

FOUNDATION FOR THE GLOBAL COMPACT

Audited Financial Statements

December 31, 2017

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 Foundation for the Global Compact (the "Foundation"), which comprise the statement of financial position as of December 31, 2017, 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.

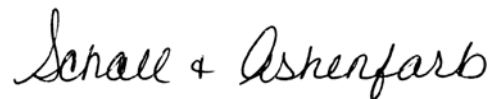
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for the Global Compact as of December 31, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year-ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 9, 2019

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2017
(With comparative totals at December 31, 2016)

	<u>12/31/17</u>	<u>12/31/16</u>
Assets		
Cash and cash equivalents	\$6,043,082	\$7,246,632
Pledges receivable	1,838,050	1,393,289
Prepaid expenses and other assets	86,761	429
Fixed assets (net of accumulated depreciation) (Note 3)	702,429	800,958
Cash restricted for letter of credit (Note 8)	752,546	752,546
Security deposit	<u>0</u>	<u>60,000</u>
Total assets	<u><u>\$9,422,868</u></u>	<u><u>\$10,253,854</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$1,288,060	\$1,191,277
Due to local networks (Note 6)	374,927	197,488
Deferred rent	<u>1,465,112</u>	<u>1,228,149</u>
Total liabilities	<u><u>3,128,099</u></u>	<u><u>2,616,914</u></u>
Net assets:		
Unrestricted	4,433,251	6,163,926
Temporarily restricted (Note 4)	<u>1,861,518</u>	<u>1,473,014</u>
Total net assets	<u><u>6,294,769</u></u>	<u><u>7,636,940</u></u>
Total liabilities and net assets	<u><u>\$9,422,868</u></u>	<u><u>\$10,253,854</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, 2017
(With comparative totals for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 12/31/17</u>	<u>Total 12/31/16</u>
Public support and revenue:				
Contributions and grants	\$9,003,943	\$1,979,032	\$10,982,975	\$11,916,791
Event income	1,105,923		1,105,923	1,765,303
Donated services (Note 7)	330,000		330,000	300,000
Interest income	2,013		2,013	3,145
Net assets released from restrictions (Note 4)	<u>1,590,528</u>	<u>(1,590,528)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>12,032,407</u>	<u>388,504</u>	<u>12,420,911</u>	<u>13,985,239</u>
Expenses:				
Program services	<u>10,373,339</u>		<u>10,373,339</u>	<u>11,378,666</u>
Supporting services:				
Management and general	2,711,501		2,711,501	2,156,592
Fundraising	<u>678,242</u>		<u>678,242</u>	<u>620,797</u>
Total supporting services	<u>3,389,743</u>		<u>3,389,743</u>	<u>2,777,389</u>
Total expenses	<u>13,763,082</u>	<u>0</u>	<u>13,763,082</u>	<u>14,156,055</u>
Change in net assets	(1,730,675)	388,504	(1,342,171)	(170,816)
Net assets - beginning	<u>6,163,926</u>	<u>1,473,014</u>	<u>7,636,940</u>	<u>7,807,756</u>
Net assets - ending	<u><u>\$4,433,251</u></u>	<u><u>\$1,861,518</u></u>	<u><u>\$6,294,769</u></u>	<u><u>\$7,636,940</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, 2017
(With comparative totals for the year ended December 31, 2016)

	Program Services	Supporting Services		Total Supporting Services	Total Expenses 12/31/17	Total Expenses 12/31/16
		Management and General	Fundraising			
Salaries	\$2,491,650	\$725,473	\$361,234	\$1,086,707	\$3,578,357	\$3,440,448
Payroll taxes and benefits	919,291	267,662	133,277	400,939	1,320,230	1,237,573
Professional fees (including in-kind) (Note 7)	3,631,127	1,035,771		1,035,771	4,666,898	4,516,903
Travel	594,209	7,556		7,556	601,765	600,854
Communications	66,611	83,682		83,682	150,293	128,219
Event expenses	1,212,360			0	1,212,360	1,932,462
Printing	105,705	154,686		154,686	260,391	184,539
Postage and supplies	85,085	67,683		67,683	152,768	220,319
Occupancy	1,095,532	318,976	158,828	477,804	1,573,336	1,548,051
Insurance	5,760	1,678	835	2,513	8,273	16,674
Banking fees	64,506	18,781	9,352	28,133	92,639	94,880
Bad debt				0	0	88,500
Depreciation	101,503	29,553	14,716	44,269	145,772	146,633
Total	\$10,373,339	\$2,711,501	\$678,242	\$3,389,743	\$13,763,082	\$14,156,055

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, 2017
(With comparative totals for the year ended December 31, 2016)

	<u>12/31/17</u>	<u>12/31/16</u>
Cash flows from operating activities:		
Change in net assets	(\$1,342,171)	(\$170,816)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	145,772	146,633
Changes in assets and liabilities:		
Pledges receivable	(444,761)	(634,674)
Prepaid expenses and other assets	(86,332)	45,692
Security deposit	60,000	0
Accounts payable and accrued expenses	96,783	142,315
Due to local networks	177,439	71,500
Deferred rent	236,963	216,977
Total adjustments	<u>185,864</u>	<u>(11,557)</u>
Net cash flows used for operating activities	<u>(1,156,307)</u>	<u>(182,373)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(47,243)</u>	<u>(33,001)</u>
Net cash flows used for investing activities	<u>(47,243)</u>	<u>(33,001)</u>
Net decrease in cash and cash equivalents	(1,203,550)	(215,374)
Cash and cash equivalents - beginning	<u>7,246,632</u>	<u>7,462,006</u>
Cash and cash equivalents - ending	<u><u>\$6,043,082</u></u>	<u><u>\$7,246,632</u></u>
Supplemental information:		
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</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, 2017**

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 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:

- *Unrestricted* – relates to 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, 2017 and December 31, 2016.

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, 2017 or December 31, 2016.
- 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, 2014 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 January 9, 2019, 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, 2016, from which the summarized information was derived.

o. New Accounting Pronouncements

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, 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.

FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

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.

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>12/31/17</u>	<u>12/31/16</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$894,090	\$866,699	3-7 years
Leasehold improvements	<u>281,577</u>	<u>261,725</u>	Life of lease
	1,175,667	1,128,424	
Less: accumulated depreciation	<u>(473,238)</u>	<u>(327,466)</u>	
Net book value	<u>\$702,429</u>	<u>\$800,958</u>	

Note 4 - Temporarily Restricted Net Assets

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

	<u>December 31, 2017</u>			
	Balance		Released	Balance
	<u>1/1/17</u>	<u>Additions</u>	<u>From Restrictions</u>	<u>12/31/17</u>
UN Global Compact LEAD	\$65,000	\$0	(\$65,000)	\$0
PRME	107,818	500,188	(530,725)	77,281
Private Sustainability Finance	188,902	0	0	188,902
Industry Sector Engagement	254,293	100,000	0	354,293
Child Labor Platform	0	89,968	0	89,968
Developing Corporate				
Anti-Corruption in Egypt	287,509	403,579	(463,046)	228,042
Scaling up Anti-Corruption				
Collective Action	409,953	885,297	(524,257)	770,993
Private Sector Investment				
Conference	36,962	0	0	36,962
Sustainable Development Goals	16,825	0	(7,500)	9,325
Social Enterprise and Impact				
Investing	<u>105,752</u>	<u>0</u>	<u>0</u>	<u>105,752</u>
Total	<u>\$1,473,014</u>	<u>\$1,979,032</u>	<u>(\$1,590,528)</u>	<u>\$1,861,518</u>

December 31, 2016

	Balance <u>1/1/16</u>	<u>Additions</u>	Released From <u>Restrictions</u>	Balance <u>12/31/16</u>
UN Global Compact LEAD	\$65,000	\$65,000	(\$65,000)	\$65,000
PRME	0	470,728	(362,910)	107,818
Global Sustainable Agriculture	10,110	0	(10,110)	0
Private Sustainability Finance	191,268	0	(2,366)	188,902
Industry Sector Engagement	154,293	100,000	0	254,293
Africa Development	50,738	0	(50,738)	0
Rio Executive Coordination	103,701	0	(103,701)	0
Africa Strategy	26,143	0	(26,143)	0
Rule of Law	23,118	0	(23,118)	0
Developing Corporate				
Anti-Corruption in Egypt	291,849	337,092	(341,432)	287,509
Scaling up Anti-Corruption				
Collective Action	0	544,007	(134,054)	409,953
Private Sector Investment				
Conference	0	74,820	(37,858)	36,962
Sustainable Development Goals	0	50,000	(33,175)	16,825
Social Enterprise and Impact				
Investing	<u>164,289</u>	<u>100,000</u>	<u>(158,537)</u>	<u>105,752</u>
Total	<u>\$1,080,509</u>	<u>\$1,741,647</u>	<u>(\$1,349,142)</u>	<u>\$1,473,014</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, providing financial and program support, and promotion and advocacy to support the Global Compact Initiative.

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.

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 \$330,000 and \$300,000 in 2017 and 2016, 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 2017. The total value of these future commitments is approximately \$400,000.

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

Year ending: December 31, 2018	\$1,217,160
December 31, 2019	1,376,668
December 31, 2020	1,452,533
December 31, 2021	1,566,012
December 31, 2022	1,566,012
Thereafter	<u>12,947,973</u>
	<u>\$20,126,358</u>

Per the terms of this 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 \$618,000 during the year-ended December 31, 2017 and \$658,000 during the year-ended December 31, 2016.