

WORLD AFFAIRS COUNCIL

Financial Statements
December 31, 2023 and 2022

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Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
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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, 2023 and 2022, 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, 2023 and 2022, 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.

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 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.

Amanda O'Rourke, CPA
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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 20, 2024

WORLD AFFAIRS COUNCIL

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 916,743	\$ 871,407
Investments in United States Treasury Bills	206,577	199,928
Contributions and grants receivable	86,541	70,045
Program service fees receivable	27,107	17,065
Prepaid expenses and other assets	1,790	5,875
Total current assets	1,238,758	1,164,320
Beneficial Interest in Assets Held by The Seattle Foundation	49,855	43,650
Right-of-Use Asset - Operating Lease	32,946	89,427
Furniture and Equipment, net	21,479	28,079
Total assets	<u>\$ 1,343,038</u>	<u>\$ 1,325,476</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 23,676	\$ 20,191
Accrued payroll and related expenses	12,445	10,674
Operating lease liability	34,299	57,166
Current portion of loan payable	9,144	8,897
Total current liabilities	79,564	96,928
Operating Lease Liability, net of current portion	-	34,299
Loan Payable, net of current portion	333,913	341,103
Total liabilities	413,477	472,330
Net Assets		
Without donor restrictions	783,638	725,071
With donor restrictions	145,923	128,075
Total net assets	929,561	853,146
Total liabilities and net assets	<u>\$ 1,343,038</u>	<u>\$ 1,325,476</u>

See accompanying notes to financial statements.

WORLD AFFAIRS COUNCIL

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 292,957	\$ 97,600	\$ 390,557	\$ 236,072	\$ 15,000	\$ 251,072
Government grants	665,345	-	665,345	546,111	-	546,111
Membership dues	188,249	-	188,249	167,967	-	167,967
Program service fees	136,632	-	136,632	79,859	-	79,859
Change in value of beneficial interest in assets	-	6,205	6,205	-	(8,542)	(8,542)
Interest income	40,238	-	40,238	5,138	-	5,138
Net assets released from restrictions	85,957	(85,957)	-	7,673	(7,673)	-
Total support and revenue	1,409,378	17,848	1,427,226	1,042,820	(1,215)	1,041,605
Expenses						
Program services	1,190,722	-	1,190,722	849,684	-	849,684
Management and general	116,435	-	116,435	116,021	-	116,021
Fundraising	43,654	-	43,654	39,936	-	39,936
Total expenses	1,350,811	-	1,350,811	1,005,641	-	1,005,641
Change in net assets	58,567	17,848	76,415	37,179	(1,215)	35,964
Net Assets, beginning of year	725,071	128,075	853,146	687,892	129,290	817,182
Net Assets, end of year	\$ 783,638	\$ 145,923	\$ 929,561	\$ 725,071	\$ 128,075	\$ 853,146

See accompanying notes to financial statements.

WORLD AFFAIRS COUNCIL

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll, taxes and benefits	\$ 663,845	\$ 79,891	\$ 31,276	\$ 775,012	\$ 569,261	\$ 78,549	\$ 29,077	\$ 676,887
Program supplies and events	267,357	-	-	267,357	116,851	-	-	116,851
Occupancy	85,703	3,767	4,709	94,179	82,846	3,642	4,552	91,040
Travel	82,658	278	256	83,192	5,071	276	81	5,428
Other	23,130	2,194	1,418	26,742	12,411	3,006	1,242	16,659
Information technology	24,937	628	787	26,352	17,191	322	402	17,915
Professional fees	-	15,350	3,000	18,350	4,500	15,000	2,950	22,450
Office expenses	11,196	1,166	379	12,741	10,125	1,617	310	12,052
Insurance	11,132	489	612	12,233	10,255	451	563	11,269
Dues and subscriptions	10,738	586	666	11,990	8,783	221	78	9,082
Interest	-	11,645	-	11,645	-	12,392	-	12,392
Depreciation	10,026	441	551	11,018	12,390	545	681	13,616
Total expenses	<u>\$ 1,190,722</u>	<u>\$ 116,435</u>	<u>\$ 43,654</u>	<u>\$ 1,350,811</u>	<u>\$ 849,684</u>	<u>\$ 116,021</u>	<u>\$ 39,936</u>	<u>\$ 1,005,641</u>

See accompanying notes to financial statements.

WORLD AFFAIRS COUNCIL

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 76,415	\$ 35,964
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	11,018	13,616
Amortization of right-of-use asset - operating lease	56,481	56,481
Change in value of beneficial interest in assets held by The Seattle Foundation	(6,205)	8,542
Change in operating assets and liabilities:		
Contributions and grants receivable	(16,496)	(22,956)
Program service fees receivable	(10,042)	(16,339)
Prepaid expenses and other assets	4,085	5,586
Accounts payable	3,485	666
Accrued payroll and related expenses	1,771	1,341
Deferred government contract revenue	-	(16,903)
Operating lease liability	(57,166)	(54,443)
Net cash flows from operating activities	63,346	11,555
Cash Flows from Investing Activities		
Purchases of furniture and equipment	(4,418)	(13,121)
Purchases of United States Treasury Bills	(6,649)	(199,928)
Net cash flows from investing activities	(11,067)	(213,049)
Cash Flows from Financing Activity		
Repayments of loan payable	(6,943)	-
Net change in cash and cash equivalents	45,336	(201,494)
Cash and Cash Equivalents, beginning of the year	871,407	1,072,901
Cash and Cash Equivalents, end of the year	\$ 916,743	\$ 871,407
Supplemental Cash Flow Information		
Cash paid for interest	\$ 11,645	\$ 12,392

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, 2023 and 2022. 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:

	2023	2022
Net assets with purpose restrictions		
Japanese Connections	\$ 84,068	\$ 84,425
Capacity building	12,000	-
Net assets with perpetual restrictions		
Beneficial interest in assets held by The Seattle Foundation	49,855	43,650
	<u>\$ 145,923</u>	<u>\$ 128,075</u>

WORLD AFFAIRS COUNCIL

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash consists of checking and money market accounts held at financial institutions and investment holdings with original maturities of three months or less. 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.

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.

Investments

Investments at December 31, 2023, consist of United States Treasury Bills and are valued using Level 1 observable market inputs.

Receivables

Contributions and grants 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 and grants receivable are stated at the amount management expects to collect. Management determined that an allowance was not necessary at December 31, 2023 and 2022.

At December 31, 2023, 38% of contributions and grants receivable are due from one government agency. At December 31, 2022, 90% of contributions and grants receivable are due from two government agencies.

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, 2023 and 2022.

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.

WORLD AFFAIRS COUNCIL

NOTES TO FINANCIAL STATEMENTS

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.

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 \$73,199 and \$66,859 at December 31, 2023 and 2022, 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, 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, 2023 and 2022, no such adjustments were made.

During the year ended December 31, 2023, 24% of the Council's total support and revenue was received from one government agency. During the year ended December 31, 2022, 37% of the Council's total support and revenue was received from two government agencies.

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, 2023 and 2022, the Council received grants from this organization totaling \$345,299 and \$205,045, respectively. At December 31, 2023 and 2022, contributions and grants receivable from this organization totaled \$32,018 and \$127,088, 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.

WORLD AFFAIRS COUNCIL

NOTES TO FINANCIAL STATEMENTS

Program service fees consist of revenue from exchange and leadership programs, educational resources, community events, and commissions. Revenue from program provided 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.

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, travel, 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.

Subsequent Events

The Council has evaluated subsequent events through the date these financial statements were available to be issued, which was June 20, 2024.

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WORLD AFFAIRS COUNCIL

NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022, available to meet general expenditures within one year of the statement of financial position date:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 916,743	\$ 871,407
Investments in United States Treasury Bills	206,577	199,928
Contributions and grants receivable	86,541	70,045
Program service fees receivable	27,107	17,065
	1,236,968	1,158,445
Less: Amounts not available to be used within one year		
Net assets with purpose restrictions	(99,068)	(99,066)
	<u>\$ 1,137,900</u>	<u>\$ 1,059,379</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.

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

	2023	2022
Beginning balance	\$ 43,650	\$ 52,192
Change in value	6,205	(8,542)
	<u>\$ 49,855</u>	<u>\$ 43,650</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

The Council maintains a loan payable under the Small Business Administration Economic Injury Disaster Loan program, bearing interest at 2.75%. The loan requires monthly principal and interest payments of \$1,549 through maturity in May 2050, when all outstanding principal and interest is due. 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:

2024	\$	9,144
2025		9,399
2026		9,661
2027		9,930
2028		10,206
Thereafter		294,717
		<hr/>
		343,057
Less: Current portion		(9,144)
		<hr/>
		333,913
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Note 5 – Operating Lease

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 years ended December 31, 2023 and 2022 and are included within occupancy in the statement of functional expenses. Net operating cash flows for this lease totaled \$57,166 and \$54,443 for the years ended December 31, 2023 and 2022, respectively.

Future payments under this lease at December 31, 2023 are \$34,299 through expiration in July 2024.

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

	2023	2022
Operating lease liabilities (current)	\$ 34,299	\$ 57,166
Operating lease liabilities, net of current portion	-	34,299
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	\$ 34,299	\$ 91,465
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WORLD AFFAIRS COUNCIL

NOTES TO FINANCIAL STATEMENTS

Note 6 – Operating Lease – Subsequent Event

In May 2024, the Council entered into an operating lease for office space. The lease begins in August 2024 (after the expiration of the office lease as disclosed in Note 5) and matures September 2031. Monthly base rental payments range from \$6,825 to \$8,394 over the term of the lease.