

GLOBAL COUNTRY  
OF WORLD PEACE  
(A Non-Profit Corporation)

Independent Auditors' Report  
Financial Statements and Supplementary Data

June 30, 2004 and 2003

GLOBAL COUNTRY OF WORLD PEACE  
(A Non-Profit Corporation)

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### Independent Auditors' Report

To the Board of Directors of  
Global Country of World Peace

We have audited the accompanying statements of financial position of Global Country of World Peace (a non-profit organization) as of June 30, 2004 and 2003, and the related statements of activity and changes in net assets and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Country of World Peace as of June 30, 2004 and 2003, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Theobald, Donohue & Thompson, P.C.*

Oskaloosa, Iowa  
October 11, 2004

GLOBAL COUNTRY OF WORLD PEACE  
(A Non-Profit Corporation)

Statements of Financial Position  
June 30, 2004 and 2003

	<u>Assets</u>	
	<u>2004</u>	<u>2003</u>
Current assets:		
Cash	\$ 4,456,338	-
Pledges receivable (net of allowance of \$231,000 and \$-0- in 2004 and 2003, respectively)	3,247,943	-
Interest receivable	2,869	-
Receivable from farm contract	12,960	-
Total current assets	<u>7,720,110</u>	<u>-</u>
Property and equipment:		
Land	8,312,991	1,273,000
Land improvements	147,000	147,000
Buildings	2,786,258	1,545,000
Equipment	44,234	39,265
	<u>11,290,483</u>	<u>3,004,265</u>
Less accumulated depreciation	<u>84,831</u>	<u>28,474</u>
	<u>11,205,652</u>	<u>2,975,791</u>
Other assets:		
Options on land	1,365,795	-
Pledges receivable	1,094,817	-
Investments	200,000	-
	<u>2,660,612</u>	<u>-</u>
Total assets	<u>\$ 21,586,374</u>	<u>2,975,791</u>

See accompanying statement of significant accounting policies  
and notes to financial statements.

Liabilities and Net Assets

	<u>2004</u>	<u>2003</u>
Current liabilities:		
Accounts payable	\$ 8,368	-
Accrued interest payable	73,912	-
Accrued property taxes	17,079	78,904
Bridge financing loan	2,500,000	-
Short term loan	5,534,069	-
Total current liabilities	<u>8,133,428</u>	<u>78,904</u>
Long-term liabilities:		
Notes payable	<u>4,875,336</u>	<u>-</u>
Total liabilities	<u>13,008,764</u>	<u>78,904</u>
Net assets:		
Unrestricted	8,095,596	2,896,887
Temporarily restricted	<u>482,014</u>	<u>-</u>
Total net assets	<u>8,577,610</u>	<u>2,896,887</u>
 Total liabilities and net assets	 <u>\$ 21,586,374</u>	 <u>2,975,791</u>

GLOBAL COUNTRY OF WORLD PEACE  
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Statements of Activity and Changes in Net Assets  
Years Ended June 30, 2004 and 2003

	Unrestricted	
	2004	2003
Revenue and support:		
Contributions	\$ 5,378,658	3,081,690
Farm rent revenue	12,960	-
Interest revenue	4,488	-
Total revenue and support	<u>5,396,106</u>	<u>3,081,690</u>
Expenses:		
Program services	193,615	107,378
Supporting services:		
Management and general	3,782	77,425
Total expenses	<u>197,397</u>	<u>184,803</u>
Changes in net assets	5,198,709	2,896,887
Net assets, beginning of year	<u>2,896,887</u>	<u>-</u>
Net assets, end of year	<u>\$ 8,095,596</u>	<u>2,896,887</u>

See accompanying statement of significant accounting policies  
and notes to financial statements.

Temporarily Restricted		Total	
2004	2003	2004	2003
482,014	-	5,860,672	3,081,690
-	-	12,960	-
-	-	4,488	-
<u>482,014</u>	<u>-</u>	<u>5,878,120</u>	<u>3,081,690</u>
-	-	193,615	107,378
-	-	3,782	77,425
<u>-</u>	<u>-</u>	<u>197,397</u>	<u>184,803</u>
482,014	-	5,680,723	2,896,887
-	-	2,896,887	-
<u>482,014</u>	<u>-</u>	<u>8,577,610</u>	<u>2,896,887</u>

GLOBAL COUNTRY OF WORLD PEACE  
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Statements of Cash Flows  
Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Changes in net assets:		
Unrestricted	\$ 5,198,709	2,896,887
Temporarily restricted	482,014	-
Total change in net assets	<u>5,680,723</u>	<u>2,896,887</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	56,357	28,474
Donated property included in contributions	-	(3,004,265)
(Increase) decrease in:		
Pledges receivable	(4,342,760)	-
Interest receivable	(2,869)	-
Receivable from farm contract	(12,960)	-
Increase (decrease) in:		
Accounts payable	8,368	-
Accrued interest payable	73,912	-
Accrued property taxes	(61,825)	78,904
Net cash flows provided (used) by operating activities	<u>1,398,946</u>	<u>-</u>
Cash flows from investing activities:		
Purchase of property and equipment	(8,286,218)	-
(Additions) disposals of investments	(1,565,795)	-
Net cash flows provided (used) by investing activities	<u>(9,852,013)</u>	<u>-</u>
Cash flows from financing activities:		
Principal advances on short-term debt	8,034,069	
Principal advances on long-term debt	4,875,336	-
Net cash flows provided (used) by financing activities	<u>12,909,405</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	4,456,338	-
Cash and cash equivalents at beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 4,456,338</u>	<u>-</u>

See accompanying statement of significant accounting policies  
and notes to financial statements.



# GLOBAL COUNTRY OF WORLD PEACE

## (A Non-Profit Corporation)

### Statement of Significant Accounting Policies

#### June 30, 2004 and 2003

A summary of the significant accounting policies followed by Global Country of World Peace is presented to assist the reader in evaluating the financial statements and other data contained in this annual report.

#### Nature of Operations

Global Country of World Peace is an Iowa non-profit corporation. Its Articles of Incorporation were filed with the Iowa Secretary of State on October 15, 2002. It is organized exclusively for charitable, educational, and scientific purposes and is exempt from Federal income tax as an Organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code"). The purposes of the Organization include the following:

1. To establish global world peace by unifying all nations in happiness, prosperity, invincibility and perfect health, while supporting the rich diversity of our world family.
2. To establish Heaven on Earth by raising the quality of life of every individual to complete fulfillment and affluence in enlightenment.
3. To establish a Global Administration through Natural Law by enlivening the nourishing evolutionary power of Natural Law in the life of every individual and in the collective consciousness of the whole world.
4. To have sovereignty in the domain of consciousness, authority in the invincible power of Natural Law, and a parental role in the family of nations.
5. To bring true sovereignty to every nation by supporting every national constitution with the truly self-sufficient, invincible and supreme level of ever-nourishing authority of the Unified Field of Natural Law—the Veda and Vedic Literature—the Constitution of the Universe.
6. To promote throughout the world the knowledge that life is the everlasting evolving expression of Natural Law, which administers the universe with perfect order, and thereby bring an end to all problems and suffering; and to promote throughout the world Vedic Science and Technology, brought to light by Maharishi, which provides courses that make the total knowledge of Natural Law easily available in its completeness to human awareness and provides the means for creating a permanent state of peace and harmony throughout the world through (i) training and maintaining groups of Yogic Flyers (individuals practicing the Transcendental Meditation and TM Sidhi program, including Yogic Flying) in every country, (ii) providing facilities for these groups that are constructed in accordance with Natural Law, and (iii) establishing regional Capitals of the Global Country of World Peace, Maharishi Peace Palaces in each major city, and other facilities throughout the world to serve its charitable purposes.

(continued)

# GLOBAL COUNTRY OF WORLD PEACE

## (A Non-Profit Corporation)

### Statement of Significant Accounting Policies (Continued)

#### June 30, 2004 and 2003

#### Nature of Operations (Continued)

7. To make Total Knowledge of Natural Law available through education, consultation, demonstration, and research with emphasis on 40 aspects of Vedic knowledge and disciplines including education, health, agriculture, economics, law, politics, administration, defense, architecture, science, engineering and music.
8. To carry out its purposes through five departments: Department of Education, Department of Health, Department of Agriculture, Department of Global Reconstruction, and Department of Finance and Administration

Global Country of World Peace intends to accomplish its goals through the following activities:

1. Establishing Capitals in each time-zone and Peace Palaces in each major city to serve as centers of peace creating programs.
2. Providing programs to train, assemble, and support groups of Yogic Flyers to create coherence in collective consciousness, the basis of peace.
3. Offering conferences, courses, assemblies, seminars, lectures, presentations, broadcasts, news conferences, interviews, exhibitions, and written materials on the knowledge of Vedic Science and its practical application in every area. These include programs in 40 fields of knowledge and activity, particularly the fields of health, education, administration, defense, economy, architecture, and agriculture.
4. Working with governments, organizations (non-profit organizations, business organizations, farm and labor organizations, etc.) and individuals to implement peace creating programs and programs for prevention-oriented, problem-free administration based on Vedic Science and Technology, including in the areas described in (3) above.

#### Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or stipulated restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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GLOBAL COUNTRY OF WORLD PEACE  
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Statement of Significant Accounting Policies (Continued)  
June 30, 2004 and 2003

Pledges Receivable

The Organization carries its pledges receivable at the pledge amount less an allowance for doubtful pledges. On a periodic basis, the Organization evaluates its pledges receivable and determines a reasonable allowance based on history of collections and current conditions.

Promises to Give

Promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Property and Depreciation

Depreciation of property and equipment is computed on the straight line method over the following estimated useful lives.

<u>Asset</u>	<u>Useful Lives</u>	<u>Cost</u>	
		<u>2004</u>	<u>2003</u>
Land	-	\$ 8,312,991	1,273,000
Land improvements	15	147,000	147,000
Buildings	39 1/2	2,786,258	1,545,000
Equipment	5-7	44,234	39,265
		<u>\$ 11,290,483</u>	<u>3,004,265</u>

Buildings, equipment, and improvements are carried at cost at date of acquisition or fair value at date of donation in the case of gifts. Maintenance and repairs are charged to expense. Depreciation expense was \$56,357 and \$28,474 as of June 30, 2004 and 2003, respectively.

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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. In these financial statements; assets, liabilities, and the reported amount of revenues and expenses involve extensive reliance on management's estimates. Actual results could differ from those estimates.

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Notes to Financial Statements  
June 30, 2004 and 2003

Note 1 – Disclosure of Cash Flow Information

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 2 – Concentrations of Credit Risk

The Organization maintains cash balances at one particular financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The financial institution has also used \$1,000,000 of its own assets to collateralize the Organization's accounts. At June 30, 2004, the Organization's uninsured cash balances totaled \$2,448,093.

At June 30, 2004, the credit risk for contributions receivable is concentrated, with \$2,000,000 receivable from three donors.

Note 3 – Pledges Receivable

The Organization is in the process of collecting on donor pledges to fund the development and operations of a campus for 500 Vedic Scholars. The pledges receivable balance was \$4,573,760 and \$-0- as of June 30, 2004 and 2003, respectively. A 5% allowance for pledges uncollectible was established with a balance of \$231,000 and \$-0- as of June 30, 2004 and 2003, respectively.

Note 4 – Options on Land

The Organization purchased options on agricultural land. It is the intent of the Organization to exercise the options subsequent to issuance of this report.

Note 5 – Investments

Investments are presented in the financial statements at market value and consist of \$200,000 and \$ -0-, of municipal revenue notes at June 30, 2004 and 2003, respectively.

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Notes to Financial Statements (Continued)  
June 30, 2004 and 2003

Note 6 – Short Term Notes Payable

The Organization had two short term financing arrangements at June 30, 2004.

A Revenue Bond of \$2,500,000 was issued by Maharishi Vedic City. It accrues interest at 4.5% per annum and is due in full on December 15, 2004.

A Mortgage Note in the amount of \$5,534,069 was obtained. It accrues interest at 6% per annum and is due in full on April 27, 2005. Real estate located in New York secures the loan.

It is the Organization's intent to refinance both into long term arrangements subsequent to issuance of this report.

Note 7 – Notes Payable

The Organization acquired financing secured by real estate located in New Jersey. The note requires annual payments of approximately \$50,950 for ten years ending July of 2014. The balance was \$375,000 and \$-0- at June 30, 2004 and 2003, respectively. The note accrues interest at 6% per annum.

The Organization acquired financing secured by real estate located in Iowa. The note requires annual payments of approximately \$286,781 for ten years ending July of 2014. The balance was \$2,110,736 and \$-0- at June 30, 2004 and 2003, respectively. The note accrues interest at 6% per annum.

The Organization acquired 6% financing secured by options on real estate located in Iowa. The agreement requires annual payments of approximately \$324,670 for ten years ending July of 2014. The balance was \$2,389,600 and \$0 at June 30, 2004 and 2003, respectively. The note accrues interest at 6% per annum.

The current principal portion of the notes for the next five fiscal years are as follows:

2005	\$ -
2006	369,881
2007	392,075
2008	415,599
2009	440,535

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Notes to Financial Statements (Continued)  
June 30, 2004 and 2003

Note 8 – Net Assets

Net assets are classified under SFAS No. 117 based on restrictions stipulated by the donors. Contributions classified as temporarily restricted of \$482,014 and \$ -0- at June 30, 2004 and 2003, respectively, will become unrestricted upon arrival of the Vedic Scholars to the campus being developed in Maharishi Vedic City, Iowa. The arrival is expected subsequent to issuance of this report.

Note 9 – Contributed Services

The Organization has been the recipient of contributed services which have not been recognized as support or an offsetting expense.