

WORLD AFFAIRS COUNCIL

FINANCIAL STATEMENTS

December 31, 2019 (*Reviewed*) and 2018 (*Audited*)



WORLD AFFAIRS COUNCIL

T A B L E O F C O N T E N T S

	Page(s)
Independent Accountants' Review Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6–12



12600 SE 38th Street, Suite 245, Bellevue, WA 98006
Phone 425-401-5061 | Fax 425-401-6306 | bpm@bpmcpa.com

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
World Affairs Council
Seattle, Washington

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, 2019, and the related statements of activities and changes in net assets, functional expenses 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.

Prior Period Financial Statements

The financial statements as of December 31, 2018, were audited by CPA-Consulting, Inc., P.S., who merged with BPM LLP as of October 1, 2019. CPA-Consulting, Inc., P.S.'s report dated September 23, 2019, expressed an unmodified opinion on those statements. They have not performed any auditing procedures since that date.

Bellevue, Washington
November 20, 2020

WORLD AFFAIRS COUNCIL
STATEMENTS OF FINANCIAL POSITION

As of December 31, 2019 and 2018

(See Independent Accountants' Review Report)

	2019	2018
	<i>(Reviewed)</i>	<i>(Audited)</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 306,135	\$ 255,440
Accounts receivable	44,587	88,266
Grants receivable	-	100,000
Prepaid expenses	13,964	16,077
	364,686	459,783
Total current assets		
Beneficial interest in endowment investments	41,095	35,095
Property and equipment:		
Furniture and equipment	100,077	87,509
Accumulated depreciation	(64,165)	(54,918)
	35,912	32,591
Total property and equipment		
Total assets	\$ 441,693	\$ 527,469
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 18,362	\$ 26,622
Accrued vacation	9,273	9,821
Other current liabilities	8,160	8,160
	35,795	44,603
Total current liabilities		
Net assets:		
Without donor restrictions	298,309	283,322
With donor restrictions	107,589	199,544
	405,898	482,866
Total net assets		
Total liabilities and net assets	\$ 441,693	\$ 527,469

The accompanying notes are an integral part of these financial statements.

WORLD AFFAIRS COUNCIL

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended December 31, 2019 and 2018

(See Independent Accountants' Review Report)

	2019	2018
	<i>(Reviewed)</i>	<i>(Audited)</i>
Changes in net assets without donor restrictions:		
Unrestricted revenue:		
Public programs	\$ 463,128	\$ 444,492
Memberships	151,943	155,325
Grants from government agencies	143,464	150,465
Direct public support	158,381	286,994
Total revenue without donor restrictions	916,916	1,037,276
Reclassifications:		
Transfers from donor-restricted net assets	172,955	77,959
Total reclassifications	172,955	77,959
Non-operating items:		
Sublease income	-	6,420
Investment and miscellaneous	170	82
Total non-operating items	170	6,502
Total revenue and other without donor restrictions	1,090,041	1,121,737
Expenses:		
International Visitor Program	401,858	386,804
Community Programs	232,619	232,471
Global Classroom	109,515	119,121
Japanese Connections	79,605	87,141
Memberships	87,912	87,466
Fundraising, management, and general	163,545	157,165
Total expenses	1,075,054	1,070,168
Increase in net assets without donor restrictions	14,987	51,569
Changes in net assets with donor restrictions:		
Contributions restricted by donors	75,000	175,000
Net assets released from restriction	(172,955)	(77,959)
Change in beneficial interest in endowment investments	6,650	(2,650)
Management fees	(650)	(395)
(Decrease) increase in net assets with donor restrictions	(91,955)	93,996
(Decrease) increase in net assets	(76,968)	145,565
Net assets at beginning of year	482,866	337,301
Net assets at end of year	\$ 405,898	\$ 482,866

The accompanying notes are an integral part of these financial statements.

WORLD AFFAIRS COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2019 and 2018
(See Independent Accountants' Review Report)

	2019 <i>(Reviewed)</i>				2018 <i>(Audited)</i>			
	Programs	Management and General	Fundraising	Total	Programs	Management and General	Fundraising	Total
Payroll and related taxes	\$ 524,155	\$ 68,588	\$ 51,497	\$ 644,240	\$ 508,376	\$ 68,277	\$ 51,173	\$ 627,826
Staff benefits	38,982	4,708	1,635	45,325	41,370	5,433	1,634	48,437
Total payroll and related expenses	<u>563,137</u>	<u>73,296</u>	<u>53,132</u>	<u>689,565</u>	<u>549,746</u>	<u>73,710</u>	<u>52,807</u>	<u>676,263</u>
Office supplies	2,363	149	105	2,617	2,393	107	144	2,644
Copier contract	6,262	1,319	107	7,688	5,821	1,920	6	7,747
Computer network support	3,213	143	214	3,570	2,754	123	184	3,061
Information systems	11,015	165	637	11,817	12,604	212	1,011	13,827
Telephone	4,909	399	327	5,635	4,893	583	326	5,802
Postage	223	9	14	246	277	20	19	316
Rent	61,527	2,735	4,102	68,364	62,902	2,796	4,193	69,891
Direct program expenses	144,969	-	-	144,969	146,549	-	-	146,549
Audit/accounting	-	18,353	-	18,353	-	12,401	-	12,401
Membership development	1,619	-	-	1,619	1,943	-	-	1,943
Dues	3,310	-	100	3,410	2,160	8	112	2,280
Travel	71,507	478	1,469	73,454	79,008	209	1,035	80,252
Subscriptions	1,497	50	190	1,737	1,043	29	44	1,116
Professional development	528	378	-	906	514	255	-	769
Liability insurance	8,400	373	560	9,333	8,846	393	590	9,829
Fiscal agent fee	7,500	-	-	7,500	7,500	-	-	7,500
Stipend	-	-	-	-	1,500	-	-	1,500
Donated services	10,730	-	-	10,730	14,184	-	-	14,184
Miscellaneous	478	3,767	49	4,294	2,580	3,159	126	5,865
Total direct expenses	<u>340,050</u>	<u>28,318</u>	<u>7,874</u>	<u>376,242</u>	<u>357,471</u>	<u>22,215</u>	<u>7,790</u>	<u>387,476</u>
Depreciation	8,322	370	555	9,247	5,786	257	386	6,429
Total functional expenses	<u>\$ 911,509</u>	<u>\$ 101,984</u>	<u>\$ 61,561</u>	<u>\$ 1,075,054</u>	<u>\$ 913,003</u>	<u>\$ 96,182</u>	<u>\$ 60,983</u>	<u>\$ 1,070,168</u>

The accompanying notes are an integral
part of these financial statements.

WORLD AFFAIRS COUNCIL

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(See Independent Accountants' Review Report)

	<u>2019</u> <i>(Reviewed)</i>	<u>2018</u> <i>(Audited)</i>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (76,968)	\$ 145,565
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	9,247	6,429
Changes in assets and liabilities:		
Accounts receivable	43,679	(55,186)
Grants receivable	100,000	(100,000)
Prepaid expenses	2,113	5,214
Investments, net	(6,000)	3,045
Accounts payable	(8,260)	5,706
Accrued vacation	(548)	1,492
Other current liabilities	-	7,915
	<u>63,263</u>	<u>20,180</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Fixed assets additions	(12,568)	(28,899)
Distributions received from endowment	-	1,268
	<u>(12,568)</u>	<u>(27,631)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	50,695	(7,451)
Cash and cash equivalents at beginning of year	<u>255,441</u>	<u>262,892</u>
Cash and cash equivalents at end of year	<u>\$ 306,136</u>	<u>\$ 255,441</u>

Supplemental disclosure of cash flow information:

Cash paid during 2019 and 2018 for interest and taxes on income was \$0 and \$0, respectively.

The accompanying notes are an integral
part of these financial statements.

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

1. 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:

Cash and Cash Equivalents

The Council considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

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, 2019 and 2018, 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 net assets without donor restrictions 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 net assets without donor restrictions. Investment earnings with donor restrictions are recorded as donor-restricted based on the nature of the restrictions.

Continued

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

1. Organization and Significant Accounting Policies, continued

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.

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.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASC Topic 958"). The accounting for contributions has been modified to make it more clear in distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, ASC Topic 958 clarifies when each party directly receives commensurate value in the transaction, and how to deal with third party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. ASC Topic 958 was adopted by the Council as of January 1, 2019, utilizing the modified retrospective method of transition. The adoption did not result in significant changes to accounting policies and, as such, there was no opening adjustments to net assets.

Continued

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 306,135
Accounts receivable	44,587
Less: Cash with donor restrictions	<u>(66,494)</u>
	<u>\$ 284,228</u>

3. 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:

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in inactive markets,
- Inputs other than quoted prices that are observable for the asset or liability,
- 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.

Continued

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

3. Fair Value of Investments, continued

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 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 be 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 redeemable by the organization as described in Note 7.

4. 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, 2019, 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 in 2018 from the Bill and Melinda Gates Foundation.

5. Net Assets Without Donor Restrictions

	<u>2019</u> <i>(Reviewed)</i>	<u>2018</u> <i>(Audited)</i>
Property and equipment	\$ 35,912	\$ 32,591
Without donor restrictions	<u>262,397</u>	<u>250,731</u>
	<u>\$ 298,309</u>	<u>\$ 283,322</u>

Continued

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

6. Net Assets With Donor Restrictions

At December 31, 2019 and 2018, the following contributions were restricted by donors to later periods of time or to specified purposes.

	2019 <i>(Reviewed)</i>	2018 <i>(Audited)</i>
Future year grants receivable	\$ -	\$ 100,000
Japanese Connections	66,494	64,449
Endowment	41,095	35,095
	\$ 107,589	\$ 199,544

Net assets were released from donor restrictions by satisfying the conditions of time and for the following restricted purposes during the years ended December 31, 2019 and 2018:

	2019 <i>(Reviewed)</i>	2018 <i>(Audited)</i>
Grant receivable	\$ 100,000	\$ -
Freeman Foundation	72,955	76,691
Beneficial interest in endowment investments	-	1,268
	\$ 172,955	\$ 77,959

7. 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.

Continued

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

7. Endowment Funds, continued

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 net asset value practical expedient (see Note 1). The endowment assets are categorized as beneficial interest in endowment 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 \$0 and \$1,664, before expenses, for the years ended December 31, 2019 and 2018, respectively. The reinvested income from the endowment is included in donor-restricted net assets.

A reconciliation of the endowment follows:

	2019 <i>(Reviewed)</i>	2018 <i>(Audited)</i>
Balance at beginning of year	\$ 35,095	\$ 39,408
Net appreciation (depreciation) in fair value	6,650	(2,650)
Management fees	(650)	(395)
Distributions	-	(1,268)
	\$ 41,095	\$ 35,095

8. 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, 2019 and 2018.

	2019 <i>(Reviewed)</i>	2018 <i>(Audited)</i>
Donated use of facilities	\$ 8,800	\$ 9,950
Donated catering	1,830	4,234
Donated printing	100	-
Total donated services	\$ 10,730	\$ 14,184

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 nonspecialized services.

Continued

WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

9. 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, 2024. Rent expense was \$68,363 and \$69,892 for years ended December 31, 2019 and 2018, 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 \$0 and \$6,420 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

Year ending December 31:	
2020	\$ 49,180
2021	51,639
2022	54,221
2023	56,932
2024	<u>39,200</u>
	<u>\$ 251,172</u>

10. 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.

11. Subsequent Events

Subsequent events have been evaluated through November 20, 2020, which is the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2019 that required recognition or disclosure in such financial statements other than noted below.

Subsequent to December 31, 2019, the spread of COVID-19 has caused significant financial market volatility, economic and regulatory uncertainty, and interruptions to normal business activities. The Council has continued to operate using remote working arrangements and virtual events. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time, however, the Council has received funding under the Paycheck Protection Program (PPP), supplemental funding from the Department of State, and a loan from the Economic Injury Disaster Loan (EIDL) program. Management believes these resources will be sufficient in the near term to allow continued operations, until normal business operations resume.