

WORLD AFFAIRS COUNCIL

Reviewed Financial Statements
December 31, 2020 and 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
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, 2020, and the related statements of activities, 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 entity 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.

Accountant's 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.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2020 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2019 Financial Statements

The financial statements of World Affairs Council as of December 31, 2019, were reviewed by other accountants whose report dated November 20, 2020, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Greenwood Ohlund

Seattle, Washington
September 17, 2021

WORLD AFFAIRS COUNCIL

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents	\$ 714,029	\$ 306,136
Contributions receivable	12,900	34,849
Program service fees receivable	4,995	9,738
Prepaid expenses and other assets	10,390	13,963
Total current assets	742,314	364,686
Beneficial Interest in Assets Held by The Seattle Foundation	45,754	41,095
Furniture and Equipment, net	25,361	35,912
Total assets	<u>\$ 813,429</u>	<u>\$ 441,693</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 12,918	\$ 26,522
Accrued payroll and related expenses	9,037	9,273
Total current liabilities	21,955	35,795
Loan Payable	150,000	-
Total liabilities	171,955	35,795
Net Assets		
Without donor restrictions	507,679	298,309
With donor restrictions	133,795	107,589
Total net assets	641,474	405,898
Total liabilities and net assets	<u>\$ 813,429</u>	<u>\$ 441,693</u>

See accompanying notes and independent accountant's review report.

WORLD AFFAIRS COUNCIL

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions	\$ 247,934	\$ 29,184	\$ 277,118	\$ 158,380	\$ 75,000	\$ 233,380
Government grants	459,382	-	459,382	143,464	-	143,464
Membership dues	186,026	-	186,026	221,046	-	221,046
Program service fees	95,022	-	95,022	394,026	-	394,026
Change in value of beneficial interest in assets	-	4,659	4,659	-	6,000	6,000
Interest income	33	-	33	170	-	170
Net assets released from restrictions	7,637	(7,637)	-	172,955	(172,955)	-
Total public support and revenue	996,034	26,206	1,022,240	1,090,041	(91,955)	998,086
Expenses						
Program services	652,430	-	652,430	911,510	-	911,510
Management and general	91,436	-	91,436	101,983	-	101,983
Fundraising	42,798	-	42,798	61,561	-	61,561
Total expenses	786,664	-	786,664	1,075,054	-	1,075,054
Change in net assets	209,370	26,206	235,576	14,987	(91,955)	(76,968)
Net Assets, beginning of year	298,309	107,589	405,898	283,322	199,544	482,866
Net Assets, end of year	<u>\$ 507,679</u>	<u>\$ 133,795</u>	<u>\$ 641,474</u>	<u>\$ 298,309</u>	<u>\$ 107,589</u>	<u>\$ 405,898</u>

See accompanying notes and independent accountant's review report.

WORLD AFFAIRS COUNCIL

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll, taxes and benefits	\$ 520,744	\$ 68,085	\$ 34,522	\$ 623,351	\$ 563,137	\$ 73,297	\$ 53,132	\$ 689,566
Occupancy	72,261	3,212	4,817	80,290	61,527	2,735	4,102	68,364
Program supplies and events	19,003	-	-	19,003	144,970	-	-	144,970
Professional fees	-	13,497	-	13,497	-	18,352	-	18,352
Office expenses	10,784	1,834	388	13,006	13,756	1,876	553	16,185
Other	8,311	1,655	1,048	11,014	19,610	4,195	339	24,144
Depreciation	9,496	422	633	10,551	8,322	370	555	9,247
Information technology	9,428	241	361	10,030	14,228	307	851	15,386
Insurance	6,914	1,965	461	9,340	8,400	373	560	9,333
Dues and subscriptions	6,530	272	493	7,295	6,053	-	-	6,053
Travel (refunds)	(11,041)	253	75	(10,713)	71,507	478	1,469	73,454
	<u>\$ 652,430</u>	<u>\$ 91,436</u>	<u>\$ 42,798</u>	<u>\$ 786,664</u>	<u>\$ 911,510</u>	<u>\$ 101,983</u>	<u>\$ 61,561</u>	<u>\$ 1,075,054</u>

See accompanying notes and independent accountant's review report.

WORLD AFFAIRS COUNCIL

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 235,576	\$ (76,968)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	10,551	9,247
Change in value of beneficial interest in assets held by The Seattle Foundation	(4,659)	(6,000)
Change in operating assets and liabilities		
Contributions receivable	21,949	100,000
Program service fees receivable	4,743	43,679
Prepaid expenses and other assets	3,573	2,113
Accounts payable	(13,604)	(8,260)
Accrued payroll and related expenses	(236)	(548)
	257,893	63,263
Cash Flows from Investing Activity		
Purchase of furniture and equipment	-	(12,568)
Cash Flows from Financing Activity		
Proceeds from loan payable	150,000	-
	407,893	50,695
Cash and Cash Equivalents, beginning of the year	306,136	255,441
Cash and Cash Equivalents, end of the year	\$ 714,029	\$ 306,136

See accompanying notes and independent accountant's review report.

WORLD AFFAIRS COUNCIL

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

The World Affairs Council (the 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 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation

The Council reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets with and without Donor Restrictions

Net assets without donor restrictions are available for support of the Council’s operations. Net assets with donor restrictions consist of unexpended contributions restricted for particular purposes or time periods. Net assets with donor restrictions also represent gifts given with the intent that the principal will be maintained intact into perpetuity and the income may be used for current operations. Net assets with perpetual restrictions consist entirely of a beneficial interest in a perpetual trust held by The Seattle Foundation at December 31, 2020 and 2019. Changes in the fair value of the beneficial interest in a perpetual trust increase or decrease net assets with donor restrictions. Distributions from the perpetual trust are recognized as investment income to be used to support general operations.

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Net assets with purpose restrictions		
Japanese Connections	\$ 88,041	\$ 66,494
Net assets with perpetual restrictions		
Beneficial interest in assets held by The Seattle Foundation	<u>45,754</u>	<u>41,095</u>
	<u>\$ 133,795</u>	<u>\$ 107,589</u>

WORLD AFFAIRS COUNCIL

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash consists of checking and money market accounts held at financial institutions. On occasion, the Council has cash balances in excess of federally insured limits. The Council has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

Receivables

Contributions receivable expected to be collected in one year are recorded at net realizable value. The Council uses the allowance method of accounting for bad debts. Accordingly, contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Management determined that an allowance was not necessary as of December 31, 2020 or 2019.

Program services receivable are earned from customers for services provided. The Council assesses the need for an allowance on its program service fees receivable in the same manner as its contributions receivable. Management determined that an allowance was not necessary as of December 31, 2020 or 2019.

Furniture and Equipment

Furniture and equipment are recorded at cost if purchased, or at fair value at the date of receipt if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (five years). The Council's policy is to capitalize assets with a cost or donated value greater than \$1,000 and a useful life in excess of one year. Furniture and equipment is presented net of accumulated depreciation of \$74,716 and \$64,165 at December 31, 2020 and 2019, respectively.

Revenue Recognition

Contribution revenue is recognized when unconditionally pledged as without donor restriction and with donor restriction when the promise to give is received, depending on the existence or absence of any donor restrictions. Conditional promises to give, that is, those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend have been met.

WORLD AFFAIRS COUNCIL

NOTES TO FINANCIAL STATEMENTS

Revenue from government grants, like contributions, is recorded when conditions are met. Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can be first reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2020 and 2019, no such adjustments were made. During the year ended December 31, 2020, the Council received a Paycheck Protection Program loan from the Small Business Administration of \$123,230. This loan included forgivable conditions which were met during the year ended December 31, 2020 and, therefore, the loan amount was recognized to government grant revenue.

Two government agencies and one government agency provide all government grant revenue during the years ended December 31, 2020 and 2019, respectively.

Membership revenue is considered contributory, as little to no exchange of goods or services exists and is, therefore, recognized at the time of registration.

Program service fee revenue is recognized when the performance obligation is satisfied at the time the services are provided (the date of the program). The transaction price for the services are based on published rates. There are no significant judgments affecting the determination of the amount and timing of revenue.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Occupancy and depreciation are allocated based on estimates of space supporting those functions. Payroll, taxes and benefits, office expenses, and other are allocated based on estimates of time and effort.

Income Tax Status

The Council is a tax-exempt organization under the provisions of the Internal Revenue Code Section 501(c)(3).

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Recent Accounting Pronouncement Adopted

During the year ended December 31, 2020, the Council adopted the provisions of Accounting Standards Update (ASU) No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (commonly referred to as Accounting Standards Codification Topic 606 (ASC 606), issued by the Financial Accounting Standards Board (FASB). The pronouncement was issued to clarify the principles for recognizing revenue and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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NOTES TO FINANCIAL STATEMENTS

The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the organization satisfies a performance obligation

The Council recognizes program service fee revenue when the Council's performance obligations are satisfied ratably over the duration of the contracts, which approximates the time the various program services are provided. There are no significant judgments affecting the determination of amount and timing of revenue.

The adoption of ASU 2014-09 resulted in no change to the statements of financial position or statements of activities for 2020 or 2019.

Subsequent Events

The Council has evaluated subsequent events through the date these financial statements were available to be issued, which was September 17, 2021.

Note 2 – Liquidity and Availability of Resources

The Council strives to maintain liquid financial assets sufficient to cover expected budgetary needs. Financial assets in excess of daily cash requirements are currently held in cash and cash equivalents. The following table reflects the Council's financial assets as of December 31, 2020 and 2019, available to meet general expenditures within one year of the statement of financial position date:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 714,029	\$ 306,136
Contributions receivable	12,900	34,849
Program service fees receivable	4,995	9,738
	731,924	350,723
Less: Amounts Not Available to be Used Within One Year		
Net assets with donor restrictions	(133,795)	(107,589)
	<u>\$ 598,129</u>	<u>\$ 243,134</u>

Note 3 – Beneficial Interest in Assets Held by the Seattle Foundation

The Council has a beneficial interest in assets (the Beneficial Interest or General Endowment Fund) held by The Seattle Foundation (the Foundation). The Beneficial Interest is stated at the fair value of the underlying investments (cash and marketable securities) as provided by the Foundation, which constitute Level 3 inputs using the market approach.

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NOTES TO FINANCIAL STATEMENTS

Created in 2002 from donor restricted contributions, the Beneficial Interest (a perpetual trust) and its contributions and change in value are perpetually restricted. Distributions support general operations of the Council. The timing and amount of the distributions are determined based on the Foundation's spending policy.

A reconciliation of the beginning and ending balances of the Beneficial Interest is as follows for the years ending December 31:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 41,095	\$ 35,095
Change in value	<u>4,659</u>	<u>6,000</u>
	<u>\$ 45,754</u>	<u>\$ 41,095</u>

The Beneficial Interest is invested in the Foundation's balanced pool portfolio. The balanced pool reflects a total return approach to investing and is focused on maximizing income while maintaining an efficient and well diversified portfolio for donors with at least a 10-year giving horizon. As the best performing asset class varies from year to year, this diversified portfolio benefits philanthropists by maintaining consistent exposures to all asset categories. Assets will be subject to an optimized amount of capital market volatility in order to achieve targeted long-term return objectives.

Note 4 – Loan Payable

In May 2020, the Council issued a loan payable under the Small Business Administration Economic Injury Disaster Loan program with a principal balance of \$150,000 and an annual interest rate of 2.75%. Principal and interest payments of \$641 are payable in monthly installments beginning May 2022 (24 months after the loan date), through the maturity date of May 2051. Payments in 2022 will first be applied to accrued interest, and therefore principal payments do not begin until September 2024. The loan is secured by generally all tangible property of the Council.

The future minimum principal payments of the loan payable are as follows for the years ending December 31:

2021	\$ -
2022	-
2023	-
2024	1,133
2025	3,644
Thereafter	<u>145,223</u>
	<u>\$ 150,000</u>

In July 2021, the Council received additional funding of \$200,000 from the Small Business Administration Economic Injury Disaster Loan program. This additional funding will be added to the principal of the existing loan and increase the monthly payment to \$1,549. The maturity date remains unchanged as a result of this additional funding received.

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NOTES TO FINANCIAL STATEMENTS

Note 5 – Lease Commitment

The Council leases its office under an operating lease that expires in July 2024. Rent expense (including the Council's allocation of its share of building operating costs) under this lease was \$80,290 and \$68,364 during the years ended December 31, 2020 and 2019, respectively.

Future minimum base lease payments are as follows for the years ending December 31:

2021	\$	51,851
2022		54,443
2023		57,166
2024		<u>34,299</u>
	\$	<u>197,759</u>

Note 6 – Subsequent Event

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Council's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Council is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2021.

On December 27, 2020, the "Consolidated Appropriations Act, 2021" (the Act) was signed into law. The Act, among other things, includes a second round of appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP2) loans that are forgivable in certain situations to promote continued employment. To ensure the continued financial stability of the Council, on January 23, 2021, the Council issued a loan payable to a bank under the PPP2 offered by the SBA totaling \$120,167. The proceeds from the loan will be used to retain current staff. The loan payable incurs interest at 1.0% and is unsecured. The principal and interest of the loan is forgivable if the proceeds are spent on qualifying costs during the 24-week period following the date the loan was issued. Qualified costs are considered to be at least 60% of the loan amount on payroll costs, and no more than 40% on non-payroll costs, including rent and utilities. Monthly principal and interest payments are deferred for six months after loan date (or July 23, 2021), unless, if earlier, the SBA determines the loan is eligible for forgiveness. Should any portion of the principal and interest of the loan not meet the forgiveness provisions, the principal and interest will be repayable monthly over a five-year amortization period starting from the loan date until maturity of July 23, 2026.