WORLD AFFAIRS COUNCIL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

CONTENTS

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

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, 2018, and the related statements of activities and cash flows for the year then ended, 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 the World Affairs Council as of December 31, 2018, 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.

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Prior Period Financial Statements

The 2017 financial statements were reviewed by us, and our report thereon, dated October 12, 2018, 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 the expression of an opinion on the financial statements.

CPA Consulting Inc PS

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

September 23, 2019

WORLD AFFAIRS COUNCIL
STATEMENT OF FINANCIAL POSITION
For the Years Ended December 31, 2018 and 2017

	2018 (audited)	2017 (reviewed)
ASSETS		
Current Assets		
Cash (including with donor restrictions of $64,449 and $66,141 at December 31, 2018 and 2017, respectively)	$ 255,440	$ 262,892
Accounts receivable	88,266	33,080
Grants receivable with donor restrictions	100,000	-
Prepaid expenses	16,077	21,291
Total current assets	459,783	317,263
Investments with donor restrictions	35,095	39,408
Property and Equipment		
Furniture and equipment	87,509	91,235
Accumulated depreciation	(54,918)	(81,114)
Total property and equipment	32,591	10,121
Total assets	$ 527,469	$ 366,792
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 26,622	$ 20,916
Accrued vacation	9,821	8,329
Other current liabilities	8,160	245
Total current liabilities	44,603	29,490
Net Assets		
Without donor restrictions	283,322	231,753
With donor restrictions	199,544	105,549
Total net assets	482,866	337,302
Total liabilities and net assets	$ 527,469	$ 366,792

See accompanying notes and independent auditors' report

WORLD AFFAIRS COUNCIL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2018 and 2017

	2018 (audited)	2017 (reviewed)
Changes in Net Assets without Donor Restrictions		
Unrestricted revenue		
Public programs	$ 444,492	$ 394,452
Memberships	155,325	141,385
Grants from government agencies	150,465	187,254
Direct public support	286,994	153,813
Total revenue without donor restrictions	1,037,276	876,904
Reclassifications		
Transfers from donor-restricted net assets	77,959	180,336
Total reclassifications	77,959	180,336
Non-Operating items		
Sublease income	6,420	6,400
Investment and miscellaneous	82	52
Total non-operating items	6,502	6,452
Total revenue and other without donor restrictions	1,121,737	1,063,692
Functional expenses		
International Visitor Program	386,804	368,898
Community Programs	232,471	224,187
Global Classroom	119,121	97,001
Japanese Connections	87,141	86,684
Memberships	87,466	82,573
Fundraising, management and general	157,165	132,046
Total functional expenses	1,070,168	991,389
Increase in net assets without donor restrictions	51,569	72,303
Changes in Net Assets with Donor Restrictions		
Contributions restricted by donors	175,000	75,000
Net assets released from restriction	(77,959)	(180,336)
Investment income	(2,650)	6,255
Management fees	(396)	(660)
Increase (decrease) in net assets with donor restrictions	93,995	(99,741)
Increase (decrease) in net assets	145,564	(27,438)
Net Assets at Beginning of Year	337,302	364,740
Net Assets at End of Year	$ 482,866	$ 337,302

See accompanying notes and independent auditors' report

WORLD AFFAIRS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Programs	Management and General	Fundraising	Total
Payroll and related taxes	$ 508,376	$ 68,277	$ 51,173	$ 627,826
Staff benefits	41,370	5,433	1,634	48,437
Total payroll & related expenses	549,746	73,710	52,807	676,263
Office supplies	2,393	107	144	2,644
Copier contract	5,821	1,920	6	7,747
Computer network support	2,754	123	184	3,061
Information systems	12,604	212	1,011	13,827
Telephone	4,893	583	326	5,802
Postage	277	20	19	316
Rent	62,902	2,796	4,193	69,891
Direct program expenses	146,549			146,549
Audit/accounting		12,401		12,401
Membership development	1,943			1,943
Dues	2,160	8	112	2,280
Travel	79,008	209	1,035	80,252
Subscriptions	1,043	29	44	1,116
Professional development	514	255		769
Liability insurance	8,846	393	590	9,829
Fiscal agent fee	7,500			7,500
Stipend	1,500			1,500
Donated services	14,184			14,184
Miscellaneous	2,580	3,159	126	5,865
Total direct expenses	357,471	22,215	7,790	387,476
Depreciation	5,786	257	386	6,429
Total functional expenses	$ 913,003	$ 96,182	$ 60,983	$ 1,070,168

See accompanying notes and independent auditors' 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

See accompanying notes and independent auditors' report.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 145,564	$ (27,438)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	6,429	2,184
Changes in assets and liabilities:		
Accounts receivable	(55,186)	25,832
Grants receivable	(100,000)	100,000
Prepaid expenses	5,214	(8,724)
Investments, net	3,045	(5,595)
Accounts payable	5,706	4,201
Accrued vacation	1,492	(1,459)
Other current liabilities	7,915	(9,025)
Net cash provided by operating activities	20,179	79,976
Cash Flows from Investing Activities		
Fixed assets additions	(28,899)	(5,373)
Distributions received from endowment	1,268	1,252
Net cash used in investing activities	(27,631)	(4,121)
Net increase (decrease) in cash	(7,452)	75,855
Cash at Beginning of Year	262,892	187,037
Cash at End of Year	$ 255,440	$ 262,892

Supplemental Disclosure of Cash Flow Information:

Cash paid during 2018 and 2017 for interest and taxes on income was $0 and $0.

See accompanying notes and independent auditors' report.

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:

Accounts receivable - 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, 2018 and 2017, the investment consisted of an endowment that holds cash and marketable securities and is carried at fair value using net asset value as a practical expedient.

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, donor-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 restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded as donor-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. Tax returns are generally subject to examination for three years after the due date or filing date, whichever is later.

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 - 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 was effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

Accordingly, certain account balances in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on the statement of activity for the year ended in December 31, 2017.

NOTE A: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of management evaluation - The company has evaluated events through the date of the independent auditors' 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:

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 beneficial interest in assets held at The Seattle Foundation (Foundation) has been valued, as a practical expedient, at the fair value of the organization's share of the Foundation's investment pool as of

NOTE B: FAIR VALUE OF INVESTMENTS (continued)

the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would been used had a ready market existed for these investments. The Foundation's investments are composed approximately of 22% domestic equities, 26% international equity, 16% fixed income and 36% alternative investments including hedge funds, real estate and private equity funds. The beneficial interest in assets held at The Seattle Foundation is not redeemable by the Organization as described in note F.

NOTE C: CONCENTRATIONS

Receivables concentrations - At December 31, 2018, 53% of all of the Council's receivables were from one contributor, Bill and Melinda Gates Foundation. At December 31, 2017, there was no material concentration of receivables.

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.

NOTE D: UNRESTRICTED NET ASSETS

	2018	2017
Property and equipment	$ 32,591	$ 10,121
Unrestricted	250,731	221,632
	$ 283,322	$ 231,753

NOTE E: DONOR-RESTRICTED NET ASSETS

At December 31, 2018 and 2017 the following contributions were restricted by donors to later periods of time or to specified purposes.

	2018	2017
Future year grants receivable	$ 100,000	$ -
Japanese Connections	64,449	66,141
Endowment	35,095	39,408
	$ 199,544	$ 105,549

NOTE F: ENDOWMENT FUNDS

The Organization's endowment fund was established to support the Council's programs. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Council indefinitely, and income from the fund is to be expended for program services. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Council is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met.

The Board of Directors of the Council has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Council would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

In accordance with SPMIFA the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Council, and (7) the investment policies of the Council.

The Council's endowment is held by The Seattle Foundation and is valued using the equity method (see Note B). The endowment assets are categorized as investments in the

NOTE F: ENDOWMENT FUNDS (continued)

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 $1,664 and $1,912, before expenses, for the years ended December 31, 2018 and 2017, respectively. The reinvested income from the endowment is included in donor-restricted net assets.

A reconciliation of the endowment follows:

	2018	2017
Balance at beginning of year	$ 39,408	$ 35,065
Net appreciation (depreciaton) in fair value	(2,650)	6,255
Management fees	(395)	(660)
Distributions	(1,268)	(1,252)
Balance at end of year	$ 35,095	$ 39,408

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, 2018 and 2017.

	2018	2017
Donated use of facilities	$ 9,950	$ 16,675
Donated catering	4,234	-
Total donated services	$ 14,184	$ 16,675

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 $69,892 and $63,071 for years ended December 31, 2018 and 2017, respectively.

The Council sublet some of its space to an unrelated party under a sublease agreement which had expired on February 1, 2017. This agreement was not extended, but the sublease continued on a month-to-month basis. Sublease rents collected were $6,420 and $6,400 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,	
2019	$ 22,649

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 former Board member provides transportation services for the Council. This vendor paid the Council commissions totaling $15,274 for the year ended December 31, 2017. Accounts payable to this vendor were $0 at December 31, 2017. The owner of the vendor ended her term on Board in March, 2017.

NOTE K: RECENT ACCOUNTING PRONOUNCEMENTS

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,

NOTE K: RECENT ACCOUNTING PRONOUNCEMENTS (continued)

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.