

COTÉ & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL EXCHANGE (A NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED ENDED JUNE 30, 2014
AND THE SIX MONTHS ENDED JUNE 30, 2013

**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, 2014 and June 30, 2013 and the related statements of activities, functional expenses and cash flows for the year ended June 30, 2014 and the six months ended June 30, 2013, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's June 30, 2013 financial statements and our report, which was dated November 5, 2013, 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, 2014 and 2013 and the changes in its net assets, functional expenses and cash flows for the year ended June 30, 2014 and the six months ended June 30, 2013 in conformity with accounting principles generally accepted in the United States of America.



San Francisco, California
November 5, 2014

GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(With Comparative Totals for June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>Total (Summarized) 2013</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ (136,613)	\$ 187,475	\$ 50,862	\$ 99,345
Accounts receivable	-	-	-	20,330
Other receivables	-	-	-	7,312
Inventory	49,249	-	49,249	123,389
Prepaid expenses	<u>66,750</u>	<u>-</u>	<u>66,750</u>	<u>90,254</u>
Total current assets	<u>(20,614)</u>	<u>187,475</u>	<u>166,861</u>	<u>340,630</u>
FIXED ASSETS				
Furniture, fixtures and equipment	83,013	-	83,013	123,014
Leasehold improvements	1,457	-	1,457	13,040
Less accumulated depreciation	<u>(75,935)</u>	<u>-</u>	<u>(75,935)</u>	<u>(110,379)</u>
Total fixed assets	<u>8,535</u>	<u>-</u>	<u>8,535</u>	<u>25,675</u>
INVESTMENTS	<u>54,701</u>	<u>-</u>	<u>54,701</u>	<u>49,991</u>
DEPOSITS	<u>12,125</u>	<u>-</u>	<u>12,125</u>	<u>15,925</u>
TOTAL ASSETS	<u>\$ 54,747</u>	<u>\$ 187,475</u>	<u>\$ 242,222</u>	<u>\$ 432,221</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Accounts payable and accrued expenses	\$ 306,344	\$ -	\$ 306,344	\$ 311,983
Credit cards payable	7,634	-	7,634	3,507
Tour deposits and deferred income	55,870	-	55,870	183,996
Gift certificates	10,399	-	10,399	12,468
Line of credit	<u>90,792</u>	<u>-</u>	<u>90,792</u>	<u>93,680</u>
Total liabilities	<u>471,039</u>	<u>-</u>	<u>471,039</u>	<u>605,634</u>
NET ASSETS (DEFICIT)				
Unrestricted	(416,292)	-	(416,292)	(336,293)
Temporarily restricted	<u>-</u>	<u>187,475</u>	<u>187,475</u>	<u>162,880</u>
Total net assets (deficit)	<u>(416,292)</u>	<u>187,475</u>	<u>(228,817)</u>	<u>(173,413)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,747</u>	<u>\$ 187,475</u>	<u>\$ 242,222</u>	<u>\$ 432,221</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, 2014

(With Comparative Totals for the Six Months Ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>Total (Summarized) 2013</u>
SUPPORT AND REVENUES				
Grants and contributions	\$ 640,795	\$ 487,077	\$ 1,127,872	\$ 620,438
Reality tours	2,108,467	-	2,108,467	1,146,614
Sales, net of expenses of \$300,208 and \$134,843 in 2014 and 2013, respectively	275,506	-	275,506	154,606
Special events, net of expenses of \$32,775 and \$36,605 in 2014 and 2013, respectively	16,197	-	16,197	28,588
Honoraria	19,822	-	19,822	2,182
Interest and dividends	1,349	-	1,349	474
Realized and unrealized losses	2,427	-	2,427	(1,890)
Loss on asset and inventory disposals	(9,533)	-	(9,533)	(27,797)
Other income	20,644	-	20,644	11,816
Net assets released from restrictions	<u>462,482</u>	<u>(462,482)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>3,538,156</u>	<u>24,595</u>	<u>3,562,751</u>	<u>1,935,031</u>
EXPENSES				
Program Services				
Reality tours	1,906,221	-	1,906,221	1,119,121
Fair trade and stores	302,758	-	302,758	219,323
Campaigns	406,194	-	406,194	237,355
Public education	132,243	-	132,243	84,498
Grants	<u>242,481</u>	<u>-</u>	<u>242,481</u>	<u>128,696</u>
Total programs	2,989,897	-	2,989,897	1,788,993
Management and general	192,826	-	192,826	93,021
Fund raising	<u>435,432</u>	<u>-</u>	<u>435,432</u>	<u>289,574</u>
Total expenses	<u>3,618,155</u>	<u>-</u>	<u>3,618,155</u>	<u>2,171,588</u>
EXCESS (DEFICIT) OF SUPPORT AND REVENUES OVER EXPENSES				
	(79,999)	24,595	(55,404)	(236,557)
NET ASSETS (DEFICIT)				
Beginning of the year	<u>(336,293)</u>	<u>162,880</u>	<u>(173,413)</u>	<u>63,144</u>
End of the year	<u>\$ (416,292)</u>	<u>\$ 187,475</u>	<u>\$ (228,817)</u>	<u>\$ (173,413)</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, 2014
(With Comparative Totals for the Six Months Ended June 30, 2013)

	Reality Tours	Fair Trade & Stores	Campaigns	Public Education	Special Projects	General & Admin.	Fundraising	2014	Total (Summarized) 2013
Salaries and wages	\$ 243,988	\$ 120,042	\$ 233,280	\$ 84,395	\$ -	\$ 36,189	\$ 220,441	\$ 938,335	\$ 616,559
Payroll taxes	21,576	12,114	20,559	7,670	-	3,152	19,467	84,538	60,571
Employee benefits	33,559	15,428	20,747	9,717	-	4,477	33,686	117,614	66,455
Workers' compensation	1,992	7,580	1,719	711	-	(1,353)	1,812	12,461	8,289
Professional services	27,665	5,259	35,218	8,575	48,463	30,091	58,036	213,307	86,230
Grants and donations	-	-	15,865	-	193,657	-	1,786	211,308	213,306
Travel	1,514,563	4,831	28,806	1,342	-	4,914	4,996	1,559,452	863,177
Advertising and promotion	1,197	2,163	284	52	-	248	1,690	5,634	3,030
Dues and subscriptions	3,807	1,131	2,715	1,106	-	2,764	4,105	15,628	7,864
Bank fees and charges	11,660	14,680	1,015	99	361	40,544	188	68,547	39,194
Insurance	3,829	8,122	328	127	-	254	328	12,988	4,797
Meetings and conferences	2,967	804	11,967	12	-	964	775	17,489	5,147
Occupancy	25,018	83,919	20,014	7,755	-	15,685	20,014	172,405	107,136
Postage and shipping	2,406	3,484	1,681	2,793	-	1,562	16,382	28,308	16,679
Printing and publications	2,337	678	3,236	5,044	-	1,118	39,895	52,308	29,042
Telephone	6,572	2,901	5,375	1,933	-	3,912	5,258	25,951	14,455
Supplies	3,084	7,674	3,384	912	-	22,559	6,447	44,060	15,410
Repairs and maintenance	-	795	-	-	-	-	-	795	750
Depreciation	-	3,212	-	-	-	6,625	-	9,837	9,369
Interest	1	-	1	-	-	8,954	1	8,957	2,933
Taxes and licenses	-	2,392	-	-	-	3,843	125	6,360	774
Miscellaneous	-	5,549	-	-	-	6,324	-	11,873	421
Total	\$ 1,906,221	\$ 302,758	\$ 406,194	\$ 132,243	\$ 242,481	\$ 192,826	\$ 435,432	\$ 3,618,155	\$ 2,171,588

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

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

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2014 and the Six Months Ended June 30, 2013

	Total	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (55,404)	\$ (236,557)
Adjustments to reconcile the decrease in net assets to net cash provided by operation activities:		
Depreciation	9,837	9,369
Net realized losses on investment sales	1,019	4,603
Net unrealized gains on investments	(3,446)	(2,713)
Loss on fixed asset and inventory disposals	9,533	27,797
(Increase) decrease in:		
Accounts receivable	20,330	11,126
Other receivables	7,312	-
Inventory	74,140	(7,436)
Prepaid expenses	23,504	200,539
Deposits	3,800	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(5,639)	(36,326)
Credit cards payable	(5,324)	11,817
Tour deposits	(118,675)	(253,336)
Gift certificates	(2,069)	83
Net cash used by operating activities	<u>(41,082)</u>	<u>(271,034)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Asset acquisitions	(2,230)	(1,528)
Purchases of investments	(15,937)	(1,607)
Sales of investments	13,654	43,026
Net cash provided (used) by investing activities	<u>(4,513)</u>	<u>39,891</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net increase (decrease) in loans payable	(2,888)	93,680
Net cash provided (used) by financing activities	<u>(2,888)</u>	<u>93,680</u>
NET DECREASE IN CASH	(48,483)	(137,463)
CASH		
Beginning of year	<u>99,345</u>	<u>236,808</u>
End of year	<u>\$ 50,862</u>	<u>\$ 99,345</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, 2014

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 consists of third world arts and crafts and educational books, and is valued at cost or net realizable value, whichever is lower, on an average cost basis.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 six months ended June 30, 2013 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through January 12, 2015, the date the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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 2010 and 2009, 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, 2014 and 2013, 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, 2014

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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Money market fund	\$ 8,662	\$ -0-
Mutual funds	-0-	32,747
Equity securities	<u>46,039</u>	<u>17,244</u>
Total	\$ <u>54,701</u>	\$ <u>49,991</u>

The following schedule summarizes investment return for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 1,349	\$ 474
Realized gains (losses)	(1,019)	(4,603)
Unrealized gains (losses)	<u>3,446</u>	<u>2,713</u>
Total	\$ <u>3,776</u>	\$ <u>(1,416)</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, 2014

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, 2014 and 2013.

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
(A NOT-FOR-PROFIT CORPORATION)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014 and 2013:

	June 30, 2014			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
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>
	June 30, 2013			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Mutual funds	\$ 32,747	\$ -0-	\$ -0-	\$ 32,747
Equity securities	<u>17,244</u>	<u>-0-</u>	<u>-0-</u>	<u>17,244</u>
Total investments	<u>\$ 49,991</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 49,991</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, 2014 and 2013 was \$90,792 and \$93,680, respectively.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE H – COMMITMENTS

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, 2014 and 2013 was \$150,783 and \$95,531, respectively.

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are available for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Fiscally sponsored projects	\$ <u>187,475</u>	\$ <u>162,880</u>

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