WORLD AFFAIRS COUNCIL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

CONTENTS

CPA CONSULTING, INC., P.S.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

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, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years 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 the organization's 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.

CPA Consulting Inc PS

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

October 12, 2018

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WORLD AFFAIRS COUNCIL
STATEMENT OF FINANCIAL POSITION
December 31, 2017 and 2016

		2017		2016
ASSETS				
Current Assets				
Cash	$	262,892	$	187,037
Accounts receivable		33,080		58,912
Grants receivable		-		100,000
Prepaid expenses		21,291		12,567
Total current assets		317,263		358,516
Investments		39,408		35,065
Property and Equipment				
Furniture and equipment		91,235		85,861
Accumulated depreciation		(81,114)		(78,929)
Total property and equipment		10,121		6,932
Total Assets	$	366,792	$	400,513
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$	20,916	$	16,715
Accrued vacation		8,329		9,788
Other current liabilities		245		9,270
Total current liabilities		29,490		35,773
Net Assets				
Unrestricted		231,753		159,450
Temporarily restricted		66,141		170,225
Permanently restricted		39,408		35,065
Total net assets		337,302		364,740
Total Liabilities and Net Assets	$	366,792	$	400,513

See accompanying notes and accountants' review report.

WORLD AFFAIRS COUNCIL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted Net Assets		
Unrestricted Revenue		
Public programs	$ 394,452	$ 480,064
Memberships	141,385	163,390
Grants from government agencies	187,254	136,085
Direct public support	153,813	148,767
Total unrestricted revenue	876,904	928,306
Reclassifications		
Net assets released from temporarily restricted	179,084	187,886
Net assets transferred from permanently restricted	1,252	1,248
Total reclassifications	180,336	189,134
Non-Operating Items		
Sublease income	6,400	5,893
Investment and miscellaneous	52	44
Total non-operating items	6,452	5,937
Total unrestricted revenue and other	1,063,692	1,123,377
Functional Expenses		
International Visitor Program	368,898	389,629
Community Programs	224,187	221,377
Global Classroom	97,001	139,193
Japanese Connections	86,684	95,486
Memberships	82,573	94,328
Fundraising, management and general	132,046	152,523
Total functional expenses	991,389	1,092,536
Increase in unrestricted net assets	72,303	30,841
Temporarily Restricted Net Assets		
Contributions restricted by donors	75,000	275,000
Net assets released from restriction	(179,084)	(187,886)
Increase (decrease) in temporarily restricted net assets	(104,084)	87,114
Permanently Restricted Net Assets		
Investment income	6,255	2,740
Net assets transferred to unrestricted fund	(1,252)	(1,248)
Management fees	(660)	(581)
Increase in permanently restricted net assets	4,343	911
Increase (decrease) in net assets	(27,438)	118,866
Net Assets at Beginning of Year	364,740	245,874
Net Assets at End of Year	$ 337,302	$ 364,740

See accompanying notes and accountants' review report

WORLD AFFAIRS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Programs	Management and General	Fundraising	Total
Payroll and related taxes	$ 496,920	$ 57,687	$ 39,330	$ 593,937
Staff benefits	34,085	4,710	1,671	40,466
Total payroll & related expenses	531,005	62,397	41,001	634,403
Office supplies	3,827	243	125	4,195
Copier contract	6,319	1,598	-	7,917
Computer network support	2,754	122	184	3,060
Information systems	9,699	157	997	10,853
Telephone	4,918	219	328	5,465
Postage	386	8	12	406
Rent	56,764	2,523	3,784	63,071
Direct program expenses	118,370			118,370
Audit/accounting		12,241		12,241
Membership development	780			780
Dues	1,730	100		1,830
Travel	79,423	518	868	80,809
Subscriptions	831	19	34	884
Professional development	453			453
Liability insurance	7,925	352	528	8,805
Fiscal agent fee	7,500			7,500
Stipend	3,000			3,000
Donated services	16,675			16,675
Miscellaneous	5,018	3,177	293	8,488
Total direct expenses	326,372	21,277	7,153	354,802
Depreciation	1,966	87	131	2,184
Total functional expenses	$ 859,343	$ 83,761	$ 48,285	$ 991,389

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

	Programs	Management and General	Fundraising	Total
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	162,738	-	-	162,738
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 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	$ 940,013	$ 91,208	$ 61,315	$ 1,092,536

See accompanying notes and accountants' review report.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ (27,438)	$ 118,866
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	2,184	6,061
Changes in assets and liabilities providing (using) cash		
Accounts receivable	25,832	(34,936)
Grants receivable	100,000	(100,000)
Prepaid expenses	(8,724)	3,781
Investments, net	(5,595)	(2,160)
Accounts payable	4,201	942
Accrued vacation	(1,459)	2,049
Other current liabilities	(9,025)	6,779
Net cash provided by operating activities	79,976	1,382
Cash Flows from Investing Activities		
Fixed assets additions	(5,373)	(5,915)
Distributions received from endowment	1,252	1,248
Net cash used in investing activities	(4,121)	(4,667)
Net increase (decrease) in cash	75,855	(3,285)
Cash at Beginning of Year	187,037	190,322
Cash at End of Year	$ 262,892	$ 187,037

Supplemental Disclosure of Cash Flow Information:

Cash paid during 2017 and 2016 for interest and taxes on income was $0 and $0.

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:

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.

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.

Investments - At December 31, 2017 and 2016, the investment consisted of an endowment that holds cash and marketable securities and is carried at fair value using level one inputs.

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.

NOTE A: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2014 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.

Reclassifications – Certain account balances in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications had no effect on the result of operations for the year ended in December 31, 2016.

Date of management evaluation - The company has evaluated events through the date of the independent accountants' report, the date on which the financial statements were 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:

NOTE B: FAIR VALUE OF INVESTMENTS (continued)

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: CONCENTRATIONS

Receivables concentrations - At December 31, 2017, there was no material concentration of accounts receivable. At December 31, 2016, 63% of all of the Council's contributions receivable were from one contributor, Bill and Melinda Gates Foundation. All amounts were collected subsequent to year end.

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 Connections programs, and from Bill & Melinda Gates Foundation, which is unrestricted.

NOTE D: UNRESTRICTED NET ASSETS

	2017	2016
Property and equipment	$ 10,121	$ 6,932
Unrestricted	221,632	152,518
	$ 231,753	$ 159,450

NOTE E: TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016 temporarily restricted net assets were limited by donors to later periods of time or to specified purposes.

	2017	2016
Future year grants receivable	$ -	$ 100,000
Japanese Connections	66,141	70,225
	$ 66,141	$ 170,225

NOTE F: PERMANENTLY RESTRICTED NET ASSETS

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 $1,912 and $1,829, respectively, before expenses, for the years ended December 31, 2017 and 2016. The reinvested income from the endowment is included in permanently restricted net assets.

A reconciliation of the endowment follows:

	2017	2016
Balance at beginning of year	$ 35,065	$ 34,154
Dividend and interest income	622	603
Realized gain (loss)	1,287	691
Unrealized gain (loss)	4,346	1,446
Management fees	(660)	(581)
Distributions	(1,252)	(1,248)
Balance at end of year	$ 39,408	$ 35,065

NOTE G: DONATED SERVICES AND USE OF FACILITIES

Donated services and use of facilities are included in direct public support revenues in the accompanying statements at their estimated values at date of receipt. The following services and use of facilities were donated to the organization during the years ended December 31, 2017 and 2016.

	2017	2016
Donated use of facilities	$ 16,675	$ 10,763
Donated catering	-	1,400
Donated other services	-	5,760
Total donated services	$ 16,675	$ 17,923

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 H: 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 $63,071 and $59,461 for years ended December 31, 2017 and 2016, respectively.

The Council sublet some of its space to an unrelated party under a sublease agreement which had expired on February 1, 2017. Agreement has not been extended, and the sublease term is established on a month to month basis. Sublease rents collected were $6,400 and $5,893 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments are as follows:

Years Ending December 31,	
2018	$ 38,084
2019	22,649
Total	$ 60,733

NOTE I: 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 J: RELATED PARTY TRANSACTION

A vendor owned by a Board member provides transportation services for the Council. Payment for such services totaled $0 and $9,578, for the years ended December 31, 2017 and 2016, respectively. This vendor paid the Council commissions totaling $15,274 and $15,705 for the years ended December 31, 2017 and 2016, respectively. Accounts payable to this vendor were $0 at December 31, 2017 and 2016.

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.