

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, 2017 AND 2016

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

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Coté & Company, APC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and June 30, 2016 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, 2016 financial statements and our report, which was dated November 25, 2016, 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, 2017 and 2016 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.



San Francisco, California
September 1, 2017

GLOBAL EXCHANGE
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2017</u>	Total (Summarized) <u>2016</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 376,961	\$ 31,529	\$ 408,490	\$ 565,408
Employee advances	103	-	103	-
Prepaid expenses	80,471	-	80,471	77,905
Total current assets	<u>457,535</u>	<u>31,529</u>	<u>489,064</u>	<u>643,313</u>
FIXED ASSETS				
Furniture, fixtures and equipment	11,259	-	11,259	49,334
Less accumulated depreciation	<u>(6,748)</u>	<u>-</u>	<u>(6,748)</u>	<u>(44,686)</u>
Total fixed assets	<u>4,511</u>	<u>-</u>	<u>4,511</u>	<u>4,648</u>
INVESTMENTS	<u>37,589</u>	<u>-</u>	<u>37,589</u>	<u>37,154</u>
DEPOSITS	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,125</u>
TOTAL ASSETS	<u>\$ 499,635</u>	<u>\$ 31,529</u>	<u>\$ 531,164</u>	<u>\$ 697,240</u>
<u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Accounts payable and accrued expenses	\$ 20,600	\$ -	\$ 20,600	\$ 86,055
Credit cards payable	3,319	-	3,319	2,346
Tour deposits and deferred income	46,344	-	46,344	94,521
Line of credit	<u>13,818</u>	<u>-</u>	<u>13,818</u>	<u>28,607</u>
Total liabilities	<u>84,081</u>	<u>-</u>	<u>84,081</u>	<u>211,529</u>
NET ASSETS				
Unrestricted	415,554	-	415,554	452,481
Temporarily restricted	<u>-</u>	<u>31,529</u>	<u>31,529</u>	<u>33,230</u>
Total net assets	<u>415,554</u>	<u>31,529</u>	<u>447,083</u>	<u>485,711</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 499,635</u>	<u>\$ 31,529</u>	<u>\$ 531,164</u>	<u>\$ 697,240</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, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2017</u>	Total (Summarized) <u>2016</u>
SUPPORT AND REVENUES				
Contributions	\$ 234,054	\$ 215,155	\$ 449,209	\$ 549,105
Grants	72,500	-	72,500	186,150
Reality tours	1,264,163	-	1,264,163	1,881,702
Special events, net of expenses of \$2,460 and \$4,429 in 2017 and 2016, respectively	2,362	-	2,362	(1,640)
Fiscal sponsorship fees	15,818	-	15,818	12,509
Interest and dividends	173	-	173	194
Realized and unrealized gains	368	-	368	135
Other income	-	-	-	6,591
Net assets released from restrictions	<u>216,856</u>	<u>(216,856)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,806,294</u>	<u>(1,701)</u>	<u>1,804,593</u>	<u>2,634,746</u>
EXPENSES				
Program Services				
Reality tours	1,264,169	-	1,264,169	1,639,397
Campaigns	184,666	-	184,666	328,723
Public education	6,893	-	6,893	7,950
Grants	<u>215,074</u>	<u>-</u>	<u>215,074</u>	<u>182,122</u>
Total programs	1,670,802	-	1,670,802	2,158,192
Management and general	51,873	-	51,873	40,129
Fund raising	<u>120,546</u>	<u>-</u>	<u>120,546</u>	<u>147,408</u>
Total expenses	<u>1,843,221</u>	<u>-</u>	<u>1,843,221</u>	<u>2,345,729</u>
EXCESS (DEFICIT) OF SUPPORT AND REVENUES OVER EXPENSES	(36,927)	(1,701)	(38,628)	289,017
NET ASSETS				
Beginning of the year	<u>452,481</u>	<u>33,230</u>	<u>485,711</u>	<u>196,694</u>
End of the year	<u>\$ 415,554</u>	<u>\$ 31,529</u>	<u>\$ 447,083</u>	<u>\$ 485,711</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Reality Tours	Campaigns	Public Education	Special Projects	Total Programs	General & Admin.	Fundraising	2017	Total (Summarized) 2016
Salaries and wages	\$ 221,780	\$ 97,682	\$ -	\$ -	\$ 319,462	\$ 17,150	\$ 67,551	\$ 404,163	\$ 443,569
Payroll taxes	19,520	8,656	-	-	28,176	1,443	6,320	35,939	38,342
Employee benefits	19,713	13,466	-	-	33,179	2,495	1,602	37,276	30,440
Workers' compensation	707	344	-	-	1,051	(67)	243	1,227	4,046
Professional services	45,823	7,575	-	142,552	195,950	10,645	14,560	221,155	142,586
Grants and donations	-	9,000	-	72,522	81,522	-	-	81,522	171,558
Travel	917,501	38,268	599	-	956,368	1,577	1,443	959,388	1,422,808
Advertising and promotion	1,182	146	-	-	1,328	333	66	1,727	585
Dues and subscriptions	2,296	343	-	-	2,639	385	918	3,942	1,087
Bank fees and charges	1,578	160	-	-	1,738	1,123	34	2,895	3,266
Insurance	6,519	712	-	-	7,231	1,109	712	9,052	8,643
Meetings and conferences	920	2,328	-	-	3,248	1,402	557	5,207	1,351
Occupancy	15,578	3,895	-	-	19,473	6,065	3,895	29,433	11,338
Postage and shipping	682	184	-	-	866	266	3,697	4,829	7,693
Printing and publications	1,015	235	6,294	-	7,544	366	17,040	24,950	24,001
Telephone	7,382	1,393	-	-	8,775	2,169	1,603	12,547	23,153
Supplies	1,373	279	-	-	1,652	434	305	2,391	3,928
Depreciation	-	-	-	-	-	1,894	-	1,894	1,878
Interest	-	-	-	-	-	2,895	-	2,895	5,087
Taxes and licenses	600	-	-	-	600	189	-	789	370
Miscellaneous	-	-	-	-	-	-	-	-	-
Total	\$ 1,264,169	\$ 184,666	\$ 6,893	\$ 215,074	\$ 1,670,802	\$ 51,873	\$ 120,546	\$ 1,843,221	\$ 2,345,729

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, 2017 and 2016

	Total	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (38,628)	\$ 289,017
Adjustments to reconcile the increase (decrease) in net assets to net cash provided by operation activities:		
Depreciation	1,894	1,878
Net realized gains on investment sales	-	(30)
Net unrealized gains on investments	(368)	(105)
(Increase) decrease in:		
Accounts receivable	(103)	6,864
Prepaid expenses	(2,566)	36,782
Deposits	12,125	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(65,455)	(125,740)
Credit cards payable	973	2,346
Tour deposits	(48,177)	2,158
Net cash provided (used) by operating activities	(140,305)	213,170
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,757)	(3,851)
Purchases of investments and transfers	(67)	(42,011)
Sales of investments	-	39,419
Net cash used by investing activities	(1,824)	(6,443)
CASH FLOW FROM FINANCING ACTIVITIES		
Net decrease in loans payable	(14,789)	(31,277)
Net cash used by financing activities	(14,789)	(31,277)
NET INCREASE (DECREASE) IN CASH	(156,918)	175,450
CASH		
Beginning of year	565,408	389,958
End of year	\$ 408,490	\$ 565,408

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 15, 2017, the date the financial statements were available to be issued.

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).

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2017, 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 2013 and 2012, 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, 2017 and 2016, 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE E – INVESTMENTS

The fair value of investments at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Money market fund	\$ 34,370	\$ 34,361
Mutual fund	<u>3,219</u>	<u>2,793</u>
Total	\$ <u>37,589</u>	\$ <u>37,154</u>

The following schedule summarizes investment return for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 173	\$ 194
Realized gains	-0-	30
Unrealized gains	<u>368</u>	<u>105</u>
Total	\$ <u>541</u>	\$ <u>329</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).

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.

**GLOBAL EXCHANGE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

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, 2017 and 2016.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan’s assets at fair value as of June 30, 2017 and 2016:

	June 30, 2017			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Money market fund	\$ 34,370	\$ -0-	\$ -0-	\$ 34,370
Long-term growth	<u>3,219</u>	<u>-0-</u>	<u>-0-</u>	<u>3,219</u>
Total investments	\$ <u>37,589</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>37,589</u>

	June 30, 2016			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Money market fund	\$ 34,361	\$ -0-	\$ -0-	\$ 34,361
Long-term growth	<u>2,793</u>	<u>-0-</u>	<u>-0-</u>	<u>2,793</u>
Total investments	\$ <u>37,154</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>37,154</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, 2017 and 2016 was \$13,818 and \$28,607, respectively.

NOTE H – COMMITMENTS

The Organization leased office space on a month-to-month basis and also sub-let space on a month-to-month basis to various organizations. Both the lease and the sub-leases terminated on December 31, 2016. In December 2016, the Organization signed a Memorandum of Understanding (MOU) with Intersection of the Arts to become Designated Desk members at \$300 per month per Designated Desk. The MOU expired on March 31, 2017, with an option for extension. In May 2017, the Organization signed a MOU for the period July 1, 2017 to June 30, 2018. At fiscal year end, the Organization’s lease commitment was \$25,200 and is based on seven (7) Designated Desks at \$300 per Designated Desk.

**GLOBAL EXCHANGE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE H – COMMITMENTS

The net lease costs for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Rent, utilities and other occupancy costs	\$ 88,237	\$ 180,034
Less: Sub-tenant rent and reimbursements	(58,804)	(168,696)
Net occupancy expense	\$ <u>29,433</u>	\$ <u>11,338</u>

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fiscally sponsored projects	\$ <u>31,529</u>	\$ <u>33,230</u>

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