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FOUNDATION FOR THE GLOBAL COMPACT

Audited Financial Statements

December 31, 2018

Independent Auditor's Report

To the Board of Directors of
Foundation for the Global Compact

Report on the Financial Statements

We have audited the accompanying financial statements of Foundation for the Global Compact (the "Foundation"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 from material misstatement, whether due to fraud or error.

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 from 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes 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.

Opinion

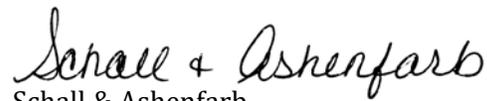
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for the Global Compact as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year-ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

September 22, 2020

**FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2018**

(With comparative totals at December 31, 2017)

	<u>12/31/18</u>	<u>12/31/17</u>
Assets		
Cash and cash equivalents	\$5,688,449	\$6,043,082
Pledges, participant, and signatory receivables, net of allowance for doubtful accounts (Note 2f)	3,601,239	1,838,050
Prepaid expenses and other assets	49,967	86,761
Fixed assets (net of accumulated depreciation) (Note 3)	585,414	702,429
Cash restricted for letter of credit (Note 4)	<u>752,546</u>	<u>752,546</u>
Total assets	<u><u>\$10,677,615</u></u>	<u><u>\$9,422,868</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$733,716	\$1,288,060
Due to local networks (Note 5)	1,030,164	374,927
Deferred rent	<u>1,702,076</u>	<u>1,465,112</u>
Total liabilities	<u><u>3,465,956</u></u>	<u><u>3,128,099</u></u>
Net assets:		
Without donor restrictions	5,221,997	4,433,251
With donor restrictions (Note 6)	<u>1,989,662</u>	<u>1,861,518</u>
Total net assets	<u><u>7,211,659</u></u>	<u><u>6,294,769</u></u>
Total liabilities and net assets	<u><u>\$10,677,615</u></u>	<u><u>\$9,422,868</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>12/31/18</u>	Total <u>12/31/17</u>
Public support and revenue:				
Contributions and grants	\$3,716,842	\$1,871,055	\$5,587,897	\$10,982,975
Participant and signatory revenue	7,847,787		7,847,787	0
Event income	438,148		438,148	1,105,923
Donated services (Note 7)	300,000		300,000	330,000
Interest income	2,015		2,015	2,013
Net assets released from restrictions (Note 6)	<u>1,742,911</u>	<u>(1,742,911)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>14,047,703</u>	<u>128,144</u>	<u>14,175,847</u>	<u>12,420,911</u>
Expenses:				
Program services	<u>9,535,383</u>		<u>9,535,383</u>	<u>10,373,339</u>
Supporting services:				
Management and general	2,707,816		2,707,816	2,711,501
Fundraising	<u>1,015,758</u>		<u>1,015,758</u>	<u>678,242</u>
Total supporting services	<u>3,723,574</u>		<u>3,723,574</u>	<u>3,389,743</u>
Total expenses	<u>13,258,957</u>	<u>0</u>	<u>13,258,957</u>	<u>13,763,082</u>
Change in net assets	788,746	128,144	916,890	(1,342,171)
Net assets - beginning of year	<u>4,433,251</u>	<u>1,861,518</u>	<u>6,294,769</u>	<u>7,636,940</u>
Net assets - end of year	<u><u>\$5,221,997</u></u>	<u><u>\$1,989,662</u></u>	<u><u>\$7,211,659</u></u>	<u><u>\$6,294,769</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**
(With comparative totals for the year ended December 31, 2017)

	Supporting Services			Total Supporting Services	Total Expenses 12/31/18	Total Expenses 12/31/17
	Program Services	Management and General	Fundraising			
Salaries	\$2,594,698	\$754,433	\$531,745	\$1,286,178	\$3,880,876	\$3,578,357
Payroll taxes and benefits	957,205	278,315	196,165	474,480	1,431,685	1,320,230
Professional fees (including in-kind) (Note 7)	2,903,313	923,422		923,422	3,826,735	4,666,898
Grants to UN Agencies	200,516			0	200,516	0
Travel	604,048	7,556		7,556	611,604	601,765
Communications	60,432	96,766		96,766	157,198	150,293
Event expenses	720,697			0	720,697	1,212,360
Printing	46,686	36,001		36,001	82,687	260,391
Postage and supplies	43,203	107,431		107,431	150,634	152,768
Occupancy	1,296,652	377,015	265,729	642,744	1,939,396	1,573,336
Insurance	7,158	2,080	1,467	3,547	10,705	8,273
Banking fees		95,495		95,495	95,495	92,639
Depreciation	100,775	29,302	20,652	49,954	150,729	145,772
Total	\$9,535,383	\$2,707,816	\$1,015,758	\$3,723,574	\$13,258,957	\$13,763,082

The attached notes and auditor's report are an integral part of these financial statements.

FOUNDATION FOR THE GLOBAL COMPACT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	<u>12/31/18</u>	<u>12/31/17</u>
Cash flows from operating activities:		
Change in net assets	\$916,890	(\$1,342,171)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	150,729	145,772
Changes in assets and liabilities:		
Pledges, participant, and signatory receivables	(1,763,189)	(444,761)
Prepaid expenses and other assets	36,794	(86,332)
Security deposit	0	60,000
Accounts payable and accrued expenses	(554,344)	96,783
Due to local networks	655,237	177,439
Deferred rent	236,964	236,963
Total adjustments	<u>(1,237,809)</u>	<u>185,864</u>
Net cash flows used for operating activities	<u>(320,919)</u>	<u>(1,156,307)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(33,714)</u>	<u>(47,243)</u>
Net cash flows used for investing activities	<u>(33,714)</u>	<u>(47,243)</u>
Net decrease in cash and cash equivalents	(354,633)	(1,203,550)
Cash and cash equivalents - beginning of year	<u>6,043,082</u>	<u>7,246,632</u>
Cash and cash equivalents - end of year	<u><u>\$5,688,449</u></u>	<u><u>\$6,043,082</u></u>
Supplemental information:		
Interest and taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

**FOUNDATION FOR THE GLOBAL COMPACT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 1 - Organization

Foundation for the Global Compact (the "Foundation") was devised to promote the work of the Global Compact Initiative which is managed by a United Nations entity (Global Compact Office). The Foundation is a not-for-profit organization established in April 2006 to help raise funds to support the work of the Global Compact Office entrusted with overall management of the initiative.

The Foundation is separate and distinct from the United Nations and Global Compact Office. The Foundation is not to be considered, for any purposes whatsoever, as being a United Nations entity or part of a United Nations entity. The Foundation considers the input of the Global Compact Office in connection with its fundraising, which is conducted in a manner that respects the dignity, international character, and status of the United Nations.

The Foundation provided office space and administrative staff to the Global Compact Office. These costs are considered program activity of the Foundation.

The Foundation was incorporated in the State of New York and has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective January 1, 2018, the Foundation adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 9).

Implementation of ASU 2016-14 did not require any reclassification or restatement of opening balances related to the periods presented.

b. Basis of Presentation

The Foundation reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – accounts for activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* – relates to activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.

c. Revenue Recognition

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Pledges are recognized as revenue in the period that a promise to give is considered unconditional in nature. Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discount rate of return. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In 2018, the Global Compact Office implemented a new business model where company participants of the Global Compact Initiative over USD 50 Million in size are required to pay an annual contribution to the Foundation in order to remain in the initiative. Two engagement tiers (Participant and Signatory) with different contribution levels were established to provide flexibility to companies based on their engagement needs and wants. Importantly, the Local Network Development Fund (LNDF) was created, where 5% of all annual required contributions received are set aside in a special pool of funds that is used to fund emerging and developing networks. Participant and Signatory revenue is recognized when the company participants commit to the Global Compact Initiative and are therefore obligated to make a payment to the Foundation.

Income from conferences and other events are recognized as revenue at the time the event takes place.

d. Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist of cash accounts which are placed with a financial institution that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end the Foundation had material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

- f. Allowance for Doubtful Accounts
All receivables are due within one year and have been recorded at net realizable value. Based on a review of specific outstanding balances and historical experience, the Foundation has established an allowance for doubtful accounts of \$678,000 at December 31, 2018. There was no allowance for doubtful accounts at December 31, 2017.
- g. Fixed Assets
Property and equipment that the Foundation retains title to, and which benefit future periods are capitalized at cost. Depreciation has been computed using the straight-line method over the estimated useful life of the assets.
- h. Deferred Rent
The Foundation recognizes rent expense using the straight-line method and records deferred rent for the cumulative amount that expenses exceed actual payments. In latter stages of the lease, deferred rent will be reduced as the amount of payments exceeds the expense recorded.
- i. Donated Services
Donated services that create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills, and would have been purchased, if not donated, are recorded as in-kind contributions. See Note 7 for additional details.
- j. Management Estimates
The preparation of financial statements in accordance 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. Actual results could differ from those estimates.
- k. Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Salaries were allocated using time and effort as the basis. The following expenses were allocated using the salary allocation as the basis:

- Payroll taxes and benefits
- Occupancy
- Insurance
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

- l. Accounting for Uncertainty of Income Taxes
The Foundation does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2015 and later are subject to examination by applicable taxing authorities.

m. Comparative Financial Information

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 Foundation's financial statements for the year-ended December 31, 2017, from which the summarized information was derived.

n. New Accounting Pronouncements

FASB issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU, which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transaction) within the scope of *Topic 958, Not-for-Profit Entities*, or as an exchange (reciprocal) transaction.

FASB issued ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price, and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied. This ASU does not apply to contributions.

FASB issued ("ASU") No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

In addition, FASB issued ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

The Foundation is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	<u>12/31/18</u>	<u>12/31/17</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$927,804	\$894,090	3-7 years
Leasehold improvements	<u>281,577</u>	<u>281,577</u>	Life of lease
	1,209,381	1,175,667	
Less: accumulated depreciation	<u>(623,967)</u>	<u>(473,238)</u>	
Net book value	<u>\$585,414</u>	<u>\$702,429</u>	

Note 4 - Commitments

During the year, the Foundation entered into several agreements with consultants for future work to be performed beyond fiscal year 2018. The total value of these future commitments is approximately \$580,000.

In September 2014, the Foundation entered into a lease for office space that expires September 30, 2030. Future minimum payments are as follows:

Year ending: December 31, 2019	\$1,376,668
December 31, 2020	1,452,533
December 31, 2021	1,566,012
December 31, 2022	1,566,012
December 31, 2023	1,566,012
Thereafter	<u>11,381,960</u>
	<u>\$18,909,197</u>

Per the terms of this lease agreement, the Foundation obtained a letter of credit for \$752,546 to serve as the security deposit on the lease. The Foundation is required to maintain a cash balance in this amount to cover the letter of credit.

Note 5 - Due to Local Networks

The Global Compact Office works with entities in various countries that are referred to as UN Global Compact Local Networks (“Local Networks”). These entities are clusters of participants (business and non-business) who come together to advance the Global Compact principles and United Nations’ goals within a particular geographic context. Local Networks are independent, self-governed, and self-managed entities that operate at the country level.

As part of its support for the Global Compact Office, the Foundation receives contributions on behalf of certain Local Networks. Because the Foundation does not have variance power over the contributions, they are treated as exchange transactions.

The amounts collected by the Foundation that have yet to be passed through to these Local Networks are reflected as a liability.

Note 6 - Net Assets with Donor Restrictions

The following schedules summarize the activity of net assets with donor restrictions:

	<u>December 31, 2018</u>			
	Balance <u>1/1/18</u>	<u>Additions</u>	Released From <u>Restrictions</u>	Balance <u>12/31/18</u>
CEO Water Mandate	\$0	\$1,021,043	(\$869,312)	\$151,731
PRME	77,281	471,384	(472,397)	76,268
Private Sustainability Finance	188,902	209,970	0	398,872
Industry Sector Engagement	354,293	0	0	354,293
Child Labor Platform	89,968	130,000	(162,018)	57,950
Developing Corporate				
Anti-Corruption in Egypt	228,042	0	(211,618)	16,424
Scaling up Anti-Corruption				
Collective Action	770,993	38,658	(27,566)	782,085
Private Sector Investment				
Conference	36,962	0	0	36,962
Sustainable Development Goals	9,325	0	0	9,325
Social Enterprise and Impact				
Investing	<u>105,752</u>	<u>0</u>	<u>0</u>	<u>105,752</u>
Total	<u>\$1,861,518</u>	<u>\$1,871,055</u>	<u>(\$1,742,911)</u>	<u>\$1,989,662</u>

	<u>December 31, 2017</u>			
	Balance <u>1/1/17</u>	<u>Additions</u>	Released From <u>Restrictions</u>	Balance <u>12/31/17</u>
UN Global Compact LEAD	\$65,000	\$0	(\$65,000)	\$0
PRME	107,818	500,188	(530,725)	77,281
Private Sustainability Finance	188,902	0	0	188,902
Industry Sector Engagement	254,293	100,000	0	354,293
Child Labor Platform	0	89,968	0	89,968
Developing Corporate				
Anti-Corruption in Egypt	287,509	403,579	(463,046)	228,042
Scaling up Anti-Corruption				
Collective Action	409,953	885,297	(524,257)	770,993
Private Sector Investment				
Conference	36,962	0	0	36,962
Sustainable Development Goals	16,825	0	(7,500)	9,325
Social Enterprise and Impact				
Investing	<u>105,752</u>	<u>0</u>	<u>0</u>	<u>105,752</u>
Total	<u>\$1,473,014</u>	<u>\$1,979,032</u>	<u>(\$1,590,528)</u>	<u>\$1,861,518</u>

Note 7 - Donated Services

The Foundation received donated legal services in the amount of \$300,000 and \$330,000 in 2018 and 2017, respectively. These services were provided in connection with drafting contracts and procedural policies, and they have been allocated to management and general expenses.

Note 8 - Employee Benefit Plan

The Foundation has a tax deferred annuity plan in accordance with the Internal Revenue Service Code Section 403(b). The plan allows employees to voluntarily contribute a portion of their salary (limited by statutory rates) to the plan to be used for retirement. Employees are entitled to enroll in the plan after six months of employment. The Foundation contributes 15% of each eligible employee's annual gross salary plus a match up to 7.5%. The Foundation contributed \$615,000 during the year-ended December 31, 2018 and \$618,000 during the year-ended December 31, 2017.

Note 9 - Liquidity and Availability of Financial Resources

The Foundation maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Foundation operates its programs within a board approved budget and relies on grants, contributions, and event income to fund its operations and program activities.

The following reflects the Foundation's financial assets at December 31, 2018 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$5,688,449
Receivables due within one year	<u>3,601,239</u>
Total financial assets	\$9,289,688
Less amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	<u>(1,989,662)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$7,300,026</u>

Note 10 - Subsequent Events

Management has evaluated the impact of all subsequent events through September 22, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect the Foundation's donors, program participants and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for the Foundation's services and harm the Foundation's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on the Foundation's business cannot be quantified.

Subsequent to year-end, the Foundation obtained a loan from the SBA in the amount of \$1,110,000 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to the receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

No additional events have occurred subsequent to the statement of financial position date, through our evaluation date, that would require adjustment to or disclosure in the financial statements.