

**WORLD FEDERALIST ASSOCIATION**  
**d.b.a.**  
**CITIZENS FOR GLOBAL SOLUTIONS**  
**EDUCATION FUND**

**Financial Statements and Independent Auditor's Report**

**June 30, 2004**

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

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World Federalist Association  
d.b.a. Citizens for Global Solutions Education Fund

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
World Federalist Association  
d.b.a. Citizens for Global Solutions Education Fund

We have audited the accompanying statement of financial position of the World Federalist Association, d.b.a. Citizens for Global Solutions Education Fund (a non-profit organization) as of June 30, 2004 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.

World Federalist Association d.b.a. Citizens for Global Solutions Education Fund entered into a reorganization agreement with the Citizens for Global Solutions, Inc. 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 educational 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 World Federalist Association as of June 30, 2004, 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  
May 4, 2005

## STATEMENT OF FINANCIAL POSITION

World Federalist Association

d.b.a. Citizens for Global Solutions Education Fund

June 30, 2004

### ASSETS

Cash	\$	110,709
Investments (Note C)		2,281,121
Grant receivable		140,000
Prepaid expenses		10,247
Land, buildings, and equipment (Note D)		413,843
Unimproved real estate		1,000
Due from Citizens for Global Solutions, Inc. (Note J)		4,297
		<hr/>
Total assets	\$	<u><u>2,961,217</u></u>

### LIABILITIES

Accounts payable and accrued expenses	\$	84,661
Annuity reserve (Note E)		26,500
		<hr/>
Total liabilities		<u>111,161</u>

### NET ASSETS

Unrestricted		
Board designated (Note F)		1,751,159
Unrestricted		316,052
Total Unrestricted		<u>2,067,211</u>
Temporarily restricted (Note G)		<u>782,845</u>
		<hr/>
Total net assets		<u>2,850,056</u>
		<hr/>
Total liabilities and net assets	\$	<u><u>2,961,217</u></u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF ACTIVITIES

World Federalist Association

d.b.a. Citizens for Global Solutions Education Fund

For the Year Ended June 30, 2004

	Unrestricted	Temporarily Restricted	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues and support:			
Contributions	\$ 482,477	\$ 83,600	\$ 566,077
Foundation support	-	363,500	363,500
Membership dues	109,507	-	109,507
Interest and dividends	96,071	-	96,071
Programs, projects and meetings	11,249	-	11,249
Rent	3,600	-	3,600
Net assets released from satisfaction of program restrictions (Note G)	<u>330,594</u>	<u>(330,594)</u>	<u>-</u>
 Total revenues and support	 <u>1,033,498</u>	 <u>116,506</u>	 <u>1,150,004</u>
 Expenses:			
Program services	939,314	-	939,314
Administration	169,198	-	169,198
Fund raising	<u>53,029</u>	<u>-</u>	<u>53,029</u>
 Total expenses	 <u>1,161,541</u>	 <u>-</u>	 <u>1,161,541</u>
 Realized and unrealized net gain on investments	 <u>264,358</u>	 <u>-</u>	 <u>264,358</u>
 Changes in net assets	 136,315	 116,506	 252,821
Net assets - July 1, 2003	<u>1,930,896</u>	<u>666,339</u>	<u>2,597,235</u>
 Net assets - June 30, 2004	 <u><u>\$ 2,067,211</u></u>	 <u><u>\$ 782,845</u></u>	 <u><u>\$ 2,850,056</u></u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF FUNCTIONAL EXPENSES

World Federalist Association

d.b.a. Citizens for Global Solutions Education Fund

For the Year Ended June 30, 2004

	<u>Program Services</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total Program &amp; Supporting Services</u>
Expenses				
Communications	\$ 8,894	\$ 2,731	\$ 894	\$ 12,519
Conferences and meetings	22,696	3,633	-	26,329
Consulting fees and outside services	161,505	49,573	11,299	222,377
Depreciation	16,760	3,171	459	20,390
Dues and chapter expenses	30,363	-	-	30,363
Equipment rental and maintenance	6,744	1,276	185	8,205
Grants and allocations	113,000	-	-	113,000
Insurance	2,830	536	78	3,444
Interns	5,997	-	-	5,997
Miscellaneous	83	6,012	4,172	10,267
Occupancy	45,847	3,798	551	50,196
Office supplies and expense	9,146	2,937	841	12,924
Postage and delivery	52,069	10,481	11,739	74,289
Printing and publications	95,093	16,190	13,012	124,295
Salaries, taxes & benefits	357,700	67,684	9,799	435,183
Travel	10,587	1,176	-	11,763
Total expenses	<u>\$ 939,314</u>	<u>\$ 169,198</u>	<u>\$ 53,029</u>	<u>\$ 1,161,541</u>
Percentage of total expenses	<u>81.0%</u>	<u>14.5%</u>	<u>4.5%</u>	<u>100.0%</u>

The accompanying notes are an integral part of these financial statements

## STATEMENT OF CASH FLOWS

World Federalist Association

d.b.a. Citizens for Global Solutions Education Fund

For the Year Ended June 30, 2004

Cash flows from operating activities	
Change in net assets	\$ 252,821
Adjustments to reconcile change in net cash used by operating activities:	
Depreciation and amortization	24,177
Realized and unrealized net gain on investments	(264,358)
Donated stock	(140,607)
Increase in receivables	(134,339)
Increase in prepaid expenses	(4,758)
Increase in due from Citizens for Global Solutions, Inc.	(4,297)
Increase in accounts payable and accrued expenses	<u>30,933</u>
Net cash used by operations	<u>(240,428)</u>
Cash flows from investing activities	
Proceeds from sale of investments	632,514
Purchase of investments	<u>(370,037)</u>
Net cash provided by investing activities	<u>262,477</u>
Cash flows from financing activities	
Decrease in annuity reserve	<u>(2,701)</u>
Net cash used by financing activities	<u>(2,701)</u>
Net increase in cash	19,348
Cash balance - July 1, 2003	<u>91,361</u>
Cash balance - June 30, 2004	<u><u>\$ 110,709</u></u>

The accompanying notes are an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association  
d.b.a. Citizens for Global Solutions Education Fund  
June 30, 2004

## NOTE A - ORGANIZATION

Exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, the World Federalist Association d.b.a. the Citizens for Global Solutions Education Fund was founded in 1947 and incorporated as a non-profit organization in the District of Columbia in 1968. The purpose of the organization in cooperation with its strategic partner, Citizens for Global Solutions, Inc., 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. 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

World Federalist Association  
d.b.a. Citizens for Global Solutions Education Fund  
June 30, 2004

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4. Investments

The Organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

### 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.

### 7. Marketable securities

Marketable securities are recorded at cost and adjusted for net unrealized gains and losses.

### 8. Land, buildings and equipment

Land, buildings and equipment are recorded at cost less accumulated depreciation. Depreciation is determined by straight-line method based on an estimated useful life of five to seven years for furniture and equipment and thirty-one and a half years for the buildings.

### 9. Functional expenses

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

### 10. Income taxes

The Organization is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. The Organization is also exempt from DC Corporate Franchise Tax.

# NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association  
d.b.a. Citizens for Global Solutions Education Fund  
June 30, 2004

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 11. 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.

### 12. Statement of cash flows

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

## NOTE C - INVESTMENTS

The Organization's investments in marketable securities are reported at fair market value at June 30, 2004. At that date the Organization held \$80,790 in corporate bonds, \$381,773 in corporate stock, \$1,737,521 in mutual funds, and \$37,209 in partnership interests.

## NOTE D - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

Land and buildings	\$ 605,633
Furniture, fixtures and equipment	<u>91,646</u>
	697,279
Accumulated depreciation	<u>283,436</u>
	<u>\$ 413,843</u>

## NOTE E – ANNUITY RESERVE

The Organization has annuity contracts with five individuals as of June 30, 2004 that require payments for periods beyond that date. An estimated reserve in the amount of \$26,500 has been established to make payments on the contracts based on the life expectancies of the annuitants and the required annual payments. At June 30, 2004 the Organization was obligated to pay \$4,848 per year for the life of the annuitants. As of June 30, 2004 investments in the amount of \$81,598 have been set aside to make the payments on these contracts, with \$55,098 of that amount being classified as temporarily restricted. See Note G for details on temporary restriction.

# NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association  
d.b.a. Citizens for Global Solutions Education Fund  
June 30, 2004

## NOTE F - ENDOWMENT FUND

An Endowment Fund was designated by the Board of Directors in 1982. This is a trusted endowment fund operated exclusively for the educational purposes in accordance with Section 501 (c) (3) of the Internal Revenue Code. The principal balance of the trust fund is to remain intact until such time as the Organization is dissolved. The net income earned by the trust fund is distributable to the Organization. In June of 1983, separate investment accounts from the general fund were opened. The market value of the account at June 30, 2004 including \$7,799 in cash was \$1,751,159.

## NOTE G - RESTRICTIONS ON ASSETS

Restrictions on Assets are as follows:

Purpose restrictions	
Presidential Fund	\$ 278,371
Harlan M. Smith "Builders of a Better World" Scholarship Fund	126,005
Funsten Fund for Youth	58,997
Dr. Ray & Jeannette Short Scholarship Fund	13,213
International Criminal Court Project	<u>172,164</u>
Total purpose restrictions	<u>648,750</u>
Time restrictions	
Raymond and Elizabeth Bloch Educational and Charitable Foundation	20,000
Funsten Fund for Youth	58,997
Annuity contracts	<u>55,098</u>
Total time restrictions	<u>134,095</u>
Total temporarily restricted net assets	<u>\$ 782,845</u>

## NOTE H - RETIREMENT PLAN

The Organization maintains and administers a retirement plan 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 \$12,801 related to the plan as part of employee benefits during the year ended June 30, 2004.

# NOTES TO THE FINANCIAL STATEMENTS

World Federalist Association  
d.b.a. Citizens for Global Solutions Education Fund  
June 30, 2004

## NOTE I – 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:

	<u>Program Services</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total</u>
Consultants	\$ 13,744	\$ 8,253	\$ 2,611	\$ 24,608
Postage and delivery	57,241	15,511	12,663	85,415
Printing and publications	<u>41,669</u>	<u>9,387</u>	<u>8,826</u>	<u>59,882</u>
Total	<u>\$ 112,654</u>	<u>\$ 33,151</u>	<u>\$ 24,100</u>	<u>\$ 169,905</u>

## NOTE J - RELATED PARTIES

Effective January 1, 2004 the Organization entered into an agreement with Citizens for Global Solutions, Inc. (CGS) to reorganize the combined organizations into a closer working relationship. To that end, the Organization shares office space and staff with CGS. 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 allocated \$93,243 for these expenses to CGS, including \$3,788 in depreciation expense in the six months ended June 30, 2004 and received \$1,838 in rent owed from the prior year. The Organization acted as the agent for both organizations direct mail fund raising activities. In that capacity \$161,142 was collected on behalf of CGS with \$153,048 being allocated to them for the expenses related to these activities during the fiscal period. Other expenses totaling \$16,698 were paid by the Organization on behalf of CGS while \$14,165 was collected by CGS on behalf of the Organization in the six month period ended June 30, 2004. A grant in the amount of \$110,000 was provided by the Organization to support the effort to reorganize the activities the Organizations during the fiscal period. There is a balance due from CGS in the amount of \$4,297 at June 30, 2004.