	<u>22.0%</u>	<u>10.9%</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 year ended June 30, 2005

Cash flows from operating activities	
Change in net assets	\$ 79,038
Adjustments to reconcile change in net cash used by operating activities:	
Depreciation	785
Increase in receivables	(5,257)
Decrease in accounts payable and accrued expenses	(4,060)
Due to/from Citizens for Global Solutions Education Fund	<u>(12,927)</u>
Net cash provided by operations	<u>57,579</u>
Net increase in cash	57,579
Cash balance - June 30, 2004	<u>16,123</u>
Cash balance - June 30, 2005	<u>\$ 73,702</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Citizens for Global Solutions, Inc.

June 30, 2005

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, is to 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.

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.

4. Grants, accounts and contributions receivable

No allowance for doubtful accounts is provided as all receivables are considered collectible in less than 1 year.

NOTES TO THE FINANCIAL STATEMENTS

Citizens for Global Solutions, Inc.

June 30, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. 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.

6. 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.

7. 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.

8. Functional expenses

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

9. 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.

10. 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.

11. 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, 2005

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>13,093</u>
	<u>\$ 864</u>

NOTE D - RESTRICTIONS ON ASSETS

Restrictions on assets are related to the Political Action Committee and represent the unexpended cash at June 30, 2005. The activity of the committee for the year ended June 30, 2005 is as follows:

Cash available June 1, 2004	\$ 6,992
Contributions received	53,718
Political Contributions	(51,789)
Committee operating expenses	<u>(94)</u>
Cash available June 30, 2005	<u>\$ 8,827</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 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 \$258,272 for these expenses, including \$5,963 in depreciation expense in the year ended June 30, 2005. The Education Fund acted as the agent for both organizations direct mail fund raising activities. In that capacity \$373,755 was collected on behalf of the Organization with \$226,750 being allocated for the expenses related to these activities during the fiscal period (see Note G). Other expenses totaling \$5,328 were paid by the Education Fund on behalf of the Organization while \$11,502 was collected by the Organization on behalf of the Education Fund in the year ended June 30, 2005. A grant in the amount of \$160,000 was provided by the Education Fund to support the activities of the Organization during the fiscal period. There is a balance due from the Education Fund in the amount of \$8,605 at June 30, 2005.

NOTES TO THE FINANCIAL STATEMENTS

Citizens for Global Solutions, Inc.

June 30, 2005

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 \$4,132 related to the plan as part of employee benefits during the year ended June 30, 2005.

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	\$ 33,480	\$ 14,040	\$ 6,480	\$ 54,000
Postage and delivery	36,143	9,113	8,388	53,644
Printing and publications	53,735	9,335	11,124	74,194
Total	<u>\$ 123,358</u>	<u>\$ 32,488</u>	<u>\$ 25,992</u>	<u>\$ 181,838</u>