

COTÉ & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Global Exchange
(A Not-For-Profit Corporation)
San Francisco, California

Report on the Financial Statements

We have audited the accompanying statements of **GLOBAL EXCHANGE** (A Not-For-Profit Corporation), which comprise the statement of financial position, as of June 30, 2015 and June 30, 2014 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's June 30, 2014 financial statements and our report, which was dated November 5, 2014, expressed an unqualified opinion on those 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 of material misstatement, whether due to error or fraud.

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 of 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 risks of material misstatement of the financial statements, whether due to error or fraud. 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

INDEPENDENT AUDITORS' REPORT
(Continued)

Auditor's Responsibility (Continued)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Exchange (A Not-For-Profit Corporation) as of June 30, 2015 and 2014 and the changes in its net assets, functional expenses and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Coté & Company, APC

San Francisco, California
November 25, 2015

GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015
(With Comparative Totals for June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>	<u>Total (Summarized) 2014</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 327,026	\$ 62,932	\$ 389,958	\$ 50,862
Accounts receivable	6,864	-	6,864	-
Inventory	-	-	-	49,249
Prepaid expenses	<u>114,687</u>	<u>-</u>	<u>114,687</u>	<u>66,750</u>
Total current assets	<u>448,577</u>	<u>62,932</u>	<u>511,509</u>	<u>166,861</u>
FIXED ASSETS				
Furniture, fixtures and equipment	52,269	-	52,269	83,013
Leasehold improvements	-	-	-	1,457
Less accumulated depreciation	<u>(49,594)</u>	<u>-</u>	<u>(49,594)</u>	<u>(75,935)</u>
Total fixed assets	<u>2,675</u>	<u>-</u>	<u>2,675</u>	<u>8,535</u>
INVESTMENTS	<u>34,427</u>	<u>-</u>	<u>34,427</u>	<u>54,701</u>
DEPOSITS	<u>12,125</u>	<u>-</u>	<u>12,125</u>	<u>12,125</u>
TOTAL ASSETS	<u>\$ 497,804</u>	<u>\$ 62,932</u>	<u>\$ 560,736</u>	<u>\$ 242,222</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Accounts payable and accrued expenses	\$ 211,795	\$ -	\$ 211,795	\$ 306,344
Credit cards payable	-	-	-	7,634
Tour deposits and deferred income	92,363	-	92,363	55,870
Gift certificates	-	-	-	10,399
Line of credit	<u>59,884</u>	<u>-</u>	<u>59,884</u>	<u>90,792</u>
Total liabilities	<u>364,042</u>	<u>-</u>	<u>364,042</u>	<u>471,039</u>
NET ASSETS (DEFICIT)				
Unrestricted	133,762	-	133,762	(416,292)
Temporarily restricted	<u>-</u>	<u>62,932</u>	<u>62,932</u>	<u>187,475</u>
Total net assets (deficit)	<u>133,762</u>	<u>62,932</u>	<u>196,694</u>	<u>(228,817)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 497,804</u>	<u>\$ 62,932</u>	<u>\$ 560,736</u>	<u>\$ 242,222</u>

The accompanying notes are an integral part of these financial statements.

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2015</u>	Total (Summarized) <u>2014</u>
SUPPORT AND REVENUES				
Grants and contributions	\$ 792,802	\$ 237,220	\$ 1,030,022	\$ 1,127,872
Reality tours	1,220,823	-	1,220,823	2,108,467
Sales, net of expenses of \$99,349 and \$300,208 in 2015 and 2014, respectively	95,644	-	95,644	275,506
Special events, net of expenses of \$21,169 and \$32,775 in 2015 and 2014, respectively	(14,640)	-	(14,640)	16,197
Membership fees	400	-	400	-
Honoraria	100	-	100	19,822
Interest and dividends	310	-	310	1,349
Realized and unrealized gains (losses)	(386)	-	(386)	2,427
Loss on asset and inventory disposals	(1,403)	-	(1,403)	(9,533)
Other income	18,724	-	18,724	20,644
Net assets released from restrictions	361,763	(361,763)	-	-
Total support and revenues	<u>2,474,137</u>	<u>(124,543)</u>	<u>2,349,594</u>	<u>3,562,751</u>
EXPENSES				
Program Services				
Reality tours	1,151,455	-	1,151,455	1,906,221
Fair trade and stores	125,679	-	125,679	302,758
Campaigns	165,914	-	165,914	406,194
Public education	14,525	-	14,525	132,243
Grants	249,297	-	249,297	242,481
Total programs	1,706,870	-	1,706,870	2,989,897
Management and general	65,021	-	65,021	192,826
Fund raising	152,192	-	152,192	435,432
Total expenses	<u>1,924,083</u>	<u>-</u>	<u>1,924,083</u>	<u>3,618,155</u>
EXCESS (DEFICIT) OF SUPPORT AND REVENUES OVER EXPENSES	550,054	(124,543)	425,511	(55,404)
NET ASSETS (DEFICIT)				
Beginning of the year	<u>(416,292)</u>	<u>187,475</u>	<u>(228,817)</u>	<u>(173,413)</u>
End of the year	<u>\$ 133,762</u>	<u>\$ 62,932</u>	<u>\$ 196,694</u>	<u>\$ (228,817)</u>

The accompanying notes are an integral part of these financial statements.

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

	Reality Tours	Fair Trade & Stores	Campaigns	Public Education	Special Projects	General & Admin.	Fundraising	Total (Summarized) 2014
Salaries and wages	\$ 168,091	\$ 62,351	\$ 78,058	\$ 5,739	\$ -	\$ 12,102	\$ 75,741	\$ 402,082
Payroll taxes	14,651	5,745	8,247	682	-	1,075	6,944	37,344
Employee benefits	16,495	6,394	9,340	2,767	-	2,086	7,636	44,718
Workers' compensation	1,131	3,003	466	49	-	120	519	5,288
Professional services	26,643	2,081	6,661	617	25,261	10,030	20,794	92,087
Grants and donations	-	-	45,944	-	223,840	-	-	269,784
Travel	883,888	-	7,172	-	-	9,639	3,175	903,874
Advertising and promotion	300	398	-	-	-	-	2,013	2,711
Dues and subscriptions	2,894	339	726	-	-	1,087	1,404	6,450
Bank fees and charges	1,780	4,569	166	-	196	4,071	29	10,811
Insurance	6,563	3,133	423	-	-	637	423	11,179
Meetings and conferences	63	171	795	-	-	4	2	1,035
Occupancy	8,954	32,127	2,238	-	-	3,371	2,239	48,929
Postage and shipping	3,495	185	844	2,204	-	1,272	6,854	14,854
Printing and publications	866	21	476	2,467	-	263	16,982	21,075
Telephone	9,706	962	2,209	-	-	3,318	2,503	18,698
Supplies	4,191	2,227	1,713	-	-	1,578	4,498	14,207
Repairs and maintenance	1,744	66	436	-	-	657	436	3,339
Depreciation	-	366	-	-	-	3,190	-	3,556
Interest	-	-	-	-	-	9,925	-	9,925
Taxes and licenses	-	1,091	-	-	-	596	-	1,687
Miscellaneous	-	450	-	-	-	-	-	450
Total	\$ 1,151,455	\$ 125,679	\$ 165,914	\$ 14,525	\$ 249,297	\$ 65,021	\$ 152,192	\$ 1,924,083
								\$ 3,618,155

The accompanying notes are an integral part of these financial statements.

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

	Total	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 425,511	\$ (55,404)
Adjustments to reconcile the increase (decrease) in net assets to net cash provided by operation activities:		
Depreciation	3,556	9,837
Net realized (gains) losses on investment sales	(522)	1,019
Net unrealized (gains) losses on investments	908	(3,446)
Loss on fixed asset and inventory disposals	2,304	9,533
(Increase) decrease in:		
Accounts receivable	-	20,330
Other receivables	(6,864)	7,312
Inventory	49,249	74,140
Prepaid expenses	(47,937)	23,504
Deposits	-	3,800
Increase (decrease) in:		
Accounts payable and accrued expenses	(94,549)	(5,639)
Credit cards payable	(7,634)	(5,324)
Tour deposits	36,493	(118,675)
Gift certificates	(10,399)	(2,069)
Net cash provided (used) by operating activities	<u>350,116</u>	<u>(41,082)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Asset acquisitions	-	(2,230)
Purchases of investments and transfers	(32,719)	(15,937)
Sales of investments	52,607	13,654
Net cash provided (used) by investing activities	<u>19,888</u>	<u>(4,513)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net decrease in loans payable	(30,908)	(2,888)
Net cash used by financing activities	<u>(30,908)</u>	<u>(2,888)</u>
NET INCREASE (DECREASE) IN CASH	339,096	(48,483)
CASH		
Beginning of year	50,862	99,345
End of year	<u>\$ 389,958</u>	<u>\$ 50,862</u>

The accompanying notes are an integral part
of these financial statements.

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Global Exchange (“the Organization”) is presented to assist in the understanding of the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who is responsible for their integrity and objectivity.

Organization

Global Exchange is a nonprofit research, education and action center dedicated to advocating and working for political, economic and social justice on a global scale. Its goal is to increase global awareness and move the U.S. public to action while building international and domestic partnerships around the world.

Estimates

The preparation of financial statements in conformity 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, except for investment portfolio cash management funds, which are included in investments.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, if any, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventory

Inventory consisted of third world arts and crafts and educational books, and was valued at cost or net realizable value, whichever was lower, on an average cost basis. There is no inventory at June 30, 2015 as the stores were closed in the current fiscal year.

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in equity securities with readily determinable fair values and all investment in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property and equipment

Property and equipment are stated at cost, or in the case of assets acquired through donation, at fair market value at the time acquired. Provision for depreciation is made using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease.

Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Comparative Financial Information and Reclassifications

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 be read in conjunction with the Organization's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 15, 2015, the date the financial statements were available to be issued.

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501 (c)(3) and from California Franchise taxes under Revenue and Taxation Code Section 23701d. The IRS has also determined that Global Exchange is not a private foundation under the provisions of Internal Revenue Code Section 509(a).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability or asset if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or the Franchise Tax Board. Management has analyzed the tax positions taken by the Organization, and has concluded that, as of June 30, 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in question. Management believes it is no longer subject to federal (IRS) and state (FTB) tax examinations for years prior to 2011 and 2010, respectively.

NOTE B – CONCENTRATION OF CREDIT RISK

The Organization maintains its demand deposits in several commercial banks which are insured to a maximum of \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and, at times during the year, the Organization's uninsured demand deposits may exceed the FDIC limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances. The Organization's FDIC limits were not exceeded at June 30, 2015 and 2014, respectively.

NOTE C – PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The unconditional promises to give are deemed to be fully collectible and accordingly, no provision for uncollectible amounts has been recorded.

**GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE D – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on functional bases in the statement of activities. Costs have been allocated among the various programs and supporting services based on time and direct costs.

NOTE E – INVESTMENTS

The fair value of investments at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Money market fund	\$ 34,427	\$ 8,662
Equity securities	<u>-0-</u>	<u>46,039</u>
Total	\$ <u>34,427</u>	\$ <u>54,701</u>

The following schedule summarizes investment return for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 310	\$ 1,349
Realized gains (losses)	522	(1,019)
Unrealized gains (losses)	<u>(908)</u>	<u>3,446</u>
Total	\$ <u>(76)</u>	\$ <u>3,776</u>

NOTE F – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

**GLOBAL EXCHANGE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1 -

Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 -

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 -

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Bond and Equity Securities -

The fair values are determined by reference to quoted market prices and other relevant information generated by market transactions.

Mutual Funds -

Valued at the net asset value ("NAV") of shares held by the Organization at year end.

**GLOBAL EXCHANGE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Organization believes that the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2015 and 2014:

	June 30, 2015			Total
	(Level 1)	(Level 2)	(Level 3)	
Money market fund	\$ <u>34,427</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>34,427</u>
Total investments	\$ <u>34,427</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>34,427</u>
	June 30, 2014			
	(Level 1)	(Level 2)	(Level 3)	Total
Money market fund	\$ 8,662	\$ -0-	\$ -0-	\$ 8,662
Equity securities	<u>46,039</u>	<u>-0-</u>	<u>-0-</u>	<u>46,039</u>
Total investments	\$ <u>54,701</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>54,701</u>

NOTE G – LOAN PAYABLE

In 2005, the Organization obtained a \$96,000 unsecured line of credit with Wells Fargo Bank, at an annual interest rate of 12.50%. The balance at June 30, 2015 and 2014 was \$59,884 and \$90,792, respectively.

NOTE H – COMMITMENTS

**GLOBAL EXCHANGE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The Organization leases store and office space under various long term and month to month leases. Rental expense under the various leases for the years ended June 30, 2015 and 2014 was \$50,023 and \$150,783, respectively.

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are available for the following purposes at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Fiscally sponsored projects	\$ <u>62,932</u>	\$ <u>187,475</u>

Net assets were released from donor restrictions by incurring expenses satisfying programming restrictions.