

**World Federalist Movement/
Institute for Global Policy, Inc.**

Financial Statements

December 31, 2010



Independent Auditors' Report

**To the Board of Directors
World Federalist Movement/Institute
for Global Policy, Inc.**

We have audited the accompanying statement of financial position of the World Federalist Movement/Institute for Global Policy, Inc. (the "Organization") as of December 31, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's December 31, 2009 financial statements and, in our report dated November 15, 2010 we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the World Federalist Movement/Institute for Global Policy, Inc. as of December 31, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
November 28, 2011

**World Federalist Movement/
Institute for Global Policy, Inc.**

Statement of Financial Position

December 31, 2010
(with comparative amounts at December 31, 2009)

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 1,709,367	\$ 1,475,818
Investments	95,819	81,925
Grants receivable, net	853,509	938,722
Accounts receivable	8,531	89,028
Prepaid expenses	20,627	24,432
Property, furniture and equipment, net	114,186	157,265
Security deposits	12,947	45,795
Restricted investments	25,000	25,000
	\$ 2,839,986	\$ 2,837,985
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 56,397	\$ 274,624
Net Assets		
Unrestricted		
Undesignated	720,948	1,020,490
Board designated	147,871	147,871
Total Unrestricted	868,819	1,168,361
Temporarily restricted	1,889,770	1,370,000
Permanently restricted	25,000	25,000
Total Net Assets	2,783,589	2,563,361
	\$ 2,839,986	\$ 2,837,985

See notes to financial statements

**World Federalist Movement/
Institute for Global Policy, Inc.**

Statement of Activities

Year Ended December 31, 2010

(with summarized comparative totals for the year ended December 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
SUPPORT AND REVENUE					
Grants and contributions	\$ 38,905	\$ 4,140,509	\$ -	\$ 4,179,414	\$ 3,222,309
Member organization fees	32,126	-	-	32,126	25,482
Conference income	13,735	-	-	13,735	21,754
Interest and dividends	10,806	-	-	10,806	18,339
Unrealized gain on investments	13,596	298	-	13,894	24,605
(Loss) gain on foreign exchange	(78,437)	-	-	(78,437)	25,318
Miscellaneous income	26	-	-	26	20,506
Net assets released from restrictions	<u>3,621,037</u>	<u>(3,621,037)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,651,794</u>	<u>519,770</u>	<u>-</u>	<u>4,171,564</u>	<u>3,358,313</u>
OPERATING EXPENSES					
Program services	3,441,830	-	-	3,441,830	4,194,968
Management and general	337,765	-	-	337,765	564,215
Fundraising	<u>171,741</u>	<u>-</u>	<u>-</u>	<u>171,741</u>	<u>188,014</u>
Total Expenses	<u>3,951,336</u>	<u>-</u>	<u>-</u>	<u>3,951,336</u>	<u>4,947,197</u>
Change in Net Assets	(299,542)	519,770	-	220,228	(1,588,884)
NET ASSETS					
Beginning of year	<u>1,168,361</u>	<u>1,370,000</u>	<u>25,000</u>	<u>2,563,361</u>	<u>4,152,245</u>
End of year	<u>\$ 868,819</u>	<u>\$ 1,889,770</u>	<u>\$ 25,000</u>	<u>\$ 2,783,589</u>	<u>\$ 2,563,361</u>

See notes to financial statements

**World Federalist Movement/
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Statement of Cash Flows

Year Ended December 31, 2010
(with comparative amounts for the year ended December 31, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 220,228	\$ (1,588,884)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	47,528	38,039
Unrealized (gain) loss on investments	(13,894)	(24,605)
Changes in operating assets and liabilities		
Accounts receivable	80,497	(45,946)
Grants receivable	85,213	917,831
Prepaid expenses	3,805	71,446
Accounts payable and accrued expenses	(218,227)	62,856
Net Cash from Operating Activities	205,150	(569,263)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,449)	(126,850)
Security deposits	32,848	-
Purchase of investments	-	(12,361)
Net Cash from Investing Activities	28,399	(139,211)
Net Change in Cash and Cash Equivalents	233,549	(708,474)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,475,818	2,184,292
End of year	\$ 1,709,367	\$ 1,475,818

See notes to financial statements

**World Federalist Movement/
Institute for Global Policy, Inc.**

Notes to Financial Statements

1. Nature of Organization

The World Federalist Movement/Institute for Global Policy, Inc. (the "Organization") is a not-for-profit organization formed in 1995 under the laws of New York State. The Organization is based in New York City near the United Nations (the "UN") headquarters, and is supported primarily by donor contributions and grants. The Organization is a legal entity of the World Federalist Movement, a coalition of peace movements formed in 1947 to promote the federalist principles of constitutional democratic rule of law as the basis of relations between nations, as the framework for the international legal order, in the governance of the UN, and in the UN Charter goal to "save future generations from the scourge of war." The following programs and supporting services are included in the accompanying financial statements:

Coalition for the International Criminal Court ("CICC")

Works with nongovernmental organizations, governments, international and regional organizations and the United Nations Secretariat to support the fair and effective functioning of the International Criminal Court ("ICC"); promotes global awareness of the Rome Statute of the ICC; facilitates the effective participation of civil society in intergovernmental negotiations; monitors and supports the full effective functioning of the ICC; and strengthens regional human rights networks.

International Democratic Governance ("IDG")

Promotes greater transparency and accountability in international decision-making. Supports a stronger, more inclusive and effective UN, better global governance of environmental issues, as well as strengthened global economic governance. The IDG program produces news and analysis on these issues and manages civil society campaigns in support of widely-shared goals about better global solutions to pressing global problems.

International Coalition for the Responsibility to Protect

Works to promote earlier and more effective international responses to genocide and mass atrocities; to increase awareness of the responsibility to protect; to mobilize NGOs to demand responsibility to protect responses to emerging crises; and to build capacity of governments, regional organizations, and the UN system to ensure fulfillment of the responsibility to protect.

Special Adviser for the Prevention of Genocide and Mass Atrocities ("SAPGMA")

Focuses on the creation of a Genocide Prevention Office (GPO), which would compliment the work of the UN Office of the Special Adviser to the Secretary-General on the prevention of genocide and mass atrocities, by conducting pre-assessment and analysis of information from sources outside of the UN system, in particular civil society working in high-risk countries; and includes the coordination of a broad network of civil society groups to advocate the strengthening of the Special Adviser's mandate. This project was renamed The Genocide Prevention Program.

**World Federalist Movement/
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Notes to Financial Statements

1. Nature of Organization (continued)

Administration

Includes the functions necessary to maintain an equitable employment program; ensures an adequate working environment; provides coordination and articulation of the Organization's program strategy; secures proper administrative functioning of the Board of Directors; and manages the financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure financial support from individuals, foundations and governments.

2. Summary of Significant Accounting Policies

Use of 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 the reporting amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restriction. Unrestricted amounts are those currently available at the discretion of the Board for use in the Organization's operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or restricted by time. Permanently restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Endowments

On September 17, 2010, New York State adopted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). New York State's version of UPMIFA is known as NYPMIFA. NYPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds.

**World Federalist Movement/
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Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements

The Organization follows FASB guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at time of purchase.

Investments and Investment Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Property, Furniture and Equipment

Property, furniture and equipment are stated at cost or fair value at date of donation for donated items. Maintenance and repairs are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally periods of three to ten years).

Revenue and Expense Recognition

Donations and grants are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Revenues under contracts for service are recognized as earned. Deferred income arises from payments received under contracts for service prior to revenue recognition. Expenses are recognized when incurred. The Organization allocates its expenses on a functional basis among its various programs, supporting services and fundraising. Expenses that can be identified with specific program and supporting services are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various rational bases.

**World Federalist Movement/
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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

Certain donations and grants are derived from foreign sources. Such amounts are translated at the exchange rate in effect at the date the donation is received.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to audits by the applicable taxing jurisdictions for tax years prior to 2007.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 28, 2011.

3. Investments

The following are major categories of investments at fair value as of December 31:

	<u>2010</u>	<u>2009</u>
Mutual Funds		
Energy funds	\$ 49,450	\$ 40,866
Equity funds	28,773	24,535
Assets allocation funds	32,186	29,307
Energy equities	<u>10,410</u>	<u>12,217</u>
	<u>\$ 120,819</u>	<u>\$ 106,925</u>

As of and for the year ended December 31, 2010 and 2009, all of the Organizations investments, bought, sold and held were level 1 investments.

**World Federalist Movement/
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Notes to Financial Statements

4. Grants Receivable

Grants receivable as of December 31, are comprised of the following:

	2010	2009
European Commission	\$ 910,043	\$ 404,832
Ford Foundation	-	100,000
MacArthur Foundation	-	400,906
Government of Netherlands - CICC	11,189	8,881
Government of Belgium - CICC	131,057	-
Members/Association organization dues	-	24,103
	<u>1,052,289</u>	<u>938,722</u>
Allowance for doubtful accounts	<u>(198,780)</u>	<u>-</u>
	<u>\$ 853,509</u>	<u>\$ 938,722</u>

5. Property, Furniture and Equipment

Property, furniture and equipment as of December 31, are comprised of the following:

	2010	2009
Computers and equipment	\$ 323,185	\$ 318,735
Furniture and fixtures	78,910	78,911
Leasehold improvements	<u>52,572</u>	<u>52,572</u>
	454,667	450,218
Accumulated depreciation	<u>(340,481)</u>	<u>(292,953)</u>
	<u>\$ 114,186</u>	<u>\$ 157,265</u>

Depreciation expense for 2010 and 2009 was \$47,528 and \$38,039.

6. Concentration of Credit Risk Arising from Cash Deposits

The Organization's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash, investments and grants and contracts receivable. At times, cash balances may be in excess at the Federal Deposit Insurance Corporation insurance limit. The Organization invests in mutual funds maintained at a major financial institution.

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Notes to Financial Statements

7. Commitments

Leases

The Organization has three operating leases for office space. These lease agreement expire in 2014. Future minimum payments under this operating lease are as follows:

2011	\$	258,226	
2012		265,973	
2013		273,895	
2014		282,171	
		282,171	
	\$	1,080,265	

Rent expense for 2010 and 2009 was \$355,095 and 351,479.

Consulting Agreements

The Organization has consulting agreements with individuals who provide supporting services. The Organization incurred \$375,940 and \$319,421 under these arrangements for 2010 and 2009.

8. Pension

The Organization maintains a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code for eligible employees. Pension expense totaled \$18,922 and \$48,358 for 2010 and 2009.

9. Program Services

Program services expenses as of December 31, are comprised of the following:

	2010	2009
Coalition for the International Criminal Court	\$ 2,769,019	\$ 3,630,290
International Coalition for the Responsibility to Protect	588,570	364,426
Special Adviser for the Prevention of Genocide and Mass Atrocities	-	101,412
International Democratic Governance	84,241	98,840
	\$ 3,441,830	\$ 4,194,968

**World Federalist Movement/
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Notes to Financial Statements

10. Board Designated Net Assets

At December 31, 2010 and 2009, Board Designated net assets of \$147,871 represent an operational allowance established by the Board of Directors to provide a reserve for future years.

11. Restrictions on Net Assets

At December 31, temporarily restricted net assets were available for the following purposes:

	2010	2009
Coalition for the International Criminal Court	\$ 1,598,307	\$ 513,828
International Coalition for the Responsibility to Protect	199,232	672,430
Genocide Prevention Office Project	-	26,566
Hague conference	18,232	18,232
International Democratic Governance Program	8,388	76,331
Jeanette Short fellowship	1,544	1,544
Outreach	250	250
Other	63,817	60,819
	\$ 1,889,770	\$ 1,370,000

Net assets released from restriction for 2010 and 2009, consist of the following:

	2010	2009
Coalition for the International Criminal Court	\$ 2,882,013	\$ 3,993,931
International Coalition for the Responsibility to Protect	618,850	461,772
UN Democratization/IDG	93,310	225,635
Special Adviser for the Prevention of Genocide and Mass Atrocities	26,566	113,552
Dana Scholarship Fund	298	-
	\$ 3,621,037	\$ 4,794,890

12. Endowments

The Betsy Dana Scholarship Fund is a scholarship fund for a permanent annual internship to the Organization. This fund was established by the immediate family and friends of Betsy Dana to honor her memory and must maintain a minimum interest bearing cash balance of \$25,000.

**World Federalist Movement/
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Notes to Financial Statements

12. Endowments (continued)

Interpretation of Relevant Law

The Board of Directors have interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Organization's Board of Directors, the endowment assets are invested in a number of different asset classes and investment strategies to diversify the investments to provide a balance that will enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment category.

The following is a reconciliation of the activity in the donor restricted fund for 2010:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at beginning of year	\$ -	\$ 25,000	\$ 25,000
Net investment income	298	-	298
Appropriated for expenditures	<u>(298)</u>	<u>-</u>	<u>(298)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

**World Federalist Movement/
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Notes to Financial Statements

13. Grants and Contributions Revenue

In 2010 and 2009, grants and contributions were provided by the following:

	2010	2009
John D. and Catherine T. MacArthur Foundation	\$ -	\$ 1,312,000
Unit for Public International Law-Ministry for Foreign Affairs - Finland	191,336	264,320
Department for International Law, Human Rights and Treaty Law - Sweden	401,295	140,000
Security Policy Department - Sweden Ministry of Foreign Affairs - Sweden	145,650	-
European Commission	2,097,926	-
Department of Foreign Affairs - Ireland	-	35,100
Task Force ICC - Ministry of Foreign Affairs - Netherlands	110,606	101,496
The Ford Foundation	75,000	150,000
Department of International Law - Ministry of Foreign Affairs - Denmark	10,002	9,417
Permanent Mission of the Principality of Liechtenstein Directorate of International Law	16,331	8,811
- Swiss Federal Department of Foreign Affairs	77,044	72,909
Women's Global Leadership	8,000	-
Anonymous	-	250,000
Vanguard Charitable Endowment Program	200,000	-
Sigrid Rausing Trust	150,489	-
Humanity United	261,900	-
European Centre for Conflict Prevention	17,367	-
Samuel Rubin Foundation	2,500	-
Open Society Institute	50,000	-
Thomas A. Todd Foundation	500	-
Other grants and contributions	39,005	369,586
Government of Luxembourg	24,426	-
Government of Belgium	131,057	203,835
Government of Austria	10,000	14,040
Government of Norway	158,980	290,795
	\$ 4,179,414	\$ 3,222,309