

**WORLD FEDERALIST MOVEMENT/
INSTITUTE FOR GLOBAL POLICY, INC.
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011 AND 2010
TOGETHER WITH AUDITOR'S REPORT**

**WORLD FEDERALIST MOVEMENT/
INSTITUTE FOR GLOBAL POLICY, INC.**
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Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
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, 2011 and the related statements of activities and changes in net assets 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, 2010 financial statements which were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated November 28, 2011.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2011, 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.

Melville, New York
June 29, 2012

Nawrocki Smith LLP

**WORLD FEDERALIST MOVEMENT/
INSTITUTE FOR GLOBAL POLICY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 1,496,075	\$ 1,709,367
Investments	91,402	95,819
Restricted investments	25,000	25,000
Accounts receivable	25,890	8,531
Grants receivable, net of allowance for doubtful accounts of \$103,419 in 2011 and \$198,780 in 2010	887,510	853,509
Prepaid expenses	21,713	20,627
Fixed assets, net of accumulated depreciation of \$385,138 in 2011 and \$340,481 in 2010	74,621	114,186
Security deposits	12,947	12,947
 Total assets	 <u>\$ 2,635,158</u>	 <u>\$ 2,839,986</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 96,235	\$ 56,397
 Total liabilities	 <u>96,235</u>	 <u>56,397</u>
NET ASSETS:		
Unrestricted:		
Board designated for operational allowance	147,871	147,871
Undesignated	847,681	720,948
 Total unrestricted	 995,552	 868,819
Temporarily restricted	1,518,371	1,889,770
Permanently restricted	25,000	25,000
 Total net assets	 <u>2,538,923</u>	 <u>2,783,589</u>
 Total liabilities and net assets	 <u>\$ 2,635,158</u>	 <u>\$ 2,839,986</u>

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

**WORLD FEDERALIST MOVEMENT/
INSTITUTE FOR GLOBAL POLICY, INC.
STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Summarized Totals For The Year Ended December 31, 2010)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010
REVENUES:					
Grants and contributions	\$ 382,054	\$ 3,036,111	\$ -	\$ 3,418,165	\$ 4,179,414
Member organization fees	26,686	-	-	26,686	32,126
Interest and dividends	12,589	-	-	12,589	10,806
Conference income	5,470	-	-	5,470	13,735
Other income	78	-	-	78	26
Unrealized gain (loss) on investments	(16,936)	-	-	(16,936)	13,894
Loss on foreign currency translation	(59,790)	-	-	(59,790)	(78,437)
Total revenues	350,151	3,036,111	-	3,386,262	4,171,564
EXPENSES:					
Program services	2,976,531	-	-	2,976,531	3,441,830
Supporting services:					
Management and general	388,245	-	-	388,245	337,765
Fundraising	266,152	-	-	266,152	171,741
Total expenses	3,630,928	-	-	3,630,928	3,951,336
Excess (deficiency) of revenues over (under) expenses	(3,280,777)	3,036,111	-	(244,666)	220,228
NET ASSETS RELEASED FROM RESTRICTIONS	3,407,510	(3,407,510)	-	-	-
Change in net assets	126,733	(371,399)	-	(244,666)	220,228
NET ASSETS, BEGINNING OF YEAR	868,819	1,889,770	25,000	2,783,589	2,563,361
NET ASSETS, END OF YEAR	\$ 995,552	\$ 1,518,371	\$ 25,000	\$ 2,538,923	\$ 2,783,589

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

**WORLD FEDERALIST MOVEMENT/
INSTITUTE FOR GLOBAL POLICY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (244,666)	\$ 220,228
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized (gain) loss on investments	16,936	(13,894)
Depreciation	44,657	47,528
(Increase) decrease in accounts receivable	(17,359)	80,497
(Increase) decrease in grants receivable	(34,001)	85,213
(Increase) decrease in prepaid expenses	(1,086)	3,805
Decrease in security deposits	-	32,848
Increase (decrease) in accounts payable and accrued expenses	39,838	(218,227)
	<u>(195,681)</u>	<u>237,998</u>
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(5,092)	(4,449)
Decrease in investments	(12,519)	-
	<u>(17,611)</u>	<u>(4,449)</u>
Net cash used by investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(213,292)	233,549
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,709,367</u>	<u>1,475,818</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,496,075</u>	<u>\$ 1,709,367</u>

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

**WORLD FEDERALIST MOVEMENT/
INSTITUTE FOR GLOBAL POLICY, INC.
NOTES TO FINANCIAL STATEMENTS**

(1) Nature of activities:

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 inter-governmental negotiations; monitors and supports the full effective functioning of the ICC; and strengthens regional human rights networks.

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 non-governmental organizations ("NGO's") 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.

International Democratic Governance ("IDG")

Promotes greater transparency and accountability in international decision-making. Supports a stronger, more inclusive and effective United Nations, 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, including the work of the Peacebuilding Commission ("PBC") & Gender Equality Architecture Reform ("GEAR") campaign.

The Genocide Prevention Program

Focuses on the creation of a Genocide Prevention Office (GPO), which would complement 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 program has been merged into the International Coalition for the Responsibility to Protect program.

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:

Basis of accounting and financial statement presentation

The accompanying financial statements are presented under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and include the accounts of the Organization's programs, administration and fundraising. U.S. generally accepted accounting principles require the Organization's financial statements to distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets. The Organization's net assets consist of the following:

Unrestricted - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

Temporarily restricted - net assets of the Organization which have been limited by donor-imposed stipulations or by law that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations.

Permanently restricted - net assets of the Organization which have been restricted by donors to be maintained in perpetuity by the Organization.

The Organization follows U.S. generally accepted accounting principles regarding Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Enhanced Disclosures for All Endowment Funds which require a portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure.

The Organization also presents a statement of cash flows in accordance with U.S. generally accepted accounting principles.

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 generally 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.

Cash and cash equivalents

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents for financial statement purposes.

Investments

Investments are recorded at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization follows U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Fixed assets

Fixed assets are stated at cost or current fair value 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).

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. As of December 31, 2011 and 2010, the Organization recorded a loss on foreign currency translation of \$59,790 and \$78,437, respectively.

Income taxes

The Organization qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2008 and subsequent remain subject to examination by the applicable taxing authorities.

Prior year summarized information

The statement of activities and changes in net assets 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

The use of estimates in the preparation of financial statements

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 amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period. Actual results may differ from those estimates.

(3) Investments

The following table represents the Organization's fair value hierarchy for investments as of December 31, 2011:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 105,560	\$ 105,560	\$ -	\$ -
Common stock	<u>10,842</u>	<u>10,842</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 116,402</u>	<u>\$ 116,402</u>	<u>\$ -</u>	<u>\$ -</u>

The following table represents the Organization's fair value hierarchy for investments as of December 31, 2010:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 110,409	\$ 110,409	\$ -	\$ -
Common stock	<u>10,410</u>	<u>10,410</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 120,819</u>	<u>\$ 120,819</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2011 and 2010, the Organization did not possess any level 2 or 3 types of investments.

(4) Grants receivable

Grants receivable as of December 31, 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Sigrid Rausing Trust	\$ 309,062	\$ -
MacArthur Foundation	300,000	-
Anonymous	225,000	-
European Commission	144,099	910,043
Government of Netherlands	12,768	11,189
Government of Belgium	<u>-</u>	<u>131,057</u>
	990,929	1,052,289
Less: allowance for doubtful accounts	<u>103,419</u>	<u>198,780</u>
	<u>\$ 887,510</u>	<u>\$ 853,509</u>

(5) Fixed assets

As of December 31, 2011 and 2010, fixed assets are comprised of the following:

	<u>2011</u>	<u>2010</u>
Computers and equipment	\$ 328,277	\$ 323,185
Furniture and fixtures	78,910	78,910
Leasehold improvements	<u>52,572</u>	<u>52,572</u>
	459,759	454,667
Less: accumulated depreciation	<u>385,138</u>	<u>340,481</u>
	<u>\$ 74,621</u>	<u>\$ 114,186</u>

(6) Board designated net assets

At December 31, 2011 and 2010, Board designated net assets of \$147,871 represent an operational allowance established by the Board of Directors to provide a reserve for future years.

(7) Temporarily restricted net assets

Temporarily restricted net assets are available for or relate to the following purposes:

	<u>2011</u>	<u>2010</u>
Coalition for the International Criminal Court	\$1,316,532	\$ 1,598,307
International Coalition for the Responsibility to Protect	104,862	199,232
Hague conference	18,232	18,232
Jeanette Short fellowship	1,544	1,544
International Democratic Governance	468	8,388
Outreach	250	250
Other	<u>76,483</u>	<u>63,817</u>
	<u>\$1,518,371</u>	<u>\$ 1,889,770</u>

Net assets released from restriction for 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Coalition for the International Criminal Court	\$2,793,815	\$ 2,882,013
International Coalition for the Responsibility to Protect	581,266	618,850
International Democratic Governance	32,429	93,310
Special Adviser for the Prevention of Genocide And Mass Atrocities	-	26,566
Dana Scholarship Fund	<u>-</u>	<u>298</u>
	<u>\$3,407,510</u>	<u>\$ 3,621,037</u>

(8) Permanently restricted net assets

The Betsy Dana Scholarship Fund represents 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. The excess over this amount represents fund income available for scholarship.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2011 and 2010.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requires 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, the Organization 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 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.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Changes in endowment net assets for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Endowment net assets, Beginning of year	\$ 25,000	\$ 25,000
Net investment income	331	298
Appropriated for expenditures	<u>(331)</u>	<u>(298)</u>
Endowment net assets, End of year	<u>\$ 25,000</u>	<u>\$ 25,000</u>

(9) Grants and contributions revenue

In 2011 and 2010, grants and contributions were provided by the following:

	<u>2011</u>	<u>2010</u>
Government of Australia	\$ 540,635	\$ -
John D. and Catherine T. MacArthur Foundation	500,000	-
Sigrid Rausing Trust	486,000	150,489
Anonymous	400,000	-
Task Force ICC – Ministry for Foreign Affairs – Netherlands	284,096	110,606
Department of Global Security – Ministry of Foreign Affairs – Sweden	206,432	145,650
Government of Norway	179,615	158,980
Unit for Public International Law – Ministry for Foreign Affairs - Finland	171,535	191,336
European Commission	95,361	2,097,926
Open Society Institute	85,000	50,000
Directorate of International Law – Ministry for Foreign Affairs – Switzerland	65,100	77,044
Government of Luxembourg	39,954	24,426
Global Partnership of Prevention of Armed Conflict	24,509	-
Department of Foreign Affairs - Ireland	21,213	-
Government of Austria	13,016	10,000
Foundation for Universal Responsibility Permanent Mission of the Principality of Liechtenstein	10,847	16,331
Department of International Law – Ministry for Foreign Affairs - Denmark	10,765	10,002
Government of New Zealand	9,257	-
Herman Goldman Foundation	7,532	-
Department for International Law, Human Rights and Treaty Law – Sweden	7,000	401,295
Humanity United	-	261,900
Vanguard Charitable Endowment Program	-	200,000
Government of Belgium	-	131,057
The Ford Foundation	-	75,000
European Centre for Conflict Prevention	-	17,367
Women's Global Leadership	-	8,000
Samuel Rubin Foundation	-	2,500
Thomas A. Todd Foundation	-	500
Other grants	<u>260,298</u>	<u>39,005</u>
	<u>\$3,418,165</u>	<u>\$4,179,414</u>

(10) Program services

Program services expenses for the years ended December 31, 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Coalition for the International Criminal Court	\$2,520,510	\$ 2,769,019
International Coalition for the Responsibility to Protect	423,592	588,570
International Democratic Governance	<u>32,429</u>	<u>84,241</u>
	<u>\$2,976,531</u>	<u>\$ 3,441,830</u>

(11) Concentrations of credit risk arising from cash deposits in excess of insured limits

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(12) Commitments:

Leases

The Organization entered into three operating leases for office space. These lease agreements expire in 2014. Future minimum payments under these operating leases are as follows:

<u>Year ending December 31,</u>	
2012	\$ 265,973
2013	273,895
2014	<u>282,171</u>
	<u>\$ 822,039</u>

Rent expense for the years ended December 31, 2011 and 2010 was \$363,979 and \$355,095, respectively.

Consulting agreements

The Organization has consulting agreements with individuals whom provide supporting services. The Organization incurred \$415,029 and \$375,940 under these arrangements for the years ended December 31, 2011 and 2010, respectively.

(13) Subsequent events

The Organization has evaluated subsequent events occurring after December 31, 2011 through the date of June 29, 2012, which is the date these financial statements were available to be issued.