

FOUNDATION FOR THE GLOBAL COMPACT

Audited Financial Statements

December 31, 2021



Independent Auditor's Report

To the Board of Directors of
Foundation for the Global Compact

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.


New York, NY
December 18, 2023

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2021
(With comparative totals at December 31, 2020)

	<u>12/31/21</u>	<u>12/31/20</u>
Assets		
Cash and cash equivalents	\$10,944,969	\$6,927,411
Pledges, participant, and signatory receivables, net (Note 2c)	5,962,106	8,309,056
Prepaid expenses and other assets	664,186	442,087
Fixed assets, net (Note 3)	263,556	401,695
Cash restricted for letter of credit (Note 4)	<u>752,747</u>	<u>752,546</u>
Total assets	<u><u>\$18,587,564</u></u>	<u><u>\$16,832,795</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$2,899,613	\$1,855,379
Due to local networks (Note 5)	1,637,388	1,632,500
Paycheck Protection Program loan (Note 6)	0	1,112,505
Deferred rent	<u>1,679,053</u>	<u>1,763,925</u>
Total liabilities	<u><u>6,216,054</u></u>	<u><u>6,364,309</u></u>
Net assets:		
Without donor restrictions	10,405,832	8,976,848
With donor restrictions (Note 7)	<u>1,965,678</u>	<u>1,491,638</u>
Total net assets	<u><u>12,371,510</u></u>	<u><u>10,468,486</u></u>
Total liabilities and net assets	<u><u>\$18,587,564</u></u>	<u><u>\$16,832,795</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With comparative totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/21	Total 12/31/20
Public support and revenue:				
Contributions and grants	\$6,093,919	\$3,256,952	\$9,350,871	\$9,126,199
Participant and signatory revenue	13,645,613		13,645,613	13,858,255
Forgiveness of Paycheck Protection Program Loan (Note 6)	1,112,505		1,112,505	0
Event income	407,779		407,779	596,344
Donated services (Note 8)	60,000		60,000	320,000
Interest income	724		724	744
Net assets released from restrictions (Note 7)	<u>2,782,912</u>	<u>(2,782,912)</u>	<u>0</u>	<u>0</u>
 Total public support and revenue	 <u>24,103,452</u>	 <u>474,040</u>	 <u>24,577,492</u>	 <u>23,901,542</u>
Expenses:				
Program services	<u>17,556,067</u>		<u>17,556,067</u>	<u>16,250,687</u>
Supporting services:				
Management and general	3,361,775		3,361,775	2,933,617
Fundraising	<u>1,756,626</u>		<u>1,756,626</u>	<u>1,566,265</u>
Total supporting services	<u>5,118,401</u>	<u>0</u>	<u>5,118,401</u>	<u>4,499,882</u>
 Total expenses	 <u>22,674,468</u>	 <u>0</u>	 <u>22,674,468</u>	 <u>20,750,569</u>
 Change in net assets	 1,428,984	 474,040	 1,903,024	 3,150,973
Net assets - beginning	<u>8,976,848</u>	<u>1,491,638</u>	<u>10,468,486</u>	<u>7,317,513</u>
Net assets - ending	<u><u>\$10,405,832</u></u>	<u><u>\$1,965,678</u></u>	<u><u>\$12,371,510</u></u>	<u><u>\$10,468,486</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**
(With comparative totals for the year ended December 31, 2020)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/21	Total Expenses 12/31/20
	Program Services	Management and General	Fundraising			
Salaries	\$3,503,122	\$613,058	\$807,692	\$1,420,750	\$4,923,872	\$5,467,920
Payroll taxes and employee benefits	1,315,285	230,179	303,257	533,436	1,848,721	1,996,217
Professional fees (including in-kind) (Note 8)	6,221,995	1,784,850	297,953	2,082,803	8,304,798	5,708,108
Grants to Global Compact	4,000,000			0	4,000,000	3,600,000
Grants to UN Agencies	3,268			0	3,268	324,894
Travel	45,563	4,241		4,241	49,804	219,578
Communications	69,855	12,225	16,106	28,331	98,186	95,314
Event expenses	668,670	306,320	289	306,609	975,279	1,148,159
Printing	273,886	440		440	274,326	142,641
Postage and supplies	35,595	32,516	4,199	36,715	72,310	71,235
Occupancy	1,293,987	226,453	298,346	524,799	1,818,786	1,684,851
Insurance	8,641	1,512	1,992	3,504	12,145	9,731
Banking fees		129,645		129,645	129,645	86,724
Depreciation	116,200	20,336	26,792	47,128	163,328	195,197
Total	\$17,556,067	\$3,361,775	\$1,756,626	\$5,118,401	\$22,674,468	\$20,750,569

The attached notes and auditor's report are an integral part of these financial statements.

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With comparative totals for the year ended December 31, 2020)

	<u>12/31/21</u>	<u>12/31/20</u>
Cash flows from operating activities:		
Change in net assets	\$1,903,024	\$3,150,973
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	163,328	195,197
Forgiveness of Paycheck Protection Program loan	(1,112,505)	0
Changes in assets and liabilities:		
Pledges, participant, and signatory receivables	2,346,950	(4,651,780)
Prepaid expenses and other assets	(222,099)	41,998
Accounts payable and accrued expenses	1,044,234	(36,552)
Due to local networks	4,888	509,962
Deferred rent	(84,872)	3,724
Total adjustments	<u>2,139,924</u>	<u>(3,937,451)</u>
Net cash flows provided by/(used for) operating activities	<u>4,042,948</u>	<u>(786,478)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(25,189)</u>	<u>(61,058)</u>
Net cash flows used for investing activities	<u>(25,189)</u>	<u>(61,058)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>0</u>	<u>1,112,505</u>
Net cash flows provided by financing activities	<u>0</u>	<u>1,112,505</u>
Net increase in cash and cash equivalents	4,017,759	264,969
Cash, cash equivalents, and restricted cash - beginning	<u>7,679,957</u>	<u>7,414,988</u>
Cash, cash equivalents, and restricted cash - ending	<u><u>\$11,697,716</u></u>	<u><u>\$7,679,957</u></u>
Supplemental information:		
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$10,944,969	\$6,927,411
Cash restricted for letter of credit	752,747	752,546
	<u><u>\$11,697,716</u></u>	<u><u>\$7,679,957</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**FOUNDATION FOR THE GLOBAL COMPACT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Organization

Foundation for the Global Compact (the "Foundation") was devised to promote the work of the Global Compact Initiative which is managed by a United Nations' entity (Global Compact Office.) The Foundation is a not-for-profit organization established in April 2006 to help raise funds to support the work of the Global Compact Office entrusted with overall management of the initiative. The Foundation's primary sources of revenue are grants, contributions, and event income.

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 office space and administrative staff to the Global Compact Office. These costs are considered program activity of the Foundation.

The Foundation was incorporated in the State of New York and has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be 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:

- *Net Assets Without Donor Restrictions* - accounts for activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* - relates to activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.

c. Revenue Recognition

The Foundation follows the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

In 2018, the Global Compact Office implemented a new business model where company participants of the Global Compact Initiative over USD 50 Million in size are required to pay an annual contribution to the Foundation in order to remain in the initiative. Two engagement tiers ("Participant and Signatory") with different contribution levels were established to provide flexibility to companies based on their engagement needs and wants. Importantly, the Local Network Development Fund ("LNDF") was created, where 5% of all annual required contributions received are set aside in a special pool of funds that is used to fund emerging and developing networks. Participant and signatory revenue is recognized when the company participants commit to the Global Compact Initiative and are therefore obligated to make a payment to the Foundation.

The Foundation receives event income that falls under FASB ASC 606. Income is recognized as revenue at the point in time the event takes place and the performance obligation is met. Event income that has been earned but not paid at year-end is recognized as income and a related receivable. Cash that has been received but not earned at year-end is recognized as deferred revenue.

All receivables are due within one year. Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, the Foundation established an allowance for doubtful accounts of \$1,000,000 at both December 31, 2021 and December 31, 2020.

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. The Foundation has a letter of credit from a bank in connection with the security deposit required on its office lease. A savings account was opened with the bank for this purpose. Cash held in this savings account is treated as restricted cash and reported separately on the statement of financial position.

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

Property and equipment are capitalized at cost, if purchased, or at the fair value at the date of gift, if donated. The Foundation capitalizes fixed assets in excess of \$1,000 that have a useful life of more than one year. Depreciation has been computed using the straight-line method over the estimated useful life of the assets.

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 require specialized skills, are provided by individuals possessing those skills, and would have been purchased, if not donated, are recorded as in-kind contributions.

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. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. 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.

Salaries were allocated using time and effort as the basis. The following expenses were allocated using the salary allocation as the basis:

- Payroll taxes and employee benefits
- Occupancy
- Insurance
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

k. Advertising Costs

Advertising costs are expensed as incurred.

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, 2018 and later are subject to examination by applicable taxing authorities.

m. 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, 2020, from which the summarized information was derived.

n. New Accounting Pronouncements

FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB also issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The Foundation is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	<u>12/31/21</u>	<u>12/31/20</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$1,041,575	\$1,016,386	3-7 years
Leasehold improvements	<u>392,163</u>	<u>392,163</u>	Life of lease
	1,433,738	1,408,549	
Less: accumulated depreciation	<u>(1,170,182)</u>	<u>(1,006,854)</u>	
Total fixed assets, net	<u>\$263,556</u>	<u>\$401,695</u>	

Note 4 - Commitments

In September 2014, the Foundation entered in a lease for office space that expires September 30, 2030. When the lease expires, the Foundation has an option to extend the lease for one term of 5 years at a "fair market rental value" agreed upon by both the Foundation and landlord. There are no purchase options associated with this lease. Future minimum payments are as follows:

Year ending: December 31, 2022	\$1,566,012
December 31, 2023	1,566,012
December 31, 2024	1,566,012
December 31, 2025	1,588,708
December 31, 2026	1,702,188
Thereafter	<u>6,525,052</u>
Total	<u>\$14,513,984</u>

Per the terms of this lease agreement, the Foundation obtained a letter of credit 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 5 - 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 agency transactions.

The amounts collected by the Foundation that have yet to be passed through to these Local Networks are reflected as a liability.

Note 6 - Paycheck Protection Program Loan

During the year ended December 31, 2020, the Foundation obtained a loan from the Small Business Administration (“SBA”) in the amount of \$1,112,505 through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were not less than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. Portions that were not forgiven would be payable over a two-year period, with a ten-month deferral of payments and interest accrued at 1%.

The Foundation treated the PPP loan as a loan payable in accordance with FASB ASC 470 and the full balance was outstanding at December 31, 2020. During the year ended December 31, 2021, this loan was forgiven in full and was recognized as income in 2021.

Note 7 - Net Assets with Donor Restrictions

The following schedules summarize the activity of net assets with donor restrictions:

	December 31, 2021			
	Balance 1/1/21	Additions	Released From Restrictions	Balance 12/31/21
Private Sustainability Finance	\$347,461	\$870,062	(\$832,852)	\$384,671
Child Labor Platform	147,950	150,000	(25)	297,925
Developing Corporate				
Anti-Corruption in Egypt	0	1,330,750	(390,904)	939,846
Breakthrough Innovation	69,800	0	(69,800)	0
Oceans	10,073	0	(10,073)	0
Pathways	200,868	0	(200,868)	0
Responsible Investing	75,024	0	(75,024)	0
Transformation Governance	150,375	0	(150,375)	0
Climate and Health	130,637	0	(130,637)	0
Belt and Road Initiative	153,246	0	(153,246)	0
Human Rights and Decent Work	206,204	373,100	(448,912)	130,392
Science-Based Targets	0	9,800	0	9,800
SDG Ambition and Pioneers	0	175,000	(110,074)	64,926
Young SDG Innovators	0	348,240	(210,122)	138,118
Total	<u>\$1,491,638</u>	<u>\$3,256,952</u>	<u>(\$2,782,912)</u>	<u>\$1,965,678</u>

	December 31, 2020			
	Balance 1/1/20	Additions	Released From Restrictions	Balance 12/31/20
PRME	\$79,961	\$0	(\$79,961)	\$0
Private Sustainability Finance	298,317	475,020	(425,876)	347,461
Industry Sector Engagement	354,293	0	(354,293)	0
Child Labor Platform	30,950	130,000	(13,000)	147,950
Developing Corporate				
Anti-Corruption in Egypt	9,416	0	(9,416)	0
Breakthrough Innovation	90,000	20,000	(40,200)	69,800
Oceans	278,856	542,500	(811,283)	10,073
Pathways	365,493	50,000	(214,625)	200,868
Responsible Investing	168,597	200,800	(294,373)	75,024
Transformation Governance	31,659	494,500	(375,784)	150,375
Climate and Health	0	813,750	(683,113)	130,637
Belt and Road Initiative	0	450,000	(296,754)	153,426
Human Rights and Decent Work	0	508,338	(302,134)	206,204
Social Enterprise and Impact				
Investing	105,752	0	(105,752)	0
Total	<u>\$1,813,294</u>	<u>\$3,684,908</u>	<u>(\$4,006,564)</u>	<u>\$1,491,638</u>

Note 8 - Donated Services

The Foundation received donated legal services in the amount of \$60,000 in 2021 and \$320,000 in 2020. These services were provided in connection with drafting contracts and procedural policies, and they have been allocated to management and general expenses.

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 \$850,000 during both the years ended December 31, 2021 and December 31, 2020.

Note 10 - Liquidity and Availability of Financial Resources

The Foundation maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Foundation operates its programs within a board approved budget and relies on grants, contributions, and event income to fund its operations and program activities.

The following reflects the Foundation's financial assets at December 31, 2021 that are available to meet cash needs for general expenditures within one year:

Financial assets at December 31, 2021:

Cash and cash equivalents	\$10,944,969
Pledges, participant, and signatory receivables, net	<u>5,962,106</u>
Total financial assets	\$16,907,075
Less amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	<u>(1,965,678)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$14,941,397</u>

Note 11 - Subsequent Events

Subsequent events have been evaluated through December 18, 2023, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.