

**WORLD AFFAIRS COUNCIL**

Financial Statements  
December 31, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
World Affairs Council  
Seattle, Washington

### **Opinion**

We have audited the accompanying financial statements of World Affairs Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Affairs Council as of December 31, 2021 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of World Affairs Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The 2020 financial statements were reviewed by us, and our report thereon, dated September 17, 2021, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance 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 as a whole.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about World Affairs Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 World Affairs Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt World Affairs Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Greenwood Ohlund*

Seattle, Washington  
June 17, 2022

# WORLD AFFAIRS COUNCIL

## STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS	(Audited) 2021	(Reviewed) 2020
Current Assets		
Cash and cash equivalents	\$ 1,072,901	\$ 714,029
Contributions receivable	11,400	12,900
Program service fees receivable	36,415	4,995
Prepaid expenses and other assets	11,461	10,390
Total current assets	1,132,177	742,314
Beneficial Interest in Assets Held by The Seattle Foundation	52,192	45,754
Furniture and Equipment, net	28,574	25,361
Total assets	\$ 1,212,943	\$ 813,429
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 19,525	\$ 12,918
Accrued payroll and related expenses	9,333	9,037
Deferred revenue	16,903	-
Total current liabilities	45,761	21,955
Loan Payable	350,000	150,000
Total liabilities	395,761	171,955
Net Assets		
Without donor restrictions	687,892	507,679
With donor restrictions	129,290	133,795
Total net assets	817,182	641,474
Total liabilities and net assets	\$ 1,212,943	\$ 813,429

*See accompanying notes to financial statements.*

# WORLD AFFAIRS COUNCIL

## STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2021 and 2020

	(Audited) 2021			(Reviewed) 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 247,447	\$ -	\$ 247,447	\$ 247,934	\$ 29,184	\$ 277,118
Government grants	467,032	-	467,032	459,382	-	459,382
Membership dues	162,188	-	162,188	186,026	-	186,026
Program service fees	131,460	-	131,460	95,022	-	95,022
Change in value of beneficial interest in assets	-	6,438	6,438	-	4,659	4,659
Interest income	15	-	15	33	-	33
Net assets released from restrictions	10,943	(10,943)	-	7,637	(7,637)	-
Total support and revenue	1,019,085	(4,505)	1,014,580	996,034	26,206	1,022,240
Expenses						
Program services	707,964	-	707,964	652,430	-	652,430
Management and general	89,639	-	89,639	91,436	-	91,436
Fundraising	41,269	-	41,269	42,798	-	42,798
Total expenses	838,872	-	838,872	786,664	-	786,664
<b>Change in net assets</b>	<b>180,213</b>	<b>(4,505)</b>	<b>175,708</b>	<b>209,370</b>	<b>26,206</b>	<b>235,576</b>
Net Assets, beginning of year	507,679	133,795	641,474	298,309	107,589	405,898
Net Assets, end of year	\$ 687,892	\$ 129,290	\$ 817,182	\$ 507,679	\$ 133,795	\$ 641,474

*See accompanying notes to financial statements.*

# WORLD AFFAIRS COUNCIL

## STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2021 and 2020

	(Audited) 2021				(Reviewed) 2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll, taxes and benefits	\$ 522,280	\$ 67,424	\$ 30,538	\$ 620,242	\$ 520,744	\$ 68,085	\$ 34,522	\$ 623,351
Occupancy	75,599	3,323	4,154	83,076	72,261	3,212	4,817	80,290
Program supplies and events	43,392	-	-	43,392	19,003	-	-	19,003
Professional fees	13,750	10,933	2,950	27,633	-	13,497	-	13,497
Information technology	11,654	239	299	12,192	9,428	241	361	10,030
Depreciation	10,580	465	581	11,626	9,496	422	633	10,551
Insurance	9,356	411	514	10,281	6,914	1,965	461	9,340
Dues and subscriptions	9,729	52	66	9,847	6,530	272	493	7,295
Other	5,734	1,020	1,727	8,481	8,311	1,655	1,048	11,014
Office expenses	5,503	1,123	219	6,845	10,784	1,834	388	13,006
Interest	-	4,487	-	4,487	-	-	-	-
Travel (refunds)	387	162	221	770	(11,041)	253	75	(10,713)
	<u>\$ 707,964</u>	<u>\$ 89,639</u>	<u>\$ 41,269</u>	<u>\$ 838,872</u>	<u>\$ 652,430</u>	<u>\$ 91,436</u>	<u>\$ 42,798</u>	<u>\$ 786,664</u>

*See accompanying notes to financial statements.*

# WORLD AFFAIRS COUNCIL

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2021 and 2020

	(Audited) 2021	(Reviewed) 2020
Cash Flows from Operating Activities		
Change in net assets	\$ 175,708	\$ 235,576
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	11,626	10,551
Change in value of beneficial interest in assets held by The Seattle Foundation	(6,438)	(4,659)
Change in operating assets and liabilities		
Contributions receivable	1,500	21,949
Program service fees receivable	(31,420)	4,743
Prepaid expenses and other assets	(1,071)	3,573
Accounts payable	6,607	(13,604)
Accrued payroll and related expenses	296	(236)
Deferred revenue	16,903	-
Net cash flows from operating activities	173,711	257,893
Cash Flows from Investing Activity		
Purchase of furniture and equipment	(14,839)	-
Cash Flows from Financing Activity		
Proceeds from loan payable	200,000	150,000
<b>Net change in cash and cash equivalents</b>	<b>358,872</b>	<b>407,893</b>
Cash and Cash Equivalents, beginning of the year	714,029	306,136
Cash and Cash Equivalents, end of the year	<u>\$ 1,072,901</u>	<u>\$ 714,029</u>

*See accompanying notes to financial statements.*



# WORLD AFFAIRS COUNCIL

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Organization and Summary of Significant Accounting Policies

#### *Organization*

The World Affairs Council (the Council) was founded in 1951 with the goal of advancing global understanding and engagement throughout greater Seattle. We envision a community that is connected, actively engaged, and inspired to create change in the world. The Council has long dedicated itself to fostering dialogue and debate about critical global issues. This is achieved through public events, Global Classroom programming for K-12 educators and students, and diplomacy initiatives that engage international delegations with our community. It is a fundamental formula that works well but is highly adaptable, allowing the Council to reach a large cross-section of Seattle with a wide range of topics. Our platform connects civic, academic, corporate, and individual members around world issues. We are part of a vibrant global city; our goal is to ensure that Seattle is visible, engaged, and globally aware.

#### *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, 2021 and 2020. 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:

	2021	2020
Net assets with purpose restrictions		
Japanese Connections	\$ 77,098	\$ 88,041
Net assets with perpetual restrictions		
Beneficial interest in assets held by The Seattle Foundation	52,192	45,754
	<u>\$ 129,290</u>	<u>\$ 133,795</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, 2021 or 2020.

Program service fees 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, 2021 or 2020.

At December 31, 2021, 79% of program service fees receivable are due from one customer. There were no concentrations of program service fees receivable at December 31, 2020.

#### *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 \$86,342 and \$74,716 at December 31, 2021 and 2020, respectively.

## **WORLD AFFAIRS COUNCIL**

### **NOTES TO FINANCIAL STATEMENTS**

#### *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.

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, 2021 and 2020, 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 (the SBA) 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.

During the year ended December 31, 2021, the Council received an additional PPP loan from the SBA of \$120,167. This loan included forgivable conditions which were met during the year ended December 31, 2021 and, therefore, the loan amount was recognized to government grant revenue.

During the years ended December 31, 2021 and 2020, 34% and 32%, respectively, of the Organization's total support and revenue was received from one government agency.

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 (ratably over the program period or the date of the program). The transaction price for the services is based on published rates. Program service revenue received prior to the performance obligations met is recognized as deferred revenue (a contract liability). 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).

## WORLD AFFAIRS COUNCIL

### NOTES TO FINANCIAL STATEMENTS

#### *Subsequent Events*

The Council has evaluated subsequent events through the date these financial statements were available to be issued, which was June 17, 2022.

#### **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, 2021 and 2020, available to meet general expenditures within one year of the statement of financial position date:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 1,072,901	\$ 714,029
Contributions receivable	11,400	12,900
Program service fees receivable	36,415	4,995
	<u>1,120,716</u>	<u>731,924</u>
Less: Amounts Not Available to be Used Within One Year		
Net assets with purpose restrictions	<u>(77,098)</u>	<u>(88,041)</u>
	<u>\$ 1,043,618</u>	<u>\$ 643,883</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.

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:

	2021	2020
Beginning balance	\$ 45,754	\$ 41,095
Change in value	6,438	4,659
	<u>\$ 52,192</u>	<u>\$ 45,754</u>

## WORLD AFFAIRS COUNCIL

### NOTES TO FINANCIAL STATEMENTS

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%. In July 2021, the Council received additional funding of \$200,000 from the Small Business Administration Economic Injury Disaster Loan program. This additional funding was added to the principal of the original loan and increased the monthly payment to \$1,549. The original maturity date of May 2051 remained unchanged as a result of this additional funding received.

Monthly payments begin in May 2022 and will first be applied to accrued interest, and therefore principal payments do not begin until September 2023. 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:

2022	\$	-
2023		8,897
2024		9,144
2025		9,399
2026		9,661
Thereafter		312,899
	\$	<u>350,000</u>

#### 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 \$83,076 and \$80,290 during the years ended December 31, 2021 and 2020 respectively.

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

2022	\$	54,443
2023		57,166
2024		34,299
	\$	<u>145,908</u>