

# COTÉ & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

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

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

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FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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

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JUNE 30, 2016

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Coté & Company, APC

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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, 2016 and June 30, 2015 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, 2015 financial statements and our report, which was dated November 25, 2015, 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, 2016 and 2015 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  
September 29, 2016

**GLOBAL EXCHANGE**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**  
(With Comparative Totals for June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>Total (Summarized) 2015</u>
<u>ASSETS</u>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 532,178	\$ 33,230	\$ 565,408	\$ 389,958
Accounts receivable	-	-	-	5,824
Employee advances	-	-	-	1,040
Prepaid expenses	<u>77,905</u>	<u>-</u>	<u>77,905</u>	<u>114,687</u>
Total current assets	<u>610,083</u>	<u>33,230</u>	<u>643,313</u>	<u>511,509</u>
<b>FIXED ASSETS</b>				
Furniture, fixtures and equipment	49,334	-	49,334	52,269
Less accumulated depreciation	<u>(44,686)</u>	<u>-</u>	<u>(44,686)</u>	<u>(49,594)</u>
Total fixed assets	<u>4,648</u>	<u>-</u>	<u>4,648</u>	<u>2,675</u>
<b>INVESTMENTS</b>	<u>37,154</u>	<u>-</u>	<u>37,154</u>	<u>34,427</u>
<b>DEPOSITS</b>	<u>12,125</u>	<u>-</u>	<u>12,125</u>	<u>12,125</u>
<b>TOTAL ASSETS</b>	<u>\$ 664,010</u>	<u>\$ 33,230</u>	<u>\$ 697,240</u>	<u>\$ 560,736</u>
<u>LIABILITIES AND NET ASSETS</u>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 86,055	\$ -	\$ 86,055	\$ 211,795
Credit cards payable	2,346	-	2,346	-
Tour deposits and deferred income	94,521	-	94,521	92,363
Line of credit	<u>28,607</u>	<u>-</u>	<u>28,607</u>	<u>59,884</u>
Total liabilities	<u>211,529</u>	<u>-</u>	<u>211,529</u>	<u>364,042</u>
<b>NET ASSETS</b>				
Unrestricted	452,481	-	452,481	133,762
Temporarily restricted	<u>-</u>	<u>33,230</u>	<u>33,230</u>	<u>62,932</u>
Total net assets	<u>452,481</u>	<u>33,230</u>	<u>485,711</u>	<u>196,694</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 664,010</u>	<u>\$ 33,230</u>	<u>\$ 697,240</u>	<u>\$ 560,736</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, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>Total (Summarized) 2015</u>
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 396,149	\$ 152,956	\$ 549,105	\$ 632,749
Grants	186,150	-	186,150	397,273
Reality tours	1,881,702	-	1,881,702	1,220,823
Sales, net of expenses of \$99,349	-	-	-	95,644
Special events, net of expenses of \$4,429 and \$21,169 in 2016 and 2015, respectively	(1,640)	-	(1,640)	(14,640)
Fiscal sponsorship fees	12,509	-	12,509	18,041
Interest and dividends	194	-	194	310
Realized and unrealized gains (losses)	135	-	135	(386)
Loss on asset and inventory disposals	-	-	-	(1,403)
Other income	6,591	-	6,591	1,183
Net assets released from restrictions	<u>182,658</u>	<u>(182,658)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>2,664,448</u>	<u>(29,702)</u>	<u>2,634,746</u>	<u>2,349,594</u>
<b>EXPENSES</b>				
Program Services				
Reality tours	1,639,397	-	1,639,397	1,151,455
Fair trade and stores	-	-	-	125,679
Campaigns	328,723	-	328,723	165,914
Public education	7,950	-	7,950	14,525
Grants	<u>182,122</u>	<u>-</u>	<u>182,122</u>	<u>249,297</u>
Total programs	2,158,192	-	2,158,192	1,706,870
Management and general	40,129	-	40,129	65,021
Fund raising	<u>147,408</u>	<u>-</u>	<u>147,408</u>	<u>152,192</u>
Total expenses	<u>2,345,729</u>	<u>-</u>	<u>2,345,729</u>	<u>1,924,083</u>
<b>EXCESS (DEFICIT) OF SUPPORT AND REVENUES OVER EXPENSES</b>	318,719	(29,702)	289,017	425,511
<b>NET ASSETS (DEFICIT)</b>				
Beginning of the year	<u>133,762</u>	<u>62,932</u>	<u>196,694</u>	<u>(228,817)</u>
End of the year	<u>\$ 452,481</u>	<u>\$ 33,230</u>	<u>\$ 485,711</u>	<u>\$ 196,694</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, 2016**

(With Comparative Totals for the Year Ended June 30, 2015)

	Reality Tours	Campaigns	Public Education	Special Projects	Total Programs	General & Admin.	Fundraising	Total	
								2016	(Summarized) 2015
Salaries and wages	\$ 218,898	\$ 122,093	\$ 640	\$ -	\$ 341,631	\$ 6,172	\$ 95,766	\$ 443,569	\$ 402,082
Payroll taxes	18,887	10,276	89	-	29,252	539	8,551	38,342	37,344
Employee benefits	15,986	11,780	-	-	27,766	1,039	1,635	30,440	44,718
Workers' compensation	2,212	743	12	-	2,967	320	759	4,046	5,288
Professional services	30,589	41,106	1,400	53,219	126,314	6,831	9,441	142,586	92,087
Grants and donations	-	42,655	-	128,903	171,558	-	-	171,558	269,784
Travel	1,318,757	91,551	-	-	1,410,308	9,981	2,519	1,422,808	903,874
Advertising and promotion	405	1	-	-	406	178	1	585	2,711
Dues and subscriptions	-	-	-	-	-	-	1,087	1,087	6,450
Bank fees and charges	1,696	478	-	-	2,174	1,072	20	3,266	10,811
Insurance	6,511	711	-	-	7,222	711	710	8,643	11,179
Meetings and conferences	568	633	-	-	1,201	137	13	1,351	1,035
Occupancy	6,479	1,620	-	-	8,099	1,620	1,619	11,338	48,929
Postage and shipping	2,209	637	20	-	2,866	609	4,218	7,693	14,854
Printing and publications	1,063	790	5,789	-	7,642	348	16,011	24,001	21,075
Telephone	13,443	3,063	-	-	16,526	3,214	3,413	23,153	18,698
Supplies	1,694	566	-	-	2,260	23	1,645	3,928	14,207
Repairs and maintenance	-	-	-	-	-	-	-	-	3,339
Depreciation	-	-	-	-	-	1,878	-	1,878	3,556
Interest	-	-	-	-	-	5,087	-	5,087	9,925
Taxes and licenses	-	-	-	-	-	370	-	370	1,687
Miscellaneous	-	-	-	-	-	-	-	-	450
<b>Total</b>	<b>\$ 1,639,397</b>	<b>\$ 328,723</b>	<b>\$ 7,950</b>	<b>\$ 182,122</b>	<b>\$ 2,158,192</b>	<b>\$ 40,129</b>	<b>\$ 147,408</b>	<b>\$ 2,345,729</b>	<b>\$ 1,924,083</b>

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, 2016 and 2015

	Total	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 289,017	\$ 425,511
Adjustments to reconcile the increase in net assets to net cash provided by operation activities:		
Depreciation	1,878	3,556
Net realized (gains) losses on investment sales	(30)	(522)
Net unrealized (gains) losses on investments	(105)	908
Loss on fixed asset and inventory disposals	-	2,304
(Increase) decrease in:		
Accounts receivable	6,864	(6,864)
Inventory	-	49,249
Prepaid expenses	36,782	(47,937)
Increase (decrease) in:		
Accounts payable and accrued expenses	(125,740)	(94,549)
Credit cards payable	2,346	(7,634)
Tour deposits	2,158	36,493
Gift certificates	-	(10,399)
Net cash provided by operating activities	<u>213,170</u>	<u>350,116</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(3,851)	-
Purchases of investments and transfers	(42,011)	(32,719)
Sales of investments	<u>39,419</u>	<u>52,607</u>
Net cash provided (used) by investing activities	<u>(6,443)</u>	<u>19,888</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net decrease in loans payable	<u>(31,277)</u>	<u>(30,908)</u>
Net cash used by financing activities	<u>(31,277)</u>	<u>(30,908)</u>
<b>NET INCREASE IN CASH</b>	175,450	339,096
<b>CASH</b>		
Beginning of year	<u>389,958</u>	<u>50,862</u>
End of year	<u>\$ 565,408</u>	<u>\$ 389,958</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, 2016

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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, 2016

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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, 2015 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 7, 2016, 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, 2016

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**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, 2016, 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 2012 and 2011, 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, 2016 and 2015, 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, 2016

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NOTE E – INVESTMENTS

The fair value of investments at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Money market fund	\$ 34,361	\$ 34,427
Mutual fund	<u>2,793</u>	<u>-0-</u>
Total	\$ <u>37,154</u>	\$ <u>34,427</u>

The following schedule summarizes investment return for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 194	\$ 310
Realized gains	30	522
Unrealized gains (losses)	<u>105</u>	<u>(908)</u>
Total	\$ <u>329</u>	\$ <u>(76)</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  
(A NOT-FOR-PROFIT CORPORATION)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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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, 2016 and 2015.

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, 2016

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, 2016 and 2015:

	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>

  

	June 30, 2015			<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Money market fund	\$ <u>34,427</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>34,427</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, 2016 and 2015 was \$28,607 and \$59,884, respectively.

NOTE H – COMMITMENTS

The Organization leases office space under a month-to-month lease. In addition, the Organization also sub-leases space on a month-to-month basis. The net lease costs for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Rent, utilities and other occupancy costs	\$ 180,034	\$ 159,664
Add: Berkeley store rent	-0-	31,384
Less: Sub-tenant rent and reimbursements	<u>(168,696)</u>	<u>(142,119)</u>
Net occupancy expense	\$ <u>11,338</u>	\$ <u>48,929</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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NOTE I - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Fiscally sponsored projects	\$ <u>33,230</u>	\$ <u>62,932</u>

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