

**World Affairs Council of
Greater Houston**

Financial Statements

December 31, 2020

World Affairs Council of Greater Houston

December 31, 2020

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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 statements of assets, liabilities and net assets - modified cash basis, as of December 31, 2020 and 2019, and the related statements of support, revenue and expenses - modified cash basis, for the years 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 of the World Affairs Council of Greater Houston as of December 31, 2020 and 2019, and its support, revenue and expenses for the years 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 Kerr Forster of Texas, P.C.

September 16, 2021

World Affairs Council of Greater Houston

Statements of Assets, Liabilities and Net Assets – Modified Cash Basis

	December 31,	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 517,170	\$ 665,579
Certificates of deposit	1,179,506	1,157,989
Property and equipment, net	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,696,676</u>	<u>\$ 1,823,568</u>
Liabilities and Net Assets		
Liabilities		
Credit card liability	\$ 3,548	\$ 12,937
Payroll liabilities	<u>8,090</u>	<u>7,530</u>
Total liabilities	<u>11,638</u>	<u>20,467</u>
Net assets without donor restrictions	<u>1,685,038</u>	<u>1,803,101</u>
Total liabilities and net assets	<u>\$ 1,696,676</u>	<u>\$ 1,823,568</u>

See notes to financial statements.

World Affairs Council of Greater Houston

Statements of Support, Revenue and Expenses – Modified Cash Basis

	Year Ended December 31,	
	2020	2019
Unrestricted support and revenue		
Annual benefit	\$ 371,155	\$ 427,305
Membership income	344,328	489,768
Membership travel	-	561,032
Program income	61,066	403,269
Education income	32,080	77,775
Grants and contributions	217,097	5,025
Interest income	23,375	28,947
Other income, net	1,937	9,317
Total unrestricted support and revenue	<u>1,051,038</u>	<u>2,002,438</u>
Expenses		
Program expenses	67,453	260,272
Travel expenses	2,540	429,981
Payroll expenses	817,575	816,025
Bank fees	4,361	23,291
Development	53,180	157,806
Occupancy	107,958	93,072
Information technology	27,630	26,626
Scholarships	51	318
Dues and subscriptions	8,415	6,652
Insurance	16,159	9,743
Office supplies and equipment	20,611	25,581
Postage and printing	8,457	8,072
Training and conferences	12,580	5,869
Other expenses	9,647	13,351
Accounting fees	12,484	18,092
Total expenses	<u>1,169,101</u>	<u>1,894,751</u>
Increase (decrease) in net assets without donor restrictions	(118,063)	107,687
Net assets without donor restrictions, beginning of year	<u>1,803,101</u>	<u>1,695,414</u>
Net assets without donor restrictions, end of year	\$ <u>1,685,038</u>	\$ <u>1,803,101</u>

See notes to financial statements.

World Affairs Council of Greater Houston

Notes to Financial Statements

December 31, 2020

Note 1 - Organization and Summary of Significant Accounting PoliciesOrganization

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 to 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, contract assets, contract liabilities, 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, 2020

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 they do not meet the requirements to record.

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.

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, 2020

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 statements of support, revenues and expenses.

During April 2020, the Council applied for and received a \$167,617 loan issued pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act. The loan bears interest at 1% per annum and has required principal and interest payments commencing in November 2020, with maturity of April 2022. The loan can be fully or partially forgiven, as detailed in the terms of the PPP, but generally requires that workers remain employed through the end of December 2020, and the funds are used to pay for designated expenses as defined in the PPP. The loan has been forgiven in total and recognized as contribution revenue during the year ended December 31, 2020.

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. 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 - Property and Equipment, Net

Property and equipment at December 31, is as follows:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 8,307	\$ 7,080
Less: accumulated depreciation	<u>(8,307)</u>	<u>(7,080)</u>
Total property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

World Affairs Council of Greater Houston

Notes to Financial Statements

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Note 3 - Leases

The Council has a non-cancellable lease for office space expiring in May 2022. Total rent expense were \$107,958 and \$93,072 for the years ended December 31, 2020 and 2019, respectively.

The future minimum lease payments under non-cancelable operating leases are as follows.

<u>Year Ending December 31,</u>		
2021	\$	105,609
2022		<u>44,693</u>
	\$	<u>150,302</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 for the year ended December 31, 2020:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program expenses	\$ 67,453	\$ -	\$ -	\$ 67,453
Travel programs	2,540	-	-	2,540
Fundraising	-	-	25,422	25,422
Marketing and development	26,922	5,726	4,470	37,118
Office expense	32,202	31,582	3,460	67,244
Insurance	11,720	2,493	1,946	16,159
Communications	20,042	4,263	3,327	27,632
Occupancy	78,303	16,655	13,000	107,958
Payroll expenses	<u>589,464</u>	<u>128,112</u>	<u>99,999</u>	<u>817,575</u>
	<u>\$ 828,646</u>	<u>\$ 188,831</u>	<u>\$ 151,624</u>	<u>\$1,169,101</u>

World Affairs Council of Greater Houston

Notes to Financial Statements

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Note 4 - Functional Expense Allocation (Continued)

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 for the year ended December 31, 2019:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program expenses	\$ 260,272	\$ -	\$ -	\$ 260,272
Travel programs	429,981	-	-	429,981
Fundraising	-	-	104,823	104,823
Marketing and development	27,601	24,293	9,169	61,063
Office expense	32,279	51,628	9,239	93,146
Insurance	4,404	3,876	1,463	9,743
Communications	12,035	10,593	3,998	26,626
Occupancy	42,070	37,027	13,975	93,072
Payroll expenses	<u>365,626</u>	<u>326,985</u>	<u>123,414</u>	<u>816,025</u>
	<u>\$1,174,268</u>	<u>\$ 454,402</u>	<u>\$ 266,081</u>	<u>\$1,894,751</u>

Note 5 - Liquidity and Availability of Resources

As part of the Council's liquidity management, sufficient assets are on hand to cover up to six months of general expenditures. The Council's financial assets available for general expenditure within one year at December 31, 2020 and 2019 includes cash and cash equivalents of \$517,170 and \$665,579, respectively. 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 \$1,179,506 and \$1,157,989 as of December 31, 2020 and 2019, respectively.

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 - Retirement Plan

Employees of the Council are eligible for participation in a defined contribution retirement plan designed in accordance with Internal Revenue Code Section 403(b)(9). The plan was established for employees, and the Council matches 3% of employee contributions for full-time employees who have completed at least one year of service (previously six months of service before January 1, 2021) and are at least age 21. The Council contributed \$15,377 and \$6,134 to the plan during the years ended December 31, 2020 and 2019, respectively.

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Notes to Financial Statements

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Note 7 - Subsequent Events

In February 2021, the Council applied for and received a \$159,052 loan issued pursuant to the PPP. The loan bears interest at 1% per annum and has required principal and interest payments commencing in the third quarter of 2021 with a maturity of February 7, 2026. The loan proceeds were used to fund permitted expenses and the amount was forgiven on September 1, 2021.

Management has evaluated subsequent events through September 16, 2021, which was the date the financial statements were available to be issued, and has determined that there are no other subsequent events to be reported.