

**World Affairs Council of  
Greater Houston**

**Financial Statements**

**December 31, 2018**

World Affairs Council of Greater Houston

Financial Statements

December 31, 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
World Affairs Council of Greater Houston

We have audited the accompanying financial statements of the World Affairs Council of Greater Houston (a non-profit organization), which comprise the statement of assets, liabilities and net assets - modified cash basis, as of December 31, 2018, and the related statement of support, revenue and expenses - modified cash basis, for the year then ended, and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the World Affairs Council of Greater Houston as of December 31, 2018, and its support, revenue and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

*Pannell Ken Forster of Texas, P.C.*

October 24, 2019

## World Affairs Council of Greater Houston

## Statement of Assets, Liabilities and Net Assets – Modified Cash Basis

December 31, 2018

**Assets**

Cash and cash equivalents	\$ 689,781
Certificates of deposit	<u>1,032,803</u>
Total assets	<u>\$ 1,722,584</u>

**Liabilities and Net Assets**

Liabilities	
Credit card liability	\$ 20,796
Payroll liabilities	<u>6,374</u>
Total liabilities	<u>27,170</u>
Net assets without donor restrictions	<u>1,695,414</u>
Total liabilities and net assets	<u>\$ 1,722,584</u>

*See notes to financial statements.*

## World Affairs Council of Greater Houston

## Statement of Support, Revenue and Expenses – Modified Cash Basis

Year Ended December 31, 2018

Unrestricted support and revenue	
Annual benefit	\$ 637,049
Membership income	462,225
Membership travel	614,699
Program income	179,469
Education income	93,551
Grants and gifts	21,000
Interest income	13,745
Other income	<u>11,358</u>
Total unrestricted support and revenue	<u>2,033,096</u>
Expenses	
Program expenses	192,370
Travel expenses	467,745
Payroll expenses	645,630
Bank fees	23,267
Development	70,330
Occupancy	101,636
Information technology	32,793
Scholarships	6,000
Dues and subscriptions	2,675
Insurance	21,840
Office supplies and equipment	11,728
Postage and printing	5,904
Training and conferences	2,050
Other expenses	10,764
Accounting fees	<u>27,150</u>
Total expenses	<u>1,621,882</u>
Change in unrestricted net assets	411,214
Net assets, beginning of year (restated)	<u>1,284,200</u>
Net assets, end of year	<u>\$ 1,695,414</u>

*See notes to financial statements.*

## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2018

**Note 1 - Organization and Summary of Significant Accounting Policies**Organization

The World Affairs Council of Greater Houston (the "Council") was established in 1990 as a Texas non-profit corporation to educate and present educational programs on world affairs and foreign policy. The mission of the Council is to promote better understanding of the world (people, politics, economies and cultures), by enabling citizens to participate more effectively in the global community. The Council pursues this mission through the following activities:

- Building a network of globally-minded citizens and business, civic, and government leaders;
- Hosting lectures on global issues and bring policy makers and opinion leaders to Houston;
- Encouraging thoughtful discussion of the international issues and the events that shape our times;
- Supporting the work of international organizations and academic institutions throughout the Houston area; and
- Bringing Houston's voice into international policy discussion.

Council programs provide access to senior foreign government officials as well as top level policy makers, distinguished authorities and noted commentators. Through a broad range of educational lectures by noted speakers, the Council programs help put current events into perspective, fostering a broad public understanding of world affairs and the international events that affect everyone. Moreover, the Council's educational outreach program brings speakers to area high schools and provides teacher-training seminars. In addition, the Council offers international travel to small groups, exploring different locations built on their travelers' geopolitical interests.

Basis of presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles ("GAAP"). Under this basis, revenues are recognized when cash is received, and expenses are recorded when paid. This basis differs from GAAP primarily because the Council has not recorded balances and the related effects on changes of net assets of promises to give, accounts receivable, deferred revenue, accounts payable and other accrued liabilities.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified into two categories of net assets, as applicable, and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that specify a use for a contributed asset. When a purpose restriction or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions and reported in the accompanying statements of support, revenues and expenses.

## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2018

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**Cash and cash equivalents

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

Donated materials and services

The Council records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statement of assets, liabilities and net assets – modified cash basis at their estimated values at date of receipt. A substantial number of volunteers donated significant amounts of their time to the Council's program services. No amounts have been reflected in the statement for donated services as no objective basis is available to measure the value of such services.

Property and equipment

Purchased property and equipment are stated at cost, and donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in net assets without restrictions unless the donor has restricted the donated asset to a specific purpose. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated lives for computing depreciation on office equipment is three to five years. All of the Council's assets are fully depreciated as of December 31, 2018.

Federal income tax status

The Council is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Council files as a tax exempt organization.

The Council recognizes the impact of an uncertain tax position only if the position is "more-likely-than-not" of being sustained if the position were to be challenged by a taxing authority. The preparation of the Council's various tax returns requires the use of estimates for federal and state income tax purposes. These estimates may be subjected to review by the respective taxing authorities. A revision, if any, to an estimate may result in an assessment of additional taxes, penalties and interest. At this time, a range in which the estimates may change is not quantifiable, and a change, if any, is not expected to be material. The Council accounts for interest and penalties relating to uncertain tax positions in the current period statement of support, revenues and expenses, as necessary; however there are currently no uncertain tax positions.



## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2018

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**Contributions

Contributions received are recorded without restrictions or with restrictions depending on the existence or nature of any donor-imposed restrictions. Net assets with restrictions are reclassified to net assets without restrictions upon the passage of time or satisfaction of the restrictions. Donor restricted contributions in which the restrictions are met in the same year as received are recorded as contributions without restrictions in the accompanying statement of support, revenues and expenses.

Functional expenses

The Council allocates expenses on a functional basis among various programs and supporting activities. Expenses that can be identified with a specific program and supporting activity are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated based on various methods, including square footage and percent of time dedicated to each function.

Cash concentration and credit risk

Financial instruments that potentially subject the Council to credit risk include cash and cash equivalents and accounts receivable. The Council maintains cash accounts primarily in federally insured financial institutions. From time to time the balances of these accounts exceed the federally insured limits; however, no losses have been incurred in connection with such cash balances.

**Note 2 - Change in Accounting Principles**

In August 2016, the Financial Accounting Standards Board issued an accounting standards update ("ASU") for not-for-profit entities. The ASU was issued to provide more clarity about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU includes many provisions, including the requirement of additional disclosures regarding the liquidity of the organization, a presentation of expenses by function and natural classification, and presentation of two net asset classes instead of three. The amendments in this guidance are effective for fiscal years beginning after December 15, 2017. The Council has implemented the ASU as of December 31, 2018, and determined no reclassifications or restatements were necessary.

The Council uses the modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP, as disclosed in Note 1. Prior to 2018, the Council only made modifications to the cash basis of accounting for property and equipment. During 2018, the Council elected to make additional modifications to the cash basis of accounting and record liabilities for amounts due on their credit cards and for unpaid payroll taxes. These modifications were determined to be important to the financial reporting as they relate to items already purchased and being used and to salaries already paid. As part of implementing the change, liabilities of \$17,807 were recorded as of December 31, 2017, which resulted in a decrease of net assets of \$17,807 to \$1,284,200 as of December 31, 2017.

## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2018

**Note 3 - Leases**

The Council has a non-cancellable lease for office space expiring in May 2022. Total rent expense was \$101,636 for the year ended December 31, 2018.

The future minimum lease payments under non-cancelable operating leases are as follows for the year ending December 31, 2018.

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 89,718
2020	101,636
2021	105,609
2022	<u>44,694</u>
	<u>\$ 341,657</u>

**Note 4 - Functional Expense Allocation**

The allocation of the Council's costs to provide and maintain its various programs, as well as provide the necessary supportive services, is as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program expenses	\$ 192,370	\$ -	\$ -	\$ 192,370
Travel programs	467,745	-	-	467,745
Fundraising	-	-	67,867	67,867
Marketing and development	3,887	3,235	1,261	8,383
Office expense	29,695	46,879	7,689	84,263
Insurance	10,128	8,428	3,284	21,840
Communications	15,207	12,654	4,932	32,793
Occupancy	47,131	39,220	15,285	101,636
Payroll expenses	<u>297,214</u>	<u>250,065</u>	<u>97,706</u>	<u>644,985</u>
	<u>\$1,063,377</u>	<u>\$ 360,481</u>	<u>\$ 198,024</u>	<u>\$1,621,882</u>

## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2018

**Note 5 - Liquidity and Availability of Resources**

As part of the Council's liquidity management, sufficient assets are on hand to cover up to 6 months of general expenditures. The Council's financial assets available for general expenditure within one year at December 31, 2018 includes cash and cash equivalents of \$689,781. To help manage unanticipated liquidity needs, the Council places certain amounts of excess cash in certificates of deposit with terms ranging from 12 to 24 months. These amounts are available for use as the certificates of deposit mature, with Board of Directors' approval. Certificates of deposit were \$1,032,803 as of December 31, 2018.

The Council manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

**Note 6 - Subsequent Events**

Management has evaluated subsequent events through October 24, 2019 which was the date the financial statements were available to be issued and has determined that there are no subsequent events to be disclosed.