

**WORLD AFFAIRS COUNCIL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

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Board of Directors
World Affairs Council
Seattle, Washington

Independent Auditors' Report

We have audited the accompanying financial statements of the World Affairs Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended December 31, 2015, 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 entity'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 entity'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 World Affairs Council as of December 31, 2015, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of public program revenue on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior Period Financial Statements

The 2014 financial statements were reviewed by us, and our report thereon, dated June 25, 2015, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for expression of an opinion on the financial statements.

CPA Consulting Inc PS

CPA Consulting, Inc., P.S.
Certified Public Accountants

August 25, 2016

**WORLD AFFAIRS COUNCIL
STATEMENT OF FINANCIAL POSITION
December 31, 2015 and 2014**

	2015 (audited)	2014 (reviewed)
ASSETS		
Current Assets		
Cash	\$ 190,322	\$ 235,473
Accounts receivable	23,976	31,898
Prepaid expenses	16,348	15,132
Total current assets	230,646	282,503
Investments	34,154	35,979
Property and Equipment		
Furniture and equipment	100,336	100,336
Accumulated depreciation	(93,259)	(77,043)
Total property and equipment	7,077	23,293
Other Assets		
Grants receivable	-	100,000
Total other assets	-	100,000
Total Assets	\$ 271,877	\$ 441,775
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 15,773	\$ 21,683
Accrued vacation	7,739	8,204
Other current liabilities	2,491	11,148
Total current liabilities	26,003	41,035
Net Assets		
Unrestricted	128,609	188,648
Temporarily restricted	83,111	176,113
Permanently restricted	34,154	35,979
Total net assets	245,874	400,740
Total Liabilities and Net Assets	\$ 271,877	\$ 441,775

See accompanying notes and independent auditors' report.

WORLD AFFAIRS COUNCIL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2015 and 2014

	2015 (audited)	2014 (reviewed)
Unrestricted Net Assets		
Unrestricted Revenues and Other Support		
Public programs	\$ 367,571	\$ 356,390
Memberships	93,720	72,785
Grants from government agencies	154,068	110,986
Direct public support	194,479	287,781
Investment and miscellaneous	44	289
	<u>809,882</u>	<u>828,231</u>
Net assets transferred from permanently restricted	1,209	1,146
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>173,652</u>	<u>221,304</u>
Total unrestricted revenue and other support	984,743	1,050,681
Functional Expenses		
International Visitor Program	370,279	361,091
Public Programs	236,397	217,674
Membership	87,255	48,312
Global Classroom Education	133,394	167,015
Japanese Connections	82,202	70,291
Core, fundraising, development & admin	<u>142,111</u>	<u>141,883</u>
Total functional expenses	1,051,638	1,006,266
Non-Operating Items		
Sublease income	<u>6,856</u>	<u>10,060</u>
Increase (decrease) in unrestricted net assets	(60,039)	54,475
Temporarily Restricted Net Assets		
Contributions	80,650	175,000
Net assets released from restrictions	<u>(173,652)</u>	<u>(221,304)</u>
Increase (decrease) in temporarily restricted net assets	(93,002)	(46,304)
Permanently Restricted Net Assets		
Net assets transferred to unrestricted fund	(1,209)	(1,146)
Investment management fees	(529)	(534)
Investment income	<u>(87)</u>	<u>1,800</u>
Increase (decrease) in permanently restricted net assets	<u>(1,825)</u>	<u>120</u>
Increase (decrease) in net assets	(154,866)	8,291
Net Assets at Beginning of Year	<u>400,740</u>	<u>392,449</u>
Net Assets at End of Year	<u><u>\$ 245,874</u></u>	<u><u>\$ 400,740</u></u>

See accompanying notes and independent auditors' report.

WORLD AFFAIRS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Programs	General & Admin	Fundraising	Total (audited)
Payroll and related taxes	\$ 508,075	\$ 55,760	\$ 50,202	\$ 614,037
Staff benefits	40,223	4,590	2,404	47,217
Total payroll & related expenses	548,298	60,350	52,606	661,254
Office supplies	1,751	67	133	1,951
Copier contract	5,139	1,407	3	6,549
Computer network support	2,223	99	148	2,470
Information systems	7,110	198	854	8,162
Telephone	6,037	268	402	6,707
Postage	371	144	15	530
Rent	55,952	2,487	3,730	62,169
Direct program expenses	148,763	-	-	148,763
Fellows	8,414	-	-	8,414
Audit/accounting	-	10,968	-	10,968
Membership development	1,892	-	-	1,892
Dues	1,480	8	30	1,518
Travel	74,508	147	1,552	76,207
Subscriptions	590	14	27	631
Professional development	409	72	-	481
Liability insurance	8,146	362	543	9,051
Fiscal agent fee	6,818	-	-	6,818
Stipend	3,000	-	-	3,000
Donated goods and services	12,003	-	-	12,003
Miscellaneous	2,030	3,666	189	5,885
Total direct expenses	346,636	19,907	7,626	374,169
Depreciation	14,593	649	973	16,215
Total functional expenses	<u>\$ 909,526</u>	<u>\$ 80,906</u>	<u>\$ 61,205</u>	<u>\$ 1,051,638</u>

See accompanying notes and independent auditors' report.

WORLD AFFAIRS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Programs	General & Admin	Fundraising	Total (reviewed)
Payroll and related taxes	\$ 471,955	\$ 75,818	\$ 28,360	\$ 576,133
Staff benefits	40,208	1,198	2,175	43,581
Total payroll & related expenses	512,163	77,016	30,535	619,714
Office supplies	3,775	239	627	4,641
Copier contract	5,452	1,155	40	6,647
Computer network support	3,977	320	274	4,571
Information systems	7,347	321	678	8,346
Telephone	4,618	371	318	5,307
Postage	401	186	-	587
Rent	56,676	4,851	4,292	65,819
Direct program expenses	148,670	-	-	148,670
Fellows	6,632	-	-	6,632
Professional fees	526	-	-	526
Audit/accounting		10,647	-	10,647
Dues	2,074	14	12	2,100
Travel	61,367	49	112	61,528
Subscriptions	345	25	22	392
Professional development	175	100	75	350
Liability insurance	9,662	572	490	10,724
Fiscal agent fee	6,818	-	-	6,818
Stipend	3,000	-	-	3,000
Donated goods and services	13,537	1,552	-	15,089
Miscellaneous	2,148	4,407	337	6,892
Total direct expenses	337,200	24,809	7,277	369,286
Depreciation	15,021	1,209	1,036	17,266
Total functional expenses	<u>\$ 864,384</u>	<u>\$ 103,034</u>	<u>\$ 38,848</u>	<u>\$ 1,006,266</u>

See accompanying notes and independent auditors' report.

**WORLD AFFAIRS COUNCIL
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014**

	2015 (audited)	2014 (reviewed)
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (154,866)	\$ 8,291
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities:		
Depreciation	16,216	17,266
Unrealized (gain) loss on investments	616	(1,800)
Changes in assets and liabilities providing (using) cash		
Accounts receivable	7,922	(4,204)
Prepaid expenses	(1,216)	3,095
Grants receivable	100,000	(60,000)
Accounts payable	(5,910)	11,369
Accrued vacation	(465)	(2,896)
Other current liabilities	(8,657)	10,763
Net cash used in operating activities	(46,360)	(18,116)
Cash Flows from Investing Activities		
Distributions received from endowment	1,209	1,680
Fixed asset additions	-	(1,258)
Net cash provided by investing activities	1,209	422
Net decrease in cash and cash equivalents	(45,151)	(17,694)
Cash at Beginning of Year	235,473	253,167
Cash at End of Year	\$ 190,322	\$ 235,473

Supplemental Disclosure of Cash Flow Information:

Cash paid during 2015 and 2014 for interest and taxes on income was \$0 and \$0.

See accompanying notes and independent auditors' report.

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE A: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The World Affairs Council provides opportunities for everyone in Greater Seattle to be a world citizen, advancing a deep understanding of world events and culture with activities that involve learning and exchange about world issues. As a hub for all things international, the World Affairs Council provides professional and social connections for people who share a passion for world affairs, and develops programs for discussion about international issues and culture to enrich Greater Seattle's civic and cultural conversation with world insights and perspectives. These programs include lectures, forums, receptions, and discussion groups.

A summary of the Council's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Revenue recognition - The organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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. The organization has elected to show restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded as temporarily or permanently restricted based on the nature of the restrictions.

Allocated expenses - Expenses by function have been allocated among program and supporting services classifications, in part, on the basis of time records and on estimates made by the organization's management.

Property and equipment - Property and equipment are recorded at cost, if purchased, or at fair market value, if donated. Expenditures or donations of property in excess of \$1,000, or that materially increase the estimated useful life of assets, are capitalized. Maintenance and repairs are charged to expense as incurred. Gains or losses on disposition of property are considered unrestricted unless restricted by the donor of the property. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, usually five to seven years.

Cash and cash equivalents - Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less. Included in cash at December 31, 2015 and 2014 is cash in checking, savings and money market funds.

Receivables - Accounts receivable are reported at the amount management expects to collect from outstanding balances. The difference between the amount due and the amount management expects to collect is reported in the statement of activities of the year in which those differences are determined. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense. All receivables are expected to be collected within one year.

NOTE A: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Investments - At December 31, 2015 and 2014, the investment consisted of an endowment that holds cash and marketable securities and is carried at fair value.

Estimates - 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 disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk - The Council maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Council believes it is not exposed to any significant credit risk with regard to cash and cash equivalents.

Income taxes - The Council is a Washington not-for-profit corporation that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Management believes there are no uncertain tax positions as defined by ASC 740, Income Taxes. Open tax years subject to IRS examination are 2012 and forward.

Fair value - Assets and liabilities are stated at their recorded values which approximate fair value due to the nature of the assets and liabilities held by the Council.

Date of management evaluation - Management has evaluated subsequent events through August 25, 2016, the date on which the financial statements are available to be issued.

NOTE B: FAIR VALUE OF INVESTMENTS

ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2: Inputs to the valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets,
- b. Quoted prices for identical or similar assets or liabilities in inactive markets,
- c. Inputs other than quoted prices that are observable for the asset or liability,
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodology used for the investment holding securities is quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE C: TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015 and 2014 temporarily restricted net assets consist of cash. Temporarily restricted net assets are available for the following purposes and periods.

	2015 (audited)	2014 (reviewed)
Future year grants receivable	\$ -	\$ 100,000
Japanese Connections	83,111	76,113
	<u>\$ 83,111</u>	<u>\$ 176,113</u>

NOTE D: PERMANENTLY RESTRICTED NET ASSETS (THE ENDOWMENT)

The Council's endowment is held by The Seattle Foundation and is valued at market value (fair value) using level one inputs (see Note B). The endowment assets are categorized as investments in the accompanying balance sheet. The endowment was established to provide for future needs of the Council. The Council can elect an annual distribution equal to 4.5% of the endowment. This distribution totaled \$1,738 and \$1,680, respectively, before expenses, for the years ended December 31, 2015 and 2014. The reinvested income from the endowment is included in permanently restricted net assets.

A reconciliation of the endowment follows:

	2015 (audited)	2014 (reviewed)
Balance at beginning of year	\$ 35,979	\$ 35,859
Dividend and interest income	597	691
Realized gain (loss)	998	1,024
Unrealized gain (loss)	(1,682)	85
Investment management fees	(529)	(534)
Distributions	(1,209)	(1,146)
Balance at end of year	<u>\$ 34,154</u>	<u>\$ 35,979</u>

NOTE E: DONATED GOODS AND SERVICES

Donated goods and services are reflected as revenues or other support in the accompanying statements at their estimated values at date of receipt. The following services were donated to the organization during the years ended December 31, 2015 and 2014.

	2015 <u>(audited)</u>	2014 <u>(reviewed)</u>
Donated venues rent	\$ 5,110	\$ 9,089
Donated catering	6,893	-
Donated advertising	<u>-</u>	<u>6,000</u>
Total donated goods and services	<u>\$ 12,003</u>	<u>\$ 15,089</u>

The Council also receives services from unpaid volunteers that do not meet the criteria for recognition as contributed services. No amounts are recorded for these contributions of non-specialized services.

NOTE F: COMMITMENTS

The Council leases its Seattle office facilities from the Port of Seattle under the terms of a lease agreement which expires on July 31, 2019. Rent expense was \$62,169 and \$65,819 for years ended December 31, 2015 and 2014, respectively. The Council also sublet some of its space to another non-profit organization under a sublease agreement which expired on July 31, 2015. Sublease rents collected were \$6,856, and \$10,060 for the years ended December 31, 2015 and 2014, respectively. The sublease agreement was renewed with a new tenant for the term starting August 1, 2016 through February 1, 2017, for \$500 per month plus certain expenses.

Future minimum lease payments are as follows:

Year Ending December 31,	
2016	\$ 36,174
2017	37,182
2018	38,084
2019	<u>22,649</u>
Total	<u>\$ 134,089</u>

NOTE G: EMPLOYEE BENEFIT PLAN

The Council has a defined contribution salary deferral plan (403(b)). The Council does not make any matching contributions to the plan.

NOTE H: UNRESTRICTED NET ASSETS

	2015 (audited)	2014 (reviewed)
Property and equipment	\$ 7,077	\$ 23,293
Board designated for operating reserves		135,608
Unrestricted	<u>121,532</u>	<u>29,747</u>
	<u>\$ 128,609</u>	<u>\$ 188,648</u>

NOTE I: CONCENTRATIONS

Revenue concentrations - The Council receives a substantial amount of support from the United States Department of State. A significant reduction in the level of this support, if it were to occur, may have a significant effect on the Council's programs and operations. The Council also receives a substantial amount of support from the Freeman Foundation, which is restricted to certain Japanese Connection programs, and from Bill & Melinda Gates Foundation, which is unrestricted.

Receivables concentrations - At December 31, 2015, there was no material concentration of accounts receivable. At December 31, 2014, 76% of all of the Council's contributions receivable were from one contributor, Bill and Melinda Gates Foundation. These amounts were collected subsequent to year end.

NOTE J: RELATED PARTY TRANSACTION

A vendor owned by a Board member provides transportation services for the Council. Payment for such services totaled \$1,661 and \$4,257, for the year ended December 31, 2015 and 2014, respectively. This vendor paid the Council commissions totaling \$15,268 and \$24,629 for the year ended December 31, 2015 and 2014, respectively. Accounts payable to this vendor were \$0 at December 31, 2015 and 2014.

SUPPLEMENTARY INFORMATION
(See independent auditors' report)

**WORLD AFFAIRS COUNCIL
SCHEDULE OF PUBLIC PROGRAM REVENUE
For the Years Ended December 31, 2015 and 2014**

	2015 (audited)	2014 (reviewed)
International Visitor Program	\$ 278,125	\$ 277,202
Community Programs	63,293	47,715
Other Programs	12,768	8,068
Japanese Connections	8,550	8,550
Global Classroom	4,835	14,855
	<u>4,835</u>	<u>14,855</u>
Total public program revenue	<u>\$ 367,571</u>	<u>\$ 356,390</u>

See independent auditors' report.