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Statutory Services Ltd
SL Statutory Services Ltd
37 Warren Street
London W1T 6AD

FC 023959

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**CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office**

**Audited Financial Statements
and
Supplemental Information**

December 31, 2002



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CIVICUS: World Alliance for Citizen Participation, Inc.
Washington D.C. Office

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Independent Auditor's Report on the Financial Statements

To the Board of Directors
CIVICUS: World Alliance for Citizen Participation
Washington, D.C., U.S.A.

We have audited the accompanying statement of financial position of the Washington D.C. Office of the CIVICUS: World Alliance for Citizen Participation (CIVICUS) as of December 31, 2002 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of CIVICUS' management. 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 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 Washington D.C. Office of CIVICUS as of December 31, 2002, 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.

Langan Associates, P.C.

Arlington, Virginia, U.S.A.
April 17, 2003

980 N. Michigan Avenue, PMB 1400
Chicago, IL 60611
Tel. 312/988 4872 • Fax 312/214 3510

2900 South Quincy Street, Suite 150
Arlington, VA 22206
Tel. 703/998 5100 • Fax 703/998 5102

100 Park Avenue, 16th Floor
New York, NY 10017
Tel. 212/880 2625 • Fax 212/880 6499

internet www.langanpcpa.com
e-mail langan@langanpcpa.com

CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office
Statement of Financial Position
December 31, 2002

ASSETS

Current assets:

Cash and cash equivalents (Note C)	\$ 617,271
Contributions receivable, current portion	156,967
Other receivables	122,151
Prepaid expenses and other assets	15,471
Total current assets	<u>911,860</u>

Contributions receivable, net of current portion (Note D)	50,797
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Equipment, net of accumulated depreciation of \$53,924	<u>11,976</u>
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Total assets	<u>\$ 974,633</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	<u>\$ 69,371</u>
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Commitments (Note F)

Net assets:

Unrestricted	616,309
Temporarily restricted (Note E)	288,953
Total net assets	<u>905,262</u>

Total liabilities and net assets	<u>\$ 974,633</u>
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The accompanying notes are an integral part of these financial statements.

CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office
Statement of Activities
For the Year Ended December 31, 2002

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Membership dues	\$ 46,216		\$ 46,216
Contributions	460,000	\$ 209,550	669,550
Donated services	60,588		60,588
Publications	1,884		1,884
Interest Income and other	43,215		43,215
Net assets released from restrictions:			
Satisfaction of program restrictions	397,875	(397,875)	-
Expiration of time restrictions	450,000	(450,000)	-
Total revenue	<u>1,459,778</u>	<u>(638,325)</u>	<u>821,453</u>
Expenses:			
Program services:			
Publications	17,882		17,882
World assembly	140,429		140,429
Knowledge Resource Group	238,469		238,469
Index	141,188		141,188
Gender equality/unifem	37,861		37,861
September 11th survey	14,609		14,609
Website	20,913		20,913
Participatory governance	49,087		49,087
Legitimacy and transparency	39,852		39,852
Civil society watch	59,881		59,881
Other programs	13,950		13,950
Membership services	77,217		77,217
Total program services	<u>851,338</u>		<u>851,338</u>
Supporting services:			
Unallocated payments to Johannesburg Office (Note A)	509,500		509,500
General management (Note A)	453,734		453,734
Membership development	17,485		17,485
Fund-raising	169,754		169,754
Total supporting services	<u>1,150,473</u>		<u>1,150,473</u>
Other deductions		26,370	26,370
Total expenses	<u>2,001,811</u>	<u>26,370</u>	<u>2,028,181</u>
Change in net assets	(542,033)	(664,695)	(1,206,728)
Net assets, January 1, 2002	<u>1,158,342</u>	<u>953,648</u>	<u>2,111,990</u>
Net assets, December 31, 2002	<u>\$ 616,309</u>	<u>\$ 288,953</u>	<u>\$ 905,262</u>

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

CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office
Statement of Cash Flows
For the Year Ended December 31, 2002

Cash flows from operating activities:

Change in net assets	\$ (1,206,728)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	11,899
Change in assets and liabilities:	
Contributions receivable	538,788
Other receivables	(88,959)
Prepaid expenses and other assets	(12)
Accounts payable and accrued expenses	(127,764)
Deferred revenue	(100)
Net cash used in operating activities	<u>(872,876)</u>

Cash flows from investing activities:

Proceeds from maturity of certificates of deposit	415,550
Purchases of equipment	<u>(7,870)</u>
Net cash provided by investing activities	<u>407,680</u>

Net decrease in cash and cash equivalents (465,196)

Cash and cash equivalents, January 1, 2002 1,082,467

Cash and cash equivalents, December 31, 2002 \$ 617,271

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

**CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office
Notes to the Financial Statements**

Note A - Organization

CIVICUS: World Alliance for Citizen Participation (CIVICUS) is a nonprofit, membership alliance of organizations and individuals dedicated to strengthening citizen action and influence throughout the world through voluntary initiative, philanthropy, and community service. CIVICUS' main objectives are to promote research and dissemination of information, offer broad meeting and partnership opportunities, support exemplary projects and experiences, assist in removing the legal obstacles impeding the development of the voluntary sector, and promote a political and cultural environment favorable to giving, volunteering, and citizen action.

CIVICUS opened a new Office in Johannesburg, South Africa during 2002. The Washington Office, D.C. incurred expenses to establish the Johannesburg Office. These expenses are included in the statement of activities for the Washington D.C. Office as general management expenses. The Washington D.C. Office also transferred funds to the Johannesburg Office as needed to support the activities of the Johannesburg Office. These transfers are included on the statement of activities for the Washington D.C. Office as unallocated payments to Johannesburg Office under supporting services expenses.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

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 financial statement purposes, CIVICUS considers all certificates of deposit and highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Equipment

Acquisition of equipment with a cost greater than \$1,000 is capitalized and depreciated on the straight-line basis over the estimated useful life of the related asset (three to five years).

**CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office
Notes to the Financial Statements - Continued**

Note B - Summary of Significant Accounting Policies - Continued

Net Assets

Unrestricted: Represents net assets available for general operations.

Temporarily Restricted: Represents contributions received from donors with purpose/time restrictions on their use.

Revenue Recognition

Membership dues are recognized in the year to which they relate. Membership dues relating to future periods are reported as deferred revenue.

Contributions

CIVICUS records contributions received as unrestricted or temporarily restricted revenue depending on the existence and/or nature of any donor restrictions.

CIVICUS records donated services at their estimated fair market value on the date of receipt if such services and goods are services of a specialized nature and would typically be purchased if not donated. Contributed services received for the year ended December 31, 2002 related to professional services and benefited membership services.

Income Tax Status

CIVICUS is exempt from the payment of Federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and the Internal Revenue Service has determined that it is not a private foundation.

Allocation of Expenses

CIVICUS' expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Financial Statements

The accompanying financial statements represent the activity of the Washington D.C. Office only. The consolidated financial statements of the Washington D.C. Office and Johannesburg Office are available at the Johannesburg Office.

CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office
Notes to the Financial Statements - Continued

Note C - Concentration of Credit Risk

Financial instruments, which subject CIVICUS to a concentration of credit risk, consist of demand deposits placed with financial institutions. As of December 31, 2002, CIVICUS had funds invested with financial institutions in excess of the insured limits. Management believes the risk of loss in these situations to be minimal.

Note D - Contributions Receivable

As of December 31, 2002, there are \$50,797 in unconditional promises to give that are expected to be collected during 2004.

Note E - Temporarily Restricted Net Assets

At December 31, 2002, temporarily restricted net assets consisted of the following:

Program restricted:	
September 9/11 survey	\$ 20,141
Gender equality/unifem	8,105
Website	830
Index	<u>259,877</u>
	<u>\$ 288,953</u>

Note F - Commitments

Office Lease

In March 2002, CIVICUS entered into a non-cancelable operating lease for its office space which will expire on March 31, 2007. The lease includes a clause for rent escalation of 3% per year. Rent expense was \$39,910 for the year ended December 31, 2002.

Aggregate minimum annual rental payments are as follows:

For the year ending December 31,	
2003	\$ 32,532
2004	33,510
2005	34,512
2006	35,547
2007	<u>8,952</u>
	<u>\$ 145,053</u>

**CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office
Notes to the Financial Statements - Continued**

Note G - Pension Plan

CIVICUS has a defined contribution pension plan which covers all of its employees. CIVICUS determines its contribution to the plan on an annual basis. Total pension expense incurred for the year ended December 31, 2002 was approximately \$7,000.



**Independent Auditor's Report
on the Supplemental Information**

To the Board of Directors
CIVICUS: World Alliance for Citizen Participation
Washington, D.C., U.S.A.

Our report on the audit of the basic financial statements of the Washington D.C. Office of the CIVICUS: World Alliance for Citizen Participation as of, and for the year ended, December 31, 2002 appears on page 1. This audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Langan Associates, P.C.

Arlington, Virginia, U.S.A.
April 17, 2003

980 N. Michigan Avenue, PMB 1400
Chicago, IL 60611
Tel. 312/988 4872 • Fax 312/214 3510

2900 South Quincy Street, Suite 150
Arlington, VA 22206
Tel. 703/998 5100 • Fax 703/998 5102

100 Park Avenue, 16th Floor
New York, NY 10017
Tel. 212/880 2625 • Fax 212/880 6499

internet www.langanpcpa.com
e-mail langan@langanpcpa.com

CIVICUS: World Alliance for Citizen Participation
Washington D.C. Office
Schedule of Unrestricted Functional Expenses
For the Year Ended December 31, 2002

	Publications	World Assembly	Knowledge Resource Group	Index	Gender Equality/Union	September 11th Survey	Website	Participatory Governance	Legitimacy and Transparency	Civil Society Watch	Other Programs	Membership Services	Unallocated Payments to Johannesberg Office	General Management	Membership Development	Fundraising	Total
Employee costs		\$ 18,470		\$ 37,097				\$ 27,705	\$ 18,470	\$ 27,705		\$ 18,400		\$ 42,741		\$ 36,756	\$ 227,044
Professional fees and contract services	\$ 508	38,835	\$ 177,955	74,783	\$ 18,345	\$ 13,931	\$ 20,632			\$ 9,794	\$ 3,000	57,583		134,667		87,459	630,418
Printing and reproduction	6,389		39,839		427						7,829			2,829	\$ 249		57,442
Travel and meetings		77,450	15,673	20,530	19,089	616	281				1,236	665		82,161	16,342	36,617	270,000
Occupancy	4,500	198		1,948							1,587			41,971		1,844	45,402
Office supplies and other		41	5,102	153		82					188	103		38,385	520	1,006	48,560
Postage and delivery	6,427											766		5,828	113	592	19,282
Telephone		193		1,432										33,728	201	136	35,758
Contributors																	
Depreciation														11,899			11,899
Insurance														21,637			21,637
Bad debt														11,361			11,361
Unallocated payments													\$ 509,600				509,600
Governance allocation		5,345		5,345				21,382	21,382	21,382				26,727		5,345	108,808
Total expenses	\$ 17,882	\$ 140,429	\$ 238,469	\$ 141,188	\$ 37,861	\$ 14,609	\$ 20,913	\$ 49,097	\$ 39,652	\$ 59,881	\$ 13,850	\$ 77,217	\$ 609,600	\$ 453,734	\$ 17,485	\$ 168,754	\$ 2,001,811