

**WORLD AFFAIRS COUNCIL**

Financial Statements  
December 31, 2022 and 2021

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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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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.

### Emphasis of Matter Regarding Change in Accounting Principles

As discussed in Note 1 to the financial statements, World Affairs Council adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-02, *Leases (Topic 842)*. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to that matter.

### 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.

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### **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 about 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 28, 2023

# WORLD AFFAIRS COUNCIL

## STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 672,716	\$ 1,072,901
Investments in United States Treasury Bills	398,619	-
Contributions receivable	4,000	11,400
Government contracts receivable	64,045	33,689
Program service fees receivable	19,065	2,726
Prepaid expenses and other assets	5,875	11,461
Total current assets	1,164,320	1,132,177
Beneficial Interest in Assets Held by The Seattle Foundation	43,650	52,192
Right-of-Use Asset - Operating Lease	89,427	-
Furniture and Equipment, net	28,079	28,574
Total assets	<u>\$ 1,325,476</u>	<u>\$ 1,212,943</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 20,191	\$ 19,525
Accrued payroll and related expenses	10,674	9,333
Deferred government contract revenue	-	16,903
Operating lease liability	57,166	-
Loan payable	8,897	-
Total current liabilities	96,928	45,761
Operating Lease Liability, net of current portion	34,299	-
Loan Payable, net of current portion	341,103	350,000
Total liabilities	472,330	395,761
Net Assets		
Without donor restrictions	725,071	687,892
With donor restrictions	128,075	129,290
Total net assets	853,146	817,182
Total liabilities and net assets	<u>\$ 1,325,476</u>	<u>\$ 1,212,943</u>

*See accompanying notes to financial statements.*

# WORLD AFFAIRS COUNCIL

## STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 236,072	\$ 15,000	\$ 251,072	\$ 247,447	\$ -	\$ 247,447
Government grants	380,065	-	380,065	467,032	-	467,032
Government contracts	166,046	-	166,046	117,120	-	117,120
Membership dues	167,967	-	167,967	162,188	-	162,188
Program service fees	79,859	-	79,859	14,340	-	14,340
Change in value of beneficial interest in assets	-	(8,542)	(8,542)	-	6,438	6,438
Interest income	5,138	-	5,138	15	-	15
Net assets released from restrictions	7,673	(7,673)	-	10,943	(10,943)	-
Total support and revenue	1,042,820	(1,215)	1,041,605	1,019,085	(4,505)	1,014,580
Expenses						
Program services	849,684	-	849,684	707,964	-	707,964
Management and general	116,021	-	116,021	89,639	-	89,639
Fundraising	39,936	-	39,936	41,269	-	41,269
Total expenses	1,005,641	-	1,005,641	838,872	-	838,872
<b>Change in net assets</b>	<b>37,179</b>	<b>(1,215)</b>	<b>35,964</b>	<b>180,213</b>	<b>(4,505)</b>	<b>175,708</b>
Net Assets, beginning of year	687,892	129,290	817,182	507,679	133,795	641,474
Net Assets, end of year	\$ 725,071	\$ 128,075	\$ 853,146	\$ 687,892	\$ 129,290	\$ 817,182

See accompanying notes to financial statements.

# WORLD AFFAIRS COUNCIL

## STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll, taxes and benefits	\$ 569,261	\$ 78,549	\$ 29,077	\$ 676,887	\$ 522,280	\$ 67,424	\$ 30,538	\$ 620,242
Program supplies and events	116,851	-	-	116,851	43,392	-	-	43,392
Occupancy	82,846	3,642	4,552	91,040	75,599	3,323	4,154	83,076
Professional fees	4,500	15,000	2,950	22,450	13,750	10,933	2,950	27,633
Information technology	17,191	322	402	17,915	11,654	239	299	12,192
Other	12,411	3,006	1,242	16,659	5,734	1,020	1,727	8,481
Depreciation	12,390	545	681	13,616	10,580	465	581	11,626
Interest	-	12,392	-	12,392	-	4,487	-	4,487
Office expenses	10,125	1,617	310	12,052	5,503	1,123	219	6,845
Insurance	10,255	451	563	11,269	9,356	411	514	10,281
Dues and subscriptions	8,783	221	78	9,082	9,729	52	66	9,847
Travel	5,071	276	81	5,428	387	162	221	770
Total expenses	<u>\$ 849,684</u>	<u>\$ 116,021</u>	<u>\$ 39,936</u>	<u>\$ 1,005,641</u>	<u>\$ 707,964</u>	<u>\$ 89,639</u>	<u>\$ 41,269</u>	<u>\$ 838,872</u>

*See accompanying notes to financial statements.*

# WORLD AFFAIRS COUNCIL

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 35,964	\$ 175,708
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	13,616	11,626
Amortization of right-of-use asset - operating lease	56,481	-
Change in value of beneficial interest in assets held by The Seattle Foundation	8,542	(6,438)
Change in operating assets and liabilities:		
Contributions receivable	7,400	1,500
Government contracts receivable	(30,356)	(33,689)
Program service fees receivable	(16,339)	2,269
Prepaid expenses and other assets	5,586	(1,071)
Accounts payable	666	6,607
Accrued payroll and related expenses	1,341	296
Deferred government contract revenue	(16,903)	16,903
Operating lease liability	(54,443)	-
Net cash flows from operating activities	11,555	173,711
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(13,121)	(14,839)
Purchase of United States Treasury Bills	(697,484)	-
Redemption of United States Treasury Bills	298,865	-
Net cash flows from investing activities	(411,740)	(14,839)
Cash Flows from Financing Activity		
Proceeds from loan payable	-	200,000
<b>Net change in cash and cash equivalents</b>	<b>(400,185)</b>	<b>358,872</b>
Cash and Cash Equivalents, beginning of the year	1,072,901	714,029
Cash and Cash Equivalents, end of the year	<u>\$ 672,716</u>	<u>\$ 1,072,901</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 12,392</u>	<u>\$ 4,487</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 to advance global understanding and cultivate enduring relationships within our local community and with the world, one conversation at a time. We envision an inclusive and informed community that is inspired to create a just and equitable 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 citizen diplomacy initiatives that engage international delegations with our community. Our non-partisan platform connects civic, academic, corporate, and individual members around international issues that affect us locally. We are part of a vibrant global city; our work ensures that greater 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 without and with 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 received 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, 2022 and 2021. 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 return to be used to support general operations.

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

	2022	2021
Net assets with purpose restrictions		
Japanese Connections	\$ 84,425	\$ 77,098
Net assets with perpetual restrictions		
Beneficial interest in assets held by The Seattle Foundation	43,650	52,192
	<u>\$ 128,075</u>	<u>\$ 129,290</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.

#### *Investments*

Investments at December 31, 2022, consist of United States Treasury Bills and are valued using Level 1 observable market inputs.

#### *Receivables*

Contributions receivable and government contracts receivable expected to be collected within one year are recorded at net realizable value. The Council uses the allowance method of accounting for bad debts. Accordingly, contributions receivable and government contracts receivable are stated at the amount management expects to collect. Management determined that an allowance was not necessary at December 31, 2022 and 2021.

At December 31, 2022, 96% of government contracts receivable are due from two government agencies. At December 31, 2021, 85% of government contracts receivable is due from one government agency.

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 at December 31, 2022 and 2021.

## WORLD AFFAIRS COUNCIL

### NOTES TO FINANCIAL STATEMENTS

#### *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 \$66,859 and \$86,342 at December 31, 2022 and 2021, respectively.

#### *Revenue Recognition*

Contribution revenue is recognized when unconditionally pledged as with donor restriction and without 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 and contracts, like contributions, are 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, 2022 and 2021, no such adjustments were made.

As of December 31, 2022, the Council has \$127,000 in conditional awards that have not been recognized as revenue. These amounts are expected to be recognized when the related conditions are met.

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 year ended December 31, 2022, 37% of the Council's total support and revenue was received from two government agencies. During the year ended December 31, 2021, 34% of the Council's total support and revenue was received from one government agency.

An officer of the Council serves as a board member for an organization that provides grant funding to the Council. During the years ended December 31, 2022 and 2021, the Council received grants from this organization totaling \$205,045 and \$346,865, respectively.

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

Program service fees consist of revenue from exchange and leadership programs, educational resources, community events, and commissions. Revenue from program service fees is recognized over time as the related services are provided and the performance obligation is satisfied (ratably over the program period). The transaction price for services is based on published rates, and payments are typically collected after services have been provided. There are no significant judgments affecting the determination of the amount and timing of program service fee revenue.

## WORLD AFFAIRS COUNCIL

### NOTES TO FINANCIAL STATEMENTS

#### *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, professional fees, information technology, and other are allocated based on estimates of time and effort.

#### *Recently Adopted Accounting Standards*

FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. This new standard increases transparency and comparability among organizations. The most prominent change required by the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

On January 1, 2022, the Council adopted the lease accounting standard and has elected to apply the provisions of this standard to the beginning of the period of adoption using a modified retrospective method of application to all leases existing on January 1, 2022. The adoption of this standard did not result in an adjustment to beginning net assets.

The Council has elected to adopt the package of practical expedients available in the year of adoption.

#### *Leases*

The Council determines if an arrangement is a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statements of financial position.

ROU assets represent the Council's right to use an underlying asset for the lease term, and lease liabilities represent the Council's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Council will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as right of use assets or lease obligations on the statements of financial position. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial and as such is not included in these financial statements.

The Council has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

## WORLD AFFAIRS COUNCIL

### NOTES TO FINANCIAL STATEMENTS

#### *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.

#### *Subsequent Events*

The Council has evaluated subsequent events through the date these financial statements were available to be issued, which was June 28, 2023.

#### **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 held in cash and cash equivalents and United States Treasury Bills. The following table reflects the Council's financial assets as of December 31, 2022 and 2021, available to meet general expenditures within one year of the statement of financial position date:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 672,716	\$ 1,072,901
Investments in United States Treasury Bills	398,619	-
Contributions receivable	4,000	11,400
Government contracts receivable	64,045	33,689
Program service fees receivable	19,065	2,726
	1,158,445	1,120,716
Less: Amounts not available to be used within one year		
Net assets with purpose restrictions	(84,425)	(77,098)
	<u>\$ 1,074,020</u>	<u>\$ 1,043,618</u>

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

The Council has a beneficial interest in assets (the Beneficial Interest) 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.

# WORLD AFFAIRS COUNCIL

## NOTES TO FINANCIAL STATEMENTS

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

	2022	2021
Beginning balance	\$ 52,192	\$ 45,754
Change in value	(8,542)	6,438
	<u>\$ 43,650</u>	<u>\$ 52,192</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%. In July 2021, the Council received additional funding of \$200,000 from the Small Business Administration Economic Injury Disaster Loan program. The loan requires monthly payments of \$1,549 beginning May 2022 and through maturity in May 2050. Payments are first applied to accrued interest, and therefore, principal payments will not begin until 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:

2023	\$ 8,897
2024	9,144
2025	9,399
2026	9,661
2027	9,930
Thereafter	<u>302,969</u>
	<u>\$ 350,000</u>

### Note 5 – Operating Leases

The Council leases its office under an operating lease that expires in July 2024. The lease provides for annual increases in future minimum monthly rental payments and requires the Council to pay a share of building operating costs. Operating lease costs (excluding the Council's share of building operating costs) under this lease totaled \$56,481 for the year ended December 31, 2022 and are included within occupancy in the statement of functional expenses. Net operating cash flows for this lease totaled \$54,443 for the year ended December 31, 2022.

## WORLD AFFAIRS COUNCIL

### NOTES TO FINANCIAL STATEMENTS

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

2023	\$ 57,166
2024	<u>34,299</u>
	<u>\$ 91,465</u>

Operating lease liabilities are presented in the statement of financial position as of December 31, 2022, as follows:

Operating lease liabilities (current)	\$ 57,166
Operating lease liabilities, net of current portion	<u>34,299</u>
	<u>\$ 91,465</u>