

**WORLD AFFAIRS COUNCIL
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

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Board of Directors
World Affairs Council
Seattle, Washington

Independent Accountants' Review Report

We have reviewed the accompanying financial statements of World Affairs Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

The 2016 supplementary information included on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Report on 2015 Financial Statements and Supplementary Information

The 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated August 25, 2016. In addition, the 2015 supplementary information contained on page 16 was 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. Our report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures on either the financial statements or on the supplementary information since August 25, 2016.

CPA Consulting Inc PS

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

October 12, 2017

WORLD AFFAIRS COUNCIL
STATEMENT OF FINANCIAL POSITION
December 31, 2016 (reviewed) and 2015 (audited)

	<u>2016</u> <u>(reviewed)</u>	<u>2015</u> <u>(audited)</u>
ASSETS		
Current Assets		
Cash	\$ 187,037	\$ 190,322
Accounts receivable	58,912	23,976
Grants receivable	100,000	-
Prepaid expenses	12,567	16,348
Total current assets	358,516	230,646
Investments	35,065	34,154
Property and Equipment		
Furniture and equipment	85,861	100,336
Accumulated depreciation	(78,929)	(93,259)
Total property and equipment	6,932	7,077
Total Assets	\$ 400,513	\$ 271,877
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 16,715	\$ 15,773
Accrued vacation	9,788	7,739
Other current liabilities	9,270	2,491
Total current liabilities	35,773	26,003
Net Assets		
Unrestricted	159,450	128,609
Temporarily restricted	170,225	83,111
Permanently restricted	35,065	34,154
Total net assets	364,740	245,874
Total Liabilities and Net Assets	\$ 400,513	\$ 271,877

See accompanying notes and accountants' review report.

WORLD AFFAIRS COUNCIL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2016 (reviewed) and 2015 (audited)

	2016 (reviewed)	2015 (audited)
Unrestricted Net Assets		
Unrestricted Revenues and Other Support		
Public programs	\$ 480,064	\$ 367,571
Memberships	163,390	93,720
Grants from government agencies	136,085	154,068
Direct public support	148,767	194,479
Investment and miscellaneous	44	44
	928,350	809,882
Net assets transferred from permanently restricted	1,248	1,209
Net assets released from restrictions:		
Restrictions satisfied by payments	187,886	173,652
Total unrestricted revenue and other support	1,117,484	984,743
Functional Expenses		
International Visitor Program	389,629	370,279
Public Programs	221,377	236,397
Membership	94,328	87,255
Global Classroom Education	139,193	133,394
Japanese Connections	95,486	82,202
Core, fundraising, development & admin	152,523	142,111
Total functional expenses	1,092,536	1,051,638
Non-Operating Items		
Sublease income	5,893	6,856
Increase (decrease) in unrestricted net assets	30,841	(60,039)
Temporarily Restricted Net Assets		
Contributions	275,000	80,650
Net assets released from restrictions	(187,886)	(173,652)
Increase (decrease) in temporarily restricted net assets	87,114	(93,002)
Permanently Restricted Net Assets		
Net assets transferred to unrestricted fund	(1,248)	(1,209)
Investment management fees	(581)	(529)
Investment income	2,740	(87)
Increase (decrease) in permanently restricted net assets	911	(1,825)
Increase (decrease) in net assets	118,866	(154,866)
Net Assets at Beginning of Year	245,874	400,740
Net Assets at End of Year	\$ 364,740	\$ 245,874

See accompanying notes and accountants' review report.

WORLD AFFAIRS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016 (reviewed)

	Programs	General & Admin	Fundraising	Total (reviewed)
Payroll and related taxes	\$ 508,742	\$ 59,596	\$ 50,947	\$ 619,285
Staff benefits	54,410	5,310	2,754	62,474
Total payroll & related expenses	563,152	64,906	53,701	681,759
Office supplies	2,352	77	61	2,490
Copier contract	5,190	1,016	2	6,208
Computer network support	2,979	132	199	3,310
Information systems	9,465	552	1,021	11,038
Telephone	6,516	290	434	7,240
Postage	156	10	10	176
Rent	53,515	2,378	3,568	59,461
Direct program expenses	154,212	-	-	154,212
Fellows	8,526	-	-	8,526
Audit/accounting	-	17,973	-	17,973
Membership development	893	-	-	893
Dues	2,110	8	12	2,130
Travel	86,910	219	1,328	88,457
Subscriptions	630	14	28	672
Professional development	349	17	-	366
Liability insurance	7,918	352	528	8,798
Fiscal agent fee	7,630	-	-	7,630
Stipend	3,000	-	-	3,000
Donated goods and services	17,923	-	-	17,923
Miscellaneous	1,132	3,022	59	4,213
Total direct expenses	371,406	26,060	7,250	404,716
Depreciation	5,455	242	364	6,061
Total functional expenses	<u>\$ 940,013</u>	<u>\$ 91,208</u>	<u>\$ 61,315</u>	<u>\$ 1,092,536</u>

See accompanying notes and accountants' review report.

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

	<u>Programs</u>	<u>General & Admin</u>	<u>Fundraising</u>	<u>Total (audited)</u>
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>\$ 909,527</u>	<u>\$ 80,906</u>	<u>\$ 61,205</u>	<u>\$ 1,051,638</u>

See accompanying notes and accountants' review report.

WORLD AFFAIRS COUNCIL
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2016 (reviewed) and 2015 (audited)

	<u>2016</u> <u>(reviewed)</u>	<u>2015</u> <u>(audited)</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 118,866	\$ (154,866)
Adjustments to reconcile increase (decrease) in net assets to net cash (used) in operating activities:		
Depreciation	6,061	16,216
Unrealized (gain) loss on investments, net	(2,160)	616
Changes in assets and liabilities providing (using) cash		
Accounts receivable	(34,936)	7,922
Grants receivable	(100,000)	100,000
Prepaid expenses	3,781	(1,216)
Accounts payable	942	(5,910)
Accrued vacation	2,049	(465)
Other current liabilities	6,779	(8,657)
Net cash provided by (used) in operating activities	1,382	(46,360)
Cash Flows from Investing Activities		
Distributions received from endowment	1,248	1,209
Fixed asset additions	(5,915)	-
Net cash (used) in provided by investing activities	(4,667)	1,209
Net decrease in cash and cash equivalents	(3,285)	(45,151)
Cash at Beginning of Year	190,322	235,473
Cash at End of Year	\$ 187,037	\$ 190,322

Supplemental Disclosure of Cash Flow Information:

Cash paid during 2016 and 2015 for interest and taxes on income was \$0 and \$0.

See accompanying notes and accountants' review report.

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (reviewed) and 2015 (audited)

NOTE A: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The World Affairs Council (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, 2016 and 2015 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, 2016 and 2015, the investment consisted of an endowment that holds cash and marketable securities and is carried at fair value using level one inputs.

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 2013 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 October 12, 2017, 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 marketable 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, 2016 and 2015 temporarily restricted net assets consist of cash. Temporarily restricted net assets are available for the following purposes and periods.

	2016 (reviewed)	2015 (audited)
Future year grants receivable	\$ 100,000	\$ -
Japanese Connections	70,225	83,111
	<u>\$ 170,225</u>	<u>\$ 83,111</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 \$1,829 and \$1,738, respectively, before expenses, for the years ended December 31, 2016 and 2015. The reinvested income from the endowment is included in permanently restricted net assets.

A reconciliation of the endowment follows:

	2016 (reviewed)	2015 (audited)
Balance at beginning of year	\$ 34,154	\$ 35,979
Dividend and interest income	603	597
Realized gain (loss)	691	998
Unrealized gain (loss)	1,446	(1,682)
Investment management fees	(581)	(529)
Distributions	(1,248)	(1,209)
Balance at end of year	<u>\$ 35,065</u>	<u>\$ 34,154</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, 2016 and 2015.

	2016 (reviewed)	2015 (audited)
Donated use of facilities	\$ 10,763	\$ 5,110
Donated catering	1,400	6,893
Donated services	5,760	-
Total donated goods and services	<u>\$ 17,923</u>	<u>\$ 12,003</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 \$59,461 and \$62,169 for years ended December 31, 2016 and 2015, respectively. The Council also sublet some of its space to another non-profit organization under a sublease agreement which expired on February 1, 2017. Sublease rents collected were \$5,893 and \$6,856 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,	
2017	\$ 37,182
2018	38,084
2019	<u>22,649</u>
Total	<u>\$ 97,915</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

	2016 (reviewed)	2015 (audited)
Property and equipment	\$ 6,932	\$ 7,077
Unrestricted	<u>152,518</u>	<u>121,532</u>
	<u>\$ 159,450</u>	<u>\$ 128,609</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 the Bill & Melinda Gates Foundation, which is unrestricted.

Receivables concentrations - At December 31, 2016, 63% of all of the Council's contributions receivable were from one contributor, the Bill and Melinda Gates Foundation. At December 31, 2015, there was no material concentration of accounts receivable. This amount was 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 \$9,578 and \$1,661, for the year ended December 31, 2016 and 2015, respectively. This vendor paid the Council commissions totaling \$15,705 and \$15,268 for the year ended December 31, 2016 and 2015, respectively. Accounts payable to this vendor were \$0 at December 31, 2016 and 2015.

NOTE K: RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958)*. The main provisions of this update require not-for-profit entities (NFP) to present on the face of the statement of financial position amounts for two classes of net assets and the end of the period, rather than for currently required three classes. Also, to present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than for the currently required three classes. Additionally, enhanced disclosures about 1) amounts and purposes of governing board designations, appropriations and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period; 2) composition of net assets with donor restrictions; 3) qualitative and quantitative information about how the NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date; 4) amounts of expenses by both their natural classification and their functional classification; 5) method used to allocate costs amount program and support functions; and, 6) increased disclosures on underwater endowment fund. This update will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. Its main provision requires management to recognize lease assets and lease liabilities for all leases. ASU 2016-02 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The results of retaining a distinction between finance leases and operating leases is that under the lessee accounting model, the effect of leases in the statement of comprehensive income and the statement of cash flows, is largely unchanged from the previous GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is currently assessing the impact of this ASU on the Company’s financial statements.

In May 2014, the FASB issued guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services. In July of 2015, the FASB approved a one-year deferral of the effective date to periods beginning after December 15, 2018. Management is currently evaluating the overall impact this guidance will have on the financial statements. The new guidance will also require enhanced disclosures, including revenue recognition policies to identify performance obligations to customer and significant judgments in measurement and recognition.

SUPPLEMENTARY INFORMATION

WORLD AFFAIRS COUNCIL
SCHEDULE OF PUBLIC PROGRAM REVENUE
For the Years Ended December 31, 2016 (reviewed) and 2015 (audited)

	2016 <u>(reviewed)</u>	2015 <u>(audited)</u>
International Visitor Program	\$ 335,518	\$ 278,125
Community Programs	102,481	63,293
Other Programs	27,005	12,768
Japanese Connections	7,600	8,550
Global Classroom	<u>7,460</u>	<u>4,835</u>
Total public program revenue	<u>\$ 480,064</u>	<u>\$ 367,571</u>

See accountants' review report.