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FOUNDATION FOR THE GLOBAL COMPACT

Audited Financial Statements

December 31, 2012

INDEPENDENT AUDITOR'S 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 the Foundation for the Global Compact ("the Foundation"), which comprise the statement of financial position as of December 31, 2012, 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.

Auditor's 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 auditor's 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 the Foundation for the Global Compact as of December 31, 2012, 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 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 29, 2013

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2012
(With comparative totals for December 31, 2011)

	<u>12/31/12</u>	<u>12/31/11</u>
Assets		
Cash and cash equivalents (Notes 2d and 2e)	\$5,003,896	\$3,778,822
Pledges receivable (Note 2f)	115,947	0
Prepaid expenses and other assets	1,333	494,527
Fixed assets (net of accumulated depreciation) (Note 2g)	50,547	51,913
Security deposit	<u>60,000</u>	<u>60,000</u>
Total assets	<u><u>\$5,231,723</u></u>	<u><u>\$4,385,262</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$305,685	\$111,990
Deferred rent (Note 2h)	<u>82,160</u>	<u>84,843</u>
Total liabilities	<u><u>387,845</u></u>	<u><u>196,833</u></u>
Net Assets: (Note 2b)		
Unrestricted	4,072,394	2,776,286
Temporarily restricted (Note 3)	<u>771,484</u>	<u>1,412,143</u>
Total net assets	<u><u>4,843,878</u></u>	<u><u>4,188,429</u></u>
Total liabilities and net assets	<u><u>\$5,231,723</u></u>	<u><u>\$4,385,262</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, 2012
(With comparative totals for the year ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 12/31/12</u>	<u>Total 12/31/11</u>
Public Support and Revenue:				
Contributions and grants	\$6,598,381	\$1,567,180	\$8,165,561	\$8,840,341
Event income	4,664,444		4,664,444	249,004
Donated services (Note 4)	81,000		81,000	290,000
Interest income	11,050		11,050	9,465
Net assets released from restrictions (Note 3)	<u>2,207,839</u>	<u>(2,207,839)</u>	<u>0</u>	<u>0</u>
 Total public support and revenue	 <u>13,562,714</u>	 <u>(640,659)</u>	 <u>12,922,055</u>	 <u>9,388,810</u>
Expenses:				
Program services	10,962,171		10,962,171	6,536,010
Management & general	1,062,771		1,062,771	851,371
Fundraising	<u>241,664</u>		<u>241,664</u>	<u>287,365</u>
 Total expenses	 <u>12,266,606</u>	 <u>0</u>	 <u>12,266,606</u>	 <u>7,674,746</u>
 Change in net assets	 1,296,108	 (640,659)	 655,449	 1,714,064
 Net assets - beginning	 <u>2,776,286</u>	 <u>1,412,143</u>	 <u>4,188,429</u>	 <u>2,474,365</u>
 Net assets - ending	 <u><u>\$4,072,394</u></u>	 <u><u>\$771,484</u></u>	 <u><u>\$4,843,878</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, 2012**
(With comparative totals for the year ended December 31, 2011)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/12	Total Expenses 12/31/11*
	Program Services	Management and General	Fundraising			
Salaries	\$794,253	\$244,610	\$132,238	\$376,848	\$1,171,101	\$478,306
Payroll taxes	199,464	70,251	35,904	106,155	305,619	159,028
Professional fees (including in-kind) (Note 4)	2,752,541	380,535	10,345	390,880	3,143,421	2,668,661
Grants to Global Compact	2,000,000			0	2,000,000	1,700,000
Other grants to UN Agencies	667,350			0	667,350	1,131,905
Project expenses	15,068			0	15,068	18,071
Travel	649,311	2,882		2,882	652,193	339,289
Communications	114,482	12,996	465	13,461	127,943	73,986
Event expenses	3,385,032			0	3,385,032	516,577
Printing	99,601	114,016	17,391	131,407	231,008	115,835
Postage and supplies	13,114	27,756	42	27,798	40,912	71,435
Occupancy	271,955	83,755	45,279	129,034	400,989	365,606
Insurance		9,956		9,956	9,956	5,497
Banking fees		100,675		100,675	100,675	20,499
Depreciation		15,339		15,339	15,339	10,051
Total	\$10,962,171	\$1,062,771	\$241,664	\$1,304,435	\$12,266,606	\$7,674,746

*Reclassified for comparative purposes.

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

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative totals for the year ended December 31, 2011)

	<u>12/31/12</u>	<u>12/31/11</u>
Cash Flows From Operating Activities:		
Change in net assets	\$655,449	\$1,714,064
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	15,339	10,051
Change in assets and liabilities:		
Pledges receivable	(115,947)	0
Prepaid expenses and other assets	493,194	(494,527)
Accounts payable and accrued expenses	193,695	50,313
Deferred rent	(2,683)	84,843
Total adjustments	<u>583,598</u>	<u>(349,320)</u>
Net cash flows provided by operating activities	<u>1,239,047</u>	<u>1,364,744</u>
Cash Flows From Investing Activities:		
Purchase of fixed assets	<u>(13,973)</u>	<u>(26,819)</u>
Net cash flows used for investing activities	<u>(13,973)</u>	<u>(26,819)</u>
Net increase in cash and cash equivalents	1,225,074	1,337,925
Cash and cash equivalents - beginning	<u>3,778,822</u>	<u>2,440,897</u>
Cash and cash equivalents - ending	<u><u>\$5,003,896</u></u>	<u><u>\$3,778,822</u></u>
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, 2012**

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 when received or paid. All significant receivables, payables, and other liabilities have been reflected.

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. Pledges Receivable

The Foundation records long-term unconditional promises to give as revenue in the period received at fair value, using a risk adjusted discount rate. Pledges due in less than one year are recorded at their net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All pledges are due within one year. Based on the short-term nature of these receivables and the historical experience that the Foundation has, management feels that no allowance for doubtful accounts is necessary as of December 31, 2012.

g. 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).

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 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)

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 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.

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, 2009 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 October 29, 2013, 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 June 30, 2011, from which the summarized information was derived.

Note 3 - Temporarily Restricted Net Assets

The following schedule summarizes the activity of temporarily restricted net assets during the year ending December 31, 2012:

	Balance <u>1/1/12</u>	<u>Additions</u>	Released From <u>Restrictions</u>	Balance <u>12/31/12</u>
UN Global Compact LEAD	\$744,882	\$195,000	(\$744,882)	\$195,000
CEO Water Mandate	141,654	0	(141,654)	0
Human Rights Dilemmas Forum	21,356	0	(21,356)	0
Women's Empowerment Principles	16,241	0	(16,241)	0
PRME	17,845	109,684	(116,500)	11,029
COP & PM program	0	310,163	(257,524)	52,639
Global Sustainable Agriculture Promoting Collective Action	0	250,000	(218,870)	31,130
Through GC Networks	103,905	178,748	(207,255)	75,398
Anti-corruption Guidelines	166,260	337,144	(200,817)	302,587
Rio Executive Coordination	0	186,441	(82,740)	103,701
Rio Event	<u>200,000</u>	<u>0</u>	<u>(200,000)</u>	<u>0</u>
Total	<u>\$1,412,143</u>	<u>\$1,567,180</u>	<u>(\$2,207,839)</u>	<u>\$771,484</u>

Note 4 - Donated Services

The Foundation received \$81,000 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 2012. The total value of these future commitments is approximately \$695,000.

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, 2013	\$312,285
December 31, 2014	315,396
December 31, 2015	<u>78,849</u>
Total	<u>\$706,530</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 \$142,000 during the year ended December 31, 2012.