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# **FOUNDATION FOR THE GLOBAL COMPACT**

**Audited Financial Statements**

**December 31, 2011**

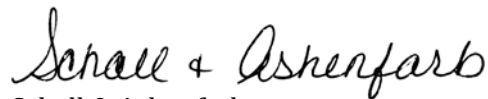
## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
Foundation for the Global Compact

We have audited the accompanying statement of financial position of the Foundation for the Global Compact (“the Foundation”) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 the Foundation for the Global Compact as of December 31, 2011, and the change 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.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

November 9, 2012

**FOUNDATION FOR THE GLOBAL COMPACT  
STATEMENT OF FINANCIAL POSITION  
AT DECEMBER 31, 2011**

**Assets**

Cash and cash equivalents (Notes 2d and 2e)	\$3,778,822
Prepaid expenses and other assets	494,527
Fixed assets (net of accumulated depreciation) (Note 2f)	51,913
Security deposit	<u>60,000</u>
Total assets	<u><u>\$4,385,262</u></u>

**Liabilities and Net Assets**

**Liabilities:**

Accounts payable and accrued expenses	\$111,990
Deferred rent (Note 2g)	<u>84,843</u>
Total liabilities	<u><u>196,833</u></u>

**Net Assets:** (Note 2b)

Unrestricted	2,776,286
Temporarily restricted (Note 3)	<u>1,412,143</u>
Total net assets	<u><u>4,188,429</u></u>

Total liabilities and net assets	<u><u>\$4,385,262</u></u>
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*The attached notes and auditors' report  
are an integral part of these financial statements.*

**FOUNDATION FOR THE GLOBAL COMPACT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue:</b>			
Contributions and grants	\$6,435,275	\$2,405,066	\$8,840,341
Event income	49,004	200,000	249,004
Donated services (Note 4)	290,000		290,000
Interest income	9,465		9,465
Net assets released from restrictions (Note 3)	<u>2,536,182</u>	<u>(2,536,182)</u>	<u>0</u>
 Total public support and revenue	 <u>9,319,926</u>	 <u>68,884</u>	 <u>9,388,810</u>
<b>Expenses:</b>			
Program services	6,536,010		6,536,010
Management & general	851,371		851,371
Fundraising	<u>287,365</u>		<u>287,365</u>
 Total expenses	 <u>7,674,746</u>	 <u>0</u>	 <u>7,674,746</u>
 Change in net assets	 1,645,180	 68,884	 1,714,064
 Net assets - beginning	 <u>1,131,106</u>	 <u>1,343,259</u>	 <u>2,474,365</u>
 Net assets - ending	 <u><u>\$2,776,286</u></u>	 <u><u>\$1,412,143</u></u>	 <u><u>\$4,188,429</u></u>

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**FOUNDATION FOR THE GLOBAL COMPACT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries	\$195,943	\$145,318	\$137,045	\$282,363	\$478,306
Payroll taxes	65,147	48,315	45,566	93,881	159,028
Professional fees (including in-kind) (Note 4)	2,189,182	479,479		479,479	2,668,661
Grants to Global Compact	2,831,905			0	2,831,905
Project expenses	18,071			0	18,071
Travel	337,835	1,454		1,454	339,289
Communications	64,682	9,304		9,304	73,986
Event expenses	515,843	734		734	516,577
Printing	115,835			0	115,835
Postage and supplies	51,793	19,642		19,642	71,435
Occupancy	149,774	111,078	104,754	215,832	365,606
Insurance		5,497		5,497	5,497
Banking fees		20,499		20,499	20,499
Depreciation		10,051		10,051	10,051
<b>Total</b>	<b>\$6,536,010</b>	<b>\$851,371</b>	<b>\$287,365</b>	<b>\$1,138,736</b>	<b>\$7,674,746</b>

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**FOUNDATION FOR THE GLOBAL COMPACT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Cash Flows From Operating Activities:</b>	
Change in net assets	\$1,714,064
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	10,051
Change in assets and liabilities:	
Prepaid expenses and other assets	(494,527)
Accounts payable and accrued expenses	50,313
Deferred rent	<u>84,843</u>
Total adjustments	<u>(349,320)</u>
Net cash flows provided by operating activities	<u>1,364,744</u>
<b>Cash Flows From Investing Activities:</b>	
Purchase of fixed assets	<u>(26,819)</u>
Net cash flows used for investing activities	<u>(26,819)</u>
Net increase in cash and cash equivalents	1,337,925
Cash and cash equivalents - beginning	<u>2,440,897</u>
Cash and cash equivalents - ending	<u><u>\$3,778,822</u></u>
Interest and taxes paid	<u><u>\$0</u></u>

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**FOUNDATION FOR THE GLOBAL COMPACT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**Note 1 - Organization**

Foundation for the Global Compact (“the Foundation”) was devised to promote the work of the Global Compact Initiative. The Foundation is a not-for-profit organization established in April 2006 to help raise funds to support the work of the United Nations’ entity entrusted with overall management of the initiative.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. They have not been designated as a private foundation.

**Note 2 - Significant Accounting Policies**

a. Basis of Accounting

The accompanying financial statements of the Foundation have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

b. Basis of Presentation

The Foundation reports information regarding their financial position and activities according to the following classes of net assets:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent contributions received with restrictions for specific programs or time periods.

c. Contributions

Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when the stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Conditional contributions received are recorded as liabilities and are recognized as income when the conditions have been substantially met.

d. Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents include cash held in banks and money market funds.

- e. Concentration of Credit Risk  
Financial instruments which potentially subject the Foundation to concentration of credit risk consist of cash accounts which are placed with a financial institution that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year-end the Foundation had material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.
- f. Fixed Assets  
Fixed assets consist of computers and equipment that the Foundation retains title to which benefit future periods. Fixed assets are capitalized at cost, if purchased and at fair value, if donated. Fixed assets are depreciated using the straight-line method over the estimated useful life of the assets (3 years).
- g. Deferred Rent  
The Foundation recognizes rent expense on the straight-line method and records deferred rent for the cumulative amount that expenses exceed actual payments. In latter stages of the lease, deferred rent will be reduced as the amount of payments exceeds the expense recorded.
- h. Donated Services  
Donated services that create or enhance non-financial assets, or that require specialized skills, were provided by individuals possessing those skills, and would have needed to be purchased, if not provided by contribution, are recorded as in-kind contributions. (See Note 4)
- i. Management Estimates  
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- j. Expense Allocation  
The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.
- k. Accounting for Uncertainty of Income Taxes  
The Foundation has adopted the provisions of FASB ASC 740, *Income Taxes*, which applies to positions taken or expected to be taken in a tax return. Organizations are required to recognize the effects of tax positions if they are more likely than not of being sustained. The Foundation does not believe its financial statements include any uncertain tax positions.
- l. Subsequent Events  
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 9, 2012, the date the financial statements were available to be issued. No events have occurred



subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

**Note 3 - Temporarily Restricted Net Assets**

The following schedule summarizes the activity of temporarily restricted net assets during the year ending December 31, 2011:

	Balance <u>1/1/11</u>	<u>Additions</u>	Released From <u>Restrictions</u>	Balance <u>12/31/11</u>
Principles for Responsible Investment Initiative	\$989,022	\$0	(\$989,022)	\$0
UN Global Compact LEAD	324,922	744,882	(324,922)	744,882
CEO Water Mandate	0	414,329	(272,675)	141,654
Human Rights Dilemmas Forum	0	370,000	(348,644)	21,356
Women's Empowerment Principles	29,315	104,777	(117,851)	16,241
PRME	0	78,751	(60,906)	17,845
Promoting Collective Action Through GC Networks	0	256,122	(152,217)	103,905
Anti-corruption Guidelines	0	436,205	(269,945)	166,260
Rio Event	<u>0</u>	<u>200,000</u>	<u>0</u>	<u>200,000</u>
Total	<u>\$1,343,259</u>	<u>\$2,605,066</u>	<u>(\$2,536,182)</u>	<u>\$1,412,143</u>

**Note 4 - Donated Services**

The Foundation received \$290,000 of donated legal services from a law firm of which a member of the Board of Directors is a partner. The donated legal services were provided in connection with drafting contracts and procedural policies. This amount has been allocated to programs, and management and general expenses.

**Note 5 - Commitments**

During the year, the Foundation entered into several agreements with consultants for future work to be performed beyond fiscal year 2011. The total value of these future commitments is approximately \$378,000.

The Foundation has a lease for office space that expires March 31, 2015. Future minimum payments are as follows:

<u>Year ending:</u>	<u>Amount</u>
December, 31 2012	\$280,722
December, 31 2013	312,285
December, 31 2014	315,396
December, 31 2015	<u>78,849</u>
Total	<u>\$987,252</u>

**Note 6 - Employee Benefit Plan**

The Foundation has a tax deferred annuity plan in accordance with the Internal Revenue Service Code Section 403(b). The plan allows employees to voluntarily contribute a portion of their salary (limited by statutory rates) to the plan to be used for retirement. Employees are entitled to enroll in the plan after six months of employment. The Foundation contributes 15% of each eligible employee's annual gross salary plus a match up to 7.5%. The Foundation contributed \$84,000 during the year ended December 31, 2011.