

# Wallace Global Fund

## Statements of Financial Position

<i>December 31,</i>	<b>2002</b> <b>(Audited)</b>	2001 <b>(Reviewed)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 182,263	\$ 534,170
Interest receivable	553,259	540,415
Dividends receivable	125,837	127,069
Investments (Note 1)	109,034,567	118,969,357
Prepaid expenses and other	30,135	47,920
Furniture, fixtures, and equipment; net of accumulated depreciation of \$166,645 for 2002 and \$167,266 for 2001	63,152	75,330
<b>Total assets</b>	<b>\$109,989,213</b>	<b>\$ 120,294,261</b>
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 155,657	\$ 230,014
Other liabilities (Note 3)	67,788	68,071
<b>Total liabilities</b>	<b>223,445</b>	<b>298,085</b>
<b>Commitments (Notes 4 and 5)</b>		
<b>Unrestricted net assets</b>	<b>109,765,768</b>	<b>119,996,176</b>
<b>Total liabilities and net assets</b>	<b>\$109,989,213</b>	<b>\$ 120,294,261</b>

*See accompanying summary of accounting policies and notes to financial statements.*

# Wallace Global Fund

## Statements of Activities

<i>Years ended December 31,</i>	2002 (Audited)	2001 (Reviewed)
<b>Investment income and other support</b>		
Dividend income (Note 1)	\$ 2,157,672	\$ 2,436,502
Interest income (Note 1)	1,726,521	1,918,173
Contributions and other income	-	307,500
<b>Total revenue, gains, and other support</b>	<b>3,884,193</b>	<b>4,662,175</b>
<b>Expenses</b>		
<b>Program services</b>		
Environment	2,441,500	3,151,873
Population	1,903,718	2,114,156
Other	50,000	-
<b>Total program services</b>	<b>4,395,218</b>	<b>5,266,029</b>
<b>Supporting services</b>		
Management and general	1,644,718	3,092,726
<b>Total expenses</b>	<b>6,039,936</b>	<b>8,358,755</b>
<b>Net realized and unrealized loss on investments (Note 1)</b>	<b>8,074,665</b>	<b>10,843,008</b>
<b>Total expenses and losses</b>	<b>14,114,601</b>	<b>19,201,763</b>
<b>Change in net assets</b>	<b>(10,230,408)</b>	<b>(14,539,588)</b>
<b>Net assets, beginning of year</b>	<b>119,996,176</b>	<b>134,535,764</b>
<b>Net assets, end of year</b>	<b>\$109,765,768</b>	<b>\$ 119,996,176</b>

*See accompanying summary of accounting policies and notes to financial statements.*

# Wallace Global Fund

## Summary of Accounting Policies

<b>Organization</b>	The Wallace Global Fund (the Fund) is a family foundation whose mission is to catalyze and leverage critically needed global progress towards an equitable and environmentally sustainable society.
<b>Tax Exempt Status</b>	The Fund is exempt from federal income tax under section 501(a) of the Internal Revenue Code (IRC) as an organization described in section 501(c)(3). The Internal Revenue Service has also determined the Fund to be a private foundation within the meaning of section 509(a) of the IRC.
<b>Cash and Cash Equivalents</b>	The Fund considers cash and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
<b>Investments</b>	Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the accompanying statement of financial position. Realized and unrealized gains/losses are reported currently in the statement of activities.
<b>Furniture, Fixtures, and Equipment</b>	<p>Furniture, fixtures and equipment are stated at cost. The cost and related accumulated depreciation of assets retired or otherwise disposed of or sold are removed from the accounts and any resulting gain or loss is recognized in the accompanying statement of activities. Major additions and improvements are capitalized. Repairs and maintenance are charged to expense as incurred.</p> <p>The straight-line method is used to depreciate the cost of furniture, fixtures and equipment over their estimated useful lives ranging from three to five years. Office improvements are being amortized on a straight-line basis over ten years. Depreciation expense for the years ended December 31, 2002 and 2001 was \$29,593 and \$41,131, respectively, and is included in management and general expense in the accompanying statement of activities.</p>
<b>Deferred Rent Liabilities</b>	<p>The Fund received six months of rent abatement when it signed its office space lease in May 1997. The total amount of the abatement of \$37,447 will be amortized over the remaining 114 months of the lease term.</p> <p>In addition, the Fund received \$88,216 in build-out credits from the landlord for the structural improvements to their space. This amount will be amortized over the entire life of the lease.</p>

# Wallace Global Fund

## Summary of Accounting Policies

<b>Concentration of Credit Risk</b>	Financial instruments which subject the Fund to concentrations of credit risk consist principally of marketable debt and equity securities. The Fund places its temporary cash investments with creditworthy financial institutions.
<b>Fair Value of Financial Instruments</b>	The carrying amounts of cash and receivables approximate fair value because of the short maturity of those financial instruments.
<b>Use of Estimates</b>	The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.
<b>Reclassifications</b>	Certain accounts in the 2001 financial statements have been reclassified to conform with the current year financial statement presentation

# Wallace Global Fund

## Notes to Financial Statements

- 1. Investments** Investments are carried at fair market value and at December 31, 2002 and 2001 consist of the following:

	2002 (Audited)	2001 (Reviewed)
Equity securities	\$ 77,929,139	\$ 88,258,254
U.S. Treasury securities	30,279,267	30,235,603
Money market funds	826,161	475,500
<b>Total</b>	<b>\$ 109,034,567</b>	<b>\$ 118,969,357</b>

Investment fees totaled \$615,532 and \$706,699 for the years ended December 31, 2002 and 2001, respectively, and were deducted from the money market funds. These fees have been included in general and administrative expenses in the accompanying statements of activities.

The following schedule represents the investment loss.

	2002 (Audited)	2001 (Reviewed)
Dividends and interest	\$ 3,884,193	\$ 4,354,675
Realized and unrealized losses	(8,074,665)	(10,843,008)
<b>Total</b>	<b>\$ (4,190,472)</b>	<b>\$ (6,488,333)</b>

- 2. Note Receivable** The Fund's \$2.3 million note receivable to a third party was deemed by management to be uncollectible and, accordingly, the unreserved portion of \$1.150 million was reduced to zero at December 31, 2001.

A license agreement dated January 8, 2001 was negotiated between the Fund, a third party and another investor which grants the Fund and the other investor access to the intellectual property of the third party under certain conditions.

During 2002, the Fund entered into agreements with the third party to discharge its debt in exchange for common stock ownership in the third party. Pursuant to the terms of the agreements, the Fund agreed to purchase 413,793 shares of \$.01 par value common stock. The value of this investment is deemed to be worthless at December 31, 2002.

# Wallace Global Fund

## Notes to Financial Statements

- 3. Federal Excise Taxes** In accordance with the applicable provisions of IRC Section 4940, the Fund is subject to an excise tax on net investment income, including realized gains, as defined. In 2002 and 2001, the Fund paid \$43,900 and \$75,000, respectively for estimated taxes. Actual tax expense totaled \$53,680 and \$72,928 for the years ended December 31, 2002 and 2001, respectively, and is included in management and general expense in the accompanying statements of activities.

- 4. Leases** The Fund has a ten-year non-cancelable operating lease for its office facility. The terms of the lease require monthly rent payments plus a provision for operating expenses.

In March 2001, the Fund entered into sublease agreements for approximately 46% of the leased space with two organizations.

Minimum rental payments under the non-cancelable operating lease net of sublease income are as follows:

<i>Years ending December 31,</i>	<i>Amount</i>
2003	\$ 120,497
2004	129,520
2005	132,110
2006	134,752
2007	33,854
<b>Total</b>	<b>\$ 550,733</b>

Rent expense for the years ended December 31, 2002 and 2001 was \$80,291 and \$81,539, respectively. Rent expense is net of sublease income of \$ 90,386 and \$61,545 for the year ended December 31, 2002 and 2001, respectively.

- 5. Pension Plans** The Fund has two pension plans, a money purchase defined contribution plan covering all employees and a tax-deferred annuity plan. Under the money purchase plan, pension costs representing 7% of salaries are funded on a monthly basis. For the years ended December 31, 2002 and 2001, employer contributions amounted to \$35,112 and \$37,062, respectively. Under the tax-deferred annuity plan, employees may opt for salary deductions not to exceed 10% of their salary within limits as defined by IRC section 403(b). In addition, the Fund offers a 25% match on salary deductions subject to the same IRC limitations. These matching contributions totaled \$10,622 and \$11,075 for the years ended December 31, 2002 and 2001, respectively.

# Wallace Global Fund

## Notes to Financial Statements

6. **Conditional Promise to Give** The Fund is a named beneficiary of a will. The will is currently proceeding through the probate process. The amount if any that the Fund will receive has not been determined and, accordingly, no amounts have been recorded in the financial statements.