

**WORLD AFFAIRS COUNCIL OF
GREATER HOUSTON**

**AUDITED FINANCIAL STATEMENTS –
MODIFIED CASH BASIS**

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS	3
STATEMENTS SUPPORT, REVENUE AND EXPENSES – MODIFIED CASH BASIS	4
NOTES TO THE FINANCIAL STATEMENTS	5



Reimer, McGuinness & Associates, PC

CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of the World Affairs Council of Greater Houston as of December 31, 2016 and 2015, and the related statements of support, revenues and expenses – modified cash basis, and the related notes to the financial statements for the years then ended.

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 2; 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 arising from cash transactions of the World Affairs Council of Greater Houston as of December 31, 2016 and 2015, and its support, revenues and expenses for the years then ended in accordance with the modified-cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 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 basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Reiner McGowan + Associates, P.C.

Houston, Texas
January 25, 2018

FINANCIAL STATEMENTS

WORLD AFFAIRS COUNCIL OF GREATER HOUSTON
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
Modified Cash Basis
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and money market	\$ 139,208	\$ 88,431
Unrestricted certificates of deposit	<u>1,297,393</u>	<u>1,615,315</u>
TOTAL CURRENT ASSETS	<u>1,436,601</u>	<u>1,703,746</u>
TOTAL ASSETS	<u><u>\$ 1,436,601</u></u>	<u><u>\$ 1,703,746</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable	<u>\$ -</u>	<u>\$ 20,000</u>
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>20,000</u>
TOTAL LIABILITIES	<u>-</u>	<u>20,000</u>
NET ASSETS		
Unrestricted	1,276,736	1,626,460
Unrestricted - Designated for subsequent years	<u>159,865</u>	<u>57,286</u>
TOTAL NET ASSETS	<u>1,436,601</u>	<u>1,683,746</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,436,601</u></u>	<u><u>\$ 1,703,746</u></u>

See independent auditors' report and notes to financial statements.

WORLD AFFAIRS COUNCIL OF GREATER HOUSTON
STATEMENTS OF SUPPORT, REVENUES AND EXPENSES
Modified Cash Basis
For the Years Ending December 31, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Unrestricted revenues and gains		
Grants and gifts	\$ 74,000	\$ 42,650
Annual benefit	268,784	370,744
Education income	117,920	75,706
Program income	289,121	292,812
Membership income	512,102	545,265
Travel for members	375,768	559,296
Investment income	13,689	15,144
	<u>1,651,384</u>	<u>1,901,617</u>
TOTAL UNRESTRICTED REVENUES AND GAINS		
	<u>1,651,384</u>	<u>1,901,617</u>
EXPENSES		
Program expense - speaker expense	81,375	93,552
Program expense - venue expense	136,895	183,053
Program expense - other	203,093	187,268
Travel for members	292,382	466,638
Bank fees	32,904	45,614
Payroll	827,477	759,839
Development	30,545	39,956
Annual benefit expense	72,461	54,889
Rent	87,738	85,035
Information technology	30,420	80,067
Scholarships	5,000	5,905
Dues	4,565	4,042
Insurance	16,820	16,179
Office supplies and equipment	50,296	14,135
Postage and printing	8,641	10,371
Training and conferences	9,132	32,980
Other expenses	-	14,922
Accounting fees	8,785	13,902
	<u>1,898,529</u>	<u>2,108,347</u>
TOTAL EXPENSES		
	<u>1,898,529</u>	<u>2,108,347</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(247,145)	(206,730)
NET ASSETS BEGINNING OF YEAR	<u>1,683,746</u>	<u>1,890,476</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,436,601</u>	<u>\$ 1,683,746</u>

See independent auditors' report and notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

The World Affairs Council of Greater Houston (the "Council") was established in 1990 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 our 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
- 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, Council programs help put current events into perspective, fostering a broad public understanding of world affairs and the international events that affect everyone. In addition, the Council's educational outreach program brings speakers to area high schools and provides teacher-training seminars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Council have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when cash is received and expenses are recorded when paid.

Basis of Presentation

The Council has adopted FASB Accounting Standards Codification (ASC) 958: *Not-for-Profit Entities*. Under ASC 958, the Council is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently, substantially all the Council's net assets are unrestricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statements of financial position at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time to the Council's program services.

Cash and Cash Equivalents

For purposes of the statement of financial position, the Council considers all certificates of deposit to be cash equivalents.

Income Tax Status

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service ("IRS") as other than a private foundation.

The IRS Form 990 is filed on an annual basis for reporting purposes and the Council is current on all filings. In general, tax filings are subject to examination by the IRS for a period of three years from the date the report is filed. Tax years 2013 through 2016 are open to examination by relevant authorities.

Property and Equipment

Assets with an estimated useful life greater than one year and a cost greater than \$5,000 are capitalized and depreciated over the estimated useful life. Depreciation is computed using the straight-line method over the estimated useful lives of the related asset.

3. CONCENTRATIONS AND CREDIT RISK

At times the Council maintains cash balances in excess of federally insured limits provided by the Federal Deposit Insurance Corporation. The Council's deposits are with high-quality institutions, and management does not believe that these deposits expose the Council to significant credit risk.

WORLD AFFAIRS COUCIL OF GREATER HOUSTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2016, and 2015

4. LEASES

The Council has a non-cancellable lease for office space expiring in May 2022. Monthly rental averages approximately \$8,200 over the remainder of the lease term. The table below summarizes future estimated minimum lease payments due annually under this lease as of December 31:

2017	\$	88,614
2018		93,691
2019		97,663
2020		101,636
2021		105,609
2022		44,693
	\$	<u>531,906</u>

5. 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, are as follows:

	<u>2016</u>	<u>2015</u>
Program services	\$ 1,453,188	\$ 1,593,271
General and administrative	414,796	475,120
Fundraising	30,545	39,956
Total Expenses	<u>\$ 1,898,529</u>	<u>\$ 2,108,347</u>

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2018, which is the date the financial statements were issued.

WORLD AFFAIRS COUCIL OF GREATER HOUSTON
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016, and 2015

7. UNRESTRICTED NET ASSETS – DESIGNATED FUNDS

The Council's unrestricted board designated funds pertaining to subsequent years as of December 31, 2016 and 2015 are as follows:

<u>Source of Revenue</u>	<u>Revenue Account</u>	<u>2016</u>	<u>2015</u>
Jones Awards	Annual benefit	\$ 60,000	\$ -
EDU Grants and Gifts	Education income	35,000	-
World Quest	Programs income	8,000	-
Carleton Family	Education income	-	10,000
Park Foundation	Education income	-	5,000
Various members	Travel for members	56,865	42,286
Total designated funds to subsequent years		<u>\$ 159,865</u>	<u>\$ 57,286</u>

The Council's financial statements are prepared on a modified cash basis, and revenues are recognized when received. Therefore, the revenues listed above are included in the respective 2016 and 2015 statements of activities in their corresponding revenue account, but since these revenues pertain to 2017 and 2016 programs, respectively, the aforementioned funds are presented as designated in net assets on the statements of financial position.

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