

FOUNDATION FOR THE GLOBAL COMPACT

Audited Financial Statements

December 31, 2020



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, 2020, 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 entity'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 entity'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, 2020, 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

The financial statements of the Foundation as of and for the year ended December 31, 2019 were audited by other auditors whose report dated December 6, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects with the audited financial statements for which it was derived.

Sax CPAs LLP

New York, NY
April 13, 2023

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2020
(With comparative totals at December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
Assets		
Cash and cash equivalents	\$6,927,411	\$6,662,442
Pledges, participant, and signatory receivables, net of allowance for doubtful accounts (Note 2c)	8,309,056	3,657,276
Prepaid expenses and other assets	442,087	484,085
Fixed assets (net of accumulated depreciation) (Note 3)	401,695	535,834
Cash restricted for letter of credit (Note 4)	<u>752,546</u>	<u>752,546</u>
Total assets	<u><u>\$16,832,795</u></u>	<u><u>\$12,092,183</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$1,855,379	\$1,891,931
Due to local networks (Note 5)	1,632,500	1,122,538
Paycheck Protection Program loan (Note 6)	1,112,505	0
Deferred rent	<u>1,763,925</u>	<u>1,760,201</u>
Total liabilities	<u><u>6,364,309</u></u>	<u><u>4,774,670</u></u>
Net assets:		
Without donor restrictions	8,976,848	5,504,219
With donor restrictions (Note 7)	<u>1,491,638</u>	<u>1,813,294</u>
Total net assets	<u><u>10,468,486</u></u>	<u><u>7,317,513</u></u>
Total liabilities and net assets	<u><u>\$16,832,795</u></u>	<u><u>\$12,092,183</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, 2020
(With comparative totals for the year ended December 31, 2019)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>12/31/20</u>	Total <u>12/31/19</u>
Public support and revenue:				
Contributions and grants	\$5,441,291	\$3,684,908	\$9,126,199	\$6,427,753
Participant and signatory revenue	13,858,255		13,858,255	9,577,954
Event income	596,344		596,344	732,292
Donated services (Note 8)	320,000		320,000	300,000
Interest income	744		744	1,874
Net assets released from restrictions (Note 7)	<u>4,006,564</u>	<u>(4,006,564)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>24,223,198</u>	<u>(321,656)</u>	<u>23,901,542</u>	<u>17,039,873</u>
Expenses:				
Program services	<u>16,250,687</u>		<u>16,250,687</u>	<u>12,411,597</u>
Supporting services:				
Management and general	2,933,617		2,933,617	2,960,162
Fundraising	<u>1,566,265</u>		<u>1,566,265</u>	<u>1,562,260</u>
Total supporting services	<u>4,499,882</u>	<u>0</u>	<u>4,499,882</u>	<u>4,522,422</u>
Total expenses	<u>20,750,569</u>	<u>0</u>	<u>20,750,569</u>	<u>16,934,019</u>
Change in net assets	3,472,629	(321,656)	3,150,973	105,854
Net assets - beginning of year	<u>5,504,219</u>	<u>1,813,294</u>	<u>7,317,513</u>	<u>7,211,659</u>
Net assets - end of year	<u><u>\$8,976,848</u></u>	<u><u>\$1,491,638</u></u>	<u><u>\$10,468,486</u></u>	<u><u>\$7,317,513</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, 2020**
(With comparative totals for the year ended December 31, 2019)

	Program Services	Supporting Services		Total Supporting Services	Total Expenses 12/31/20	Total Expenses 12/31/19
		Management and General	Fundraising			
Salaries	\$3,935,124	\$682,358	\$850,438	\$1,532,796	\$5,467,920	\$4,921,288
Payroll taxes and benefits	1,438,347	247,022	310,848	557,870	1,996,217	1,694,029
Professional fees (including in-kind) (Note 8)	4,470,206	1,175,571	62,331	1,237,902	5,708,108	3,963,284
Grants to Global Compact	3,600,000			0	3,600,000	1,200,000
Grants to UN Agencies	324,894			0	324,894	301,154
Travel	140,319	58,245	21,014	79,259	219,578	768,708
Communications	68,616	11,869	14,829	26,698	95,314	143,178
Event expenses	746,810	391,429	9,920	401,349	1,148,159	1,418,239
Printing	142,641			0	142,641	139,517
Postage and supplies	23,269	45,096	2,870	47,966	71,235	90,041
Occupancy	1,212,933	209,786	262,132	471,918	1,684,851	1,579,701
Insurance	7,005	1,212	1,514	2,726	9,731	8,450
Banking fees		86,724		86,724	86,724	156,119
Bad debt expense				0	0	362,621
Depreciation	140,523	24,305	30,369	54,674	195,197	187,690
Total	\$16,250,687	\$2,933,617	\$1,566,265	\$4,499,882	\$20,750,569	\$16,934,019

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, 2020
(With comparative totals for the year ended December 31, 2019)

	<u>12/31/20</u>	<u>12/31/19</u>
Cash flows from operating activities:		
Change in net assets	\$3,150,973	\$105,854
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation	195,197	187,690
Bad debt expense	0	(362,621)
Changes in assets and liabilities:		
Pledges, participant, and signatory receivables	(4,651,780)	306,584
Prepaid expenses and other assets	41,998	(434,118)
Accounts payable and accrued expenses	(36,552)	1,158,215
Due to local networks	509,962	92,374
Deferred rent	3,724	58,125
Total adjustments	<u>(3,937,451)</u>	<u>1,006,249</u>
Net cash flows (used for)/provided by operating activities	<u>(786,478)</u>	<u>1,112,103</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(61,058)</u>	<u>(138,110)</u>
Net cash flows used for investing activities	<u>(61,058)</u>	<u>(138,110)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>1,112,505</u>	<u>0</u>
Net cash flows provided by financing activities	<u>1,112,505</u>	<u>0</u>
Net increase in cash, cash equivalents and restricted cash	264,969	973,993
Cash, cash equivalents and restricted cash - beginning of year	<u>7,414,988</u>	<u>6,440,995</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$7,679,957</u>	<u>\$7,414,988</u>
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$6,927,411	\$6,662,442
Cash restricted for letter of credit	752,546	752,546
Total cash, cash equivalents and restricted cash	<u>\$7,679,957</u>	<u>\$7,414,988</u>
Supplemental information:		
Interest and taxes paid	<u>\$0</u>	<u>\$0</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, 2020**

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 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 requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized when contributions become unconditional in nature. Contributions are recorded in the net asset classes referred to 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 as without donor restrictions.

The Foundation evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Foundation to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

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.

The Foundation follows the requirements of FASB ASC 606 for recognizing revenue from contracts with customers, which applies to event income. 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.

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.

All receivables are due within one year and have been recorded at net realizable value. Based on a review of specific outstanding balances and historical experience, the Foundation established an allowance for doubtful accounts of \$1,000,000 at December 31, 2020 and December 31, 2019.

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. Certain cash accounts are limited in use by agreements with the Foundation's landlord and have been identified separately on the statement of financial position. Restricted cash is included in cash and cash equivalents on the statement of cash flows.

e. Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to a 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 either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Many volunteers, including board members, provide services in support of the Foundation's mission. Those services have not been recognized on the financial statements because they do not meet the criteria outlined above.

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 benefits
- Occupancy
- Insurance
- Depreciation

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

k. 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, 2017 and later are subject to examination by applicable taxing authorities.

l. 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, 2019, from which the summarized information was derived.

m. 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>12/31/20</u>	<u>12/31/19</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$1,016,386	\$972,808	3-7 years
Leasehold improvements	<u>392,163</u>	<u>374,683</u>	Life of lease
	1,408,549	1,347,491	
Less: accumulated depreciation	<u>(1,006,854)</u>	<u>(811,657)</u>	
Total fixed assets, net	<u>\$401,695</u>	<u>\$535,834</u>	

Note 4 - Commitments

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

Year ending:	December 31, 2021	\$1,569,803
	December 31, 2022	1,566,012
	December 31, 2023	1,566,012
	December 31, 2024	1,566,012
	December 31, 2025	1,588,708
Thereafter		<u>8,227,240</u>
Total		<u>\$16,083,787</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 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 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 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. Subsequent to year-end, this loan was forgiven in full and will be recognized as income during the year ended December 31, 2021.

Note 7 - Net Assets with Donor Restrictions

The following summarizes the activity of net assets with donor restrictions:

	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)	153,246
Human Rights and Decent Work	0	508,338	(302,134)	206,204
Social Enterprise and Impact				
Investing	<u>105,752</u>	<u>0</u>	<u>(105,752)</u>	<u>0</u>
Total	<u>\$1,813,294</u>	<u>\$3,684,908</u>	<u>(\$4,006,564)</u>	<u>\$1,491,638</u>

	December 31, 2019			
	Balance 1/1/19	Additions	Released From Restrictions	Balance 12/31/19
CEO Water Mandate	\$151,731	\$0	(\$151,731)	\$0
PRME	76,268	437,068	(433,375)	79,961
Private Sustainability Finance	398,872	140,000	(240,555)	298,317
Industry Sector Engagement	354,293	0	(0)	354,293
Child Labor Platform	57,950	140,000	(167,000)	30,950
Developing Corporate				
Anti-Corruption in Egypt	16,424	143,910	(150,918)	9,416
Scaling up Anti-Corruption				
Collective Action	782,085	0	(782,085)	0
Private Sector Investment				
Conference	36,962	0	(36,962)	0
Sustainable Development Goals	9,325	0	(9,325)	0
Breakthrough Innovation	0	90,000	(0)	90,000
Oceans	0	786,250	(507,394)	278,856
Pathways	0	563,750	(198,257)	365,493
Responsible Investing	0	294,707	(126,110)	168,597
Transformation Governance	0	377,917	(346,258)	31,659
Social Enterprise and Impact				
Investing	<u>105,752</u>	<u>0</u>	<u>0</u>	<u>105,752</u>
Total	<u>\$1,989,662</u>	<u>\$2,973,602</u>	<u>(\$3,149,970)</u>	<u>\$1,813,294</u>

Note 8 - Donated Services

The Foundation received donated legal services in the amount of \$320,000 in 2020 and \$300,000 in 2019. 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 the year ended December 31, 2020 and \$690,000 during the year ended December 31, 2019.

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, 2020 that are available to meet cash needs for general expenditures within one year:

Financial assets at December 31, 2020:

Cash and cash equivalents	\$6,927,411
Pledges, participant, and signatory receivables, net of allowance for doubtful accounts	<u>8,309,056</u>
Total financial assets	\$15,236,467
Less amounts not available for general expenditures: Donor contributions restricted to specific purposes	<u>(1,491,638)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$13,744,829</u>

Note 11 - Subsequent Events

Subsequent events have been evaluated through April 13, 2023, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.