

FOUNDATION FOR THE GLOBAL COMPACT

Audited Financial Statements

December 31, 2015

Independent Auditors' Report

To the Board of Directors of
Foundation for the Global Compact

Report on the Financial Statements

We have audited the accompanying financial statements of Foundation for the Global Compact (the "Foundation"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for the Global Compact as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year-ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

November 1, 2016

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2015
(With comparative totals at December 31, 2014)

	<u>12/31/15</u>	<u>12/31/14</u>
Assets		
Cash and cash equivalents	\$7,462,006	\$7,840,798
Pledges receivable	758,615	523,534
Prepaid expenses and other assets	46,121	119,807
Fixed assets (net of accumulated depreciation) (Note 3)	914,590	243,355
Cash restricted for letter of credit (Note 8)	752,546	752,546
Security deposit	<u>60,000</u>	<u>60,000</u>
Total assets	<u><u>\$9,993,878</u></u>	<u><u>\$9,540,040</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$1,048,962	\$634,428
Due to local networks (Note 6)	125,988	311,531
Deferred rent	<u>1,011,172</u>	<u>9,683</u>
Total liabilities	<u><u>2,186,122</u></u>	<u><u>955,642</u></u>
Net assets:		
Unrestricted	6,727,247	7,403,723
Temporarily restricted (Note 4)	<u>1,080,509</u>	<u>1,180,675</u>
Total net assets	<u><u>7,807,756</u></u>	<u><u>8,584,398</u></u>
Total liabilities and net assets	<u><u>\$9,993,878</u></u>	<u><u>\$9,540,040</u></u>

*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, 2015
(With comparative totals for the year-ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 12/31/15</u>	<u>Total 12/31/14</u>
Public support and revenue:				
Contributions and grants	\$10,476,347	\$1,501,731	\$11,978,078	\$12,827,335
Event income	3,365,270		3,365,270	969,438
Donated services (Note 7)	340,000		340,000	1,200,000
Interest income	9,460		9,460	12,021
Net assets released from restrictions (Note 4)	<u>1,601,897</u>	<u>(1,601,897)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>15,792,974</u>	<u>(100,166)</u>	<u>15,692,808</u>	<u>15,008,794</u>
Expenses:				
Program services	<u>11,664,361</u>		<u>11,664,361</u>	<u>9,989,453</u>
Supporting services:				
Management and general	4,305,936		4,305,936	3,333,094
Fundraising	<u>499,153</u>		<u>499,153</u>	<u>318,121</u>
Total supporting services	<u>4,805,089</u>		<u>4,805,089</u>	<u>3,651,215</u>
Total expenses	<u>16,469,450</u>	<u>0</u>	<u>16,469,450</u>	<u>13,640,668</u>
Change in net assets	(676,476)	(100,166)	(776,642)	1,368,126
Net assets - beginning	<u>7,403,723</u>	<u>1,180,675</u>	<u>8,584,398</u>	<u>7,216,272</u>
Net assets - ending	<u><u>\$6,727,247</u></u>	<u><u>\$1,080,509</u></u>	<u><u>\$7,807,756</u></u>	<u><u>\$8,584,398</u></u>

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**FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR-ENDED DECEMBER 31, 2015**
(With comparative totals for the year-ended December 31, 2014)

	Program Services	Supporting Services		Total Supporting Services	Total Expenses 12/31/15	Total Expenses 12/31/14
		Management and General	Fundraising			
Salaries	\$2,633,573	\$462,064	\$324,629	\$786,693	\$3,420,266	\$2,730,518
Payroll taxes and benefits	1,208,169	75,460	44,145	119,605	1,327,774	941,238
Professional fees (including in-kind) (Note 7)	1,871,664	2,663,928		2,663,928	4,535,592	4,573,849
Grants to Global Compact (Note 5)	2,300,000			0	2,300,000	2,000,000
Travel	582,806	223,927		223,927	806,733	1,038,540
Communications	43,647	94,423		94,423	138,070	90,299
Event expenses	1,753,297			0	1,753,297	1,132,679
Printing	209,348	189,821		189,821	399,169	421,815
Postage and supplies	4,149	204,679		204,679	208,828	180,030
Occupancy	1,057,708	185,576	130,379	315,955	1,373,663	445,516
Insurance		22,261		22,261	22,261	12,611
Banking fees		68,859		68,859	68,859	54,938
Depreciation		114,938		114,938	114,938	18,635
Total	\$11,664,361	\$4,305,936	\$499,153	\$4,805,089	\$16,469,450	\$13,640,668

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are an integral part of these financial statements.*

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF CASH FLOWS
FOR THE YEAR-ENDED DECEMBER 31, 2015
(With comparative totals for the year-ended December 31, 2014)

	<u>12/31/15</u>	<u>12/31/14</u>
Cash flows from operating activities:		
Change in net assets	(\$776,642)	\$1,368,126
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,938	18,635
Changes in assets and liabilities:		
Pledges receivable	(235,081)	(136,539)
Prepaid expenses and other assets	73,686	(119,807)
Accounts payable and accrued expenses	414,534	(644,728)
Due to local networks	(185,543)	281,531
Deferred rent	1,001,489	(38,356)
Total adjustments	<u>1,184,023</u>	<u>(639,264)</u>
Net cash flows provided by operating activities	<u>407,381</u>	<u>728,862</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(786,173)</u>	<u>(215,254)</u>
Net cash flows used for investing activities	<u>(786,173)</u>	<u>(215,254)</u>
Cash flows from financing activities:		
Cash restricted for letter of credit	<u>0</u>	<u>(752,546)</u>
Net cash flows used for financing activities	<u>0</u>	<u>(752,546)</u>
Net decrease in cash and cash equivalents	(378,792)	(238,938)
Cash and cash equivalents - beginning	<u>7,840,798</u>	<u>8,079,736</u>
Cash and cash equivalents - ending	<u><u>\$7,462,006</u></u>	<u><u>\$7,840,798</u></u>
Supplemental information:		
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

*The attached notes and auditors' report
are an integral part of these financial statements.*

**FOUNDATION FOR THE GLOBAL COMPACT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 financial statements have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

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

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, either due to a program nature or by passage of time.
- *Permanently restricted* – relates to contributions of cash and other assets whereby the assets must remain intact due to restrictions placed by the donor. There was no activity in the permanently restricted class of net assets during the years-ended December 31, 2015 and December 31, 2014.

c. Revenue Recognition

Contributions 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. However, contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Pledges are recognized as revenue in the period that a promise to give is considered unconditional in nature. Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discount rate of return. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Income from conferences and other events are recognized as revenue at the time the event takes place.

d. Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

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. Allowance for Doubtful Accounts

All pledges are due within one year. Based on the short-term nature and the Foundation's historical experience, management feels that no allowance for doubtful accounts is necessary as of December 31, 2015 or December 31, 2014.

g. Fixed Assets

Property and equipment that the Foundation retains title to and which benefit future periods are capitalized at cost. Depreciation has been computed using the straight-line method over the estimated useful life of the assets.

h. 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.

i. Donated Services

Donated services that create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills, and would have been purchased, if not donated, are recorded as in-kind contributions. See Note 7 for additional details.

j. 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.

k. 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 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.

l. Accounting for Uncertainty of Income Taxes

The Foundation does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2012 and later are subject to examination by applicable taxing authorities.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 1, 2016, 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.

n. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should read in conjunction with the Foundation's financial statements for the year-ended December 31, 2014, from which the summarized information was derived.

o. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the December 31, 2018 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The Foundation has not yet evaluated the impact this will have on future statements.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2020 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	<u>12/31/15</u>	<u>12/31/14</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$861,547	\$103,970	3-7 years
Leasehold improvements	<u>233,876</u>	<u>205,280</u>	Life of lease
	1,095,423	309,250	
Less: accumulated depreciation	<u>(180,833)</u>	<u>(65,895)</u>	
Net book value	<u>\$914,590</u>	<u>\$243,355</u>	

Note 4 - Temporarily Restricted Net Assets

The following schedules summarize the activity of temporarily restricted net assets:

	December 31, 2015			
	Balance <u>1/1/15</u>	<u>Additions</u>	Released From <u>Restrictions</u>	Balance <u>12/31/15</u>
UN Global Compact LEAD	\$65,000	\$65,000	(\$65,000)	\$65,000
PRME	91,769	327,394	(419,163)	0
COP & PM program	167,662	194,418	(362,080)	0
Global Sustainable Agriculture	204,548	181,845	(376,283)	10,110
Private Sustainability Finance	297,078	0	(105,810)	191,268
Industry Sector Engagement	100,000	100,000	(45,707)	154,293
Africa Development	50,738	0	0	50,738
Rio Executive Coordination	103,701	0	0	103,701
Africa Strategy	0	105,000	(78,857)	26,143
Rule of Law	0	36,225	(13,107)	23,118
Developing Corporate Anti-Corruption in Egypt	0	291,849	0	291,849
Social Enterprise and Impact Investing	<u>100,179</u>	<u>200,000</u>	<u>(135,890)</u>	<u>164,289</u>
Total	<u>\$1,180,675</u>	<u>\$1,501,731</u>	<u>(\$1,601,897)</u>	<u>\$1,080,509</u>

	December 31, 2014			
	Balance <u>1/1/14</u>	<u>Additions</u>	Released From <u>Restrictions</u>	Balance <u>12/31/14</u>
UN Global Compact LEAD	\$130,000	\$65,000	(\$130,000)	\$65,000
PRME	116,960	248,385	(273,576)	91,769
COP & PM program	372,152	544,815	(749,305)	167,662
Global Sustainable Agriculture	0	589,979	(385,431)	204,548
Anti-corruption Guidelines	151,753	243,732	(395,485)	0
Promoting Collective Action Through GC Networks	518,266	419,355	(937,621)	0
Private Sustainability Finance	219,470	244,440	(166,832)	297,078
Industry Sector Engagement	0	100,000	0	100,000
Africa Development	0	65,000	(14,262)	50,738
Rio Executive Coordination	103,701	0	0	103,701
Social Enterprise and Impact Investing	<u>255,122</u>	<u>0</u>	<u>(154,943)</u>	<u>100,179</u>
Total	<u>\$1,867,424</u>	<u>\$2,520,706</u>	<u>(\$3,207,455)</u>	<u>\$1,180,675</u>

Note 5 - Relationship with the Global Compact Initiative

As described in Note 1, the Foundation supports the work of the Global Compact Initiative, which is managed by a United Nations' entity (Global Compact Office). The Foundation's main functions are fundraising to support the Global Compact Initiative, providing financial and program support for the Global Compact Initiative and its activities, and promotion and advocacy of the Global Compact Initiative and its principles.

The Foundation is separate and distinct from the United Nations and Global Compact Office. The Foundation is not to be considered, for any purposes whatsoever, as being a United Nations entity or part of a United Nations entity. The Foundation considers the input of the Global Compact Office in connection with its fundraising, which is conducted in a manner that respects the dignity, international character and status of the United Nations.

The Foundation provided grants to cover a portion of the operating expenses of the Global Compact Office. The Foundation also provided office space and administrative staff to the Global Compact Office. These costs are considered program activity of the Foundation.

Note 6 - Due to Local Networks

The Global Compact Office works with entities in various countries that are referred to as UN Global Compact Local Networks ("Local Networks"). These entities are clusters of participants (business and non-business) who come together to advance the Global Compact principles and United Nations' goals within a particular geographic context. Local Networks are independent, self-governed, and self-managed entities that operate at the country level.

As part of its support for the Global Compact Office, the Foundation receives contributions on behalf of certain Local Networks. Because the Foundation does not have variance power over the contributions, they are treated as exchange transactions. The amounts collected by the Foundation that have yet to be passed through to these Local Networks are reflected as a liability.

Note 7 - Donated Services

The Foundation received donated legal services in the amount of \$340,000 and \$1,200,000 in 2015 and 2014, respectively. These services were provided in connection with drafting contracts and procedural policies, and has been allocated to management and general expenses.

Note 8 - Commitments

During the year, the Foundation entered into several agreements with consultants for future work to be performed beyond fiscal year 2015. The total value of these future commitments is approximately \$300,000.

In September 2014, the Foundation entered in a new lease for office space that commenced in March 2015 and expires September 30, 2030. Future minimum payments are as follows:

Year-ending: December 31, 2016	\$1,429,838
December 31, 2017	1,429,838
December 31, 2018	1,429,838
December 31, 2019	1,429,838
December 31, 2020	1,452,533
Thereafter	<u>16,079,998</u>
	<u>\$23,251,883</u>

Per the terms of this new lease agreement, the Foundation obtained a letter of credit for \$752,546 to serve as the security deposit on the lease. The Foundation is required to maintain a cash balance in this amount to cover the letter of credit.

Note 9 - 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 \$577,000 during the year-ended December 31, 2015 and \$493,000 during the year-ended December 31, 2014.