

AUDITED FINANCIAL STATEMENTS
WORLD AFFAIRS COUNCIL OF HOUSTON
OR THE YEARS ENDED DECEMBER 31, 2013 and 2012

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Independent Auditors' Report

To the Executive Committee
World Affairs Council of Houston
Houston, Texas

Report on the Financial Statements

We have audited the accompanying statements of financial position-modified cash basis of the World Affairs Council of Houston (the "Council") as of December 31, 2013 and 2012, and the related statements of activities-modified cash basis 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 World Affairs Council of Houston as of December 31, 2013 and 2012, and its support and revenue collected and expenses paid during 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.

Reimer, McGuinn & Associates P.C.

Houston, Texas
February 25, 2014

FINANCIAL STATEMENTS

WORLD AFFAIRS COUNCIL OF HOUSTON
STATEMENTS OF FINANCIAL POSITION
Modified Cash Basis
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and money market	\$ 855,110	\$ 884,965
Unrestricted certificates of deposit	<u>751,855</u>	<u>500,991</u>
TOTAL CURRENT ASSETS	1,606,965	1,385,956
 PROPERTY AND EQUIPMENT (net)	 <u>0</u>	 <u>1,770</u>
 TOTAL ASSETS	 <u><u>\$ 1,606,965</u></u>	 <u><u>\$ 1,387,726</u></u>
 NET ASSETS		
NET ASSETS		
Unrestricted	<u>1,606,965</u>	<u>1,387,726</u>
 TOTAL NET ASSETS	 <u><u>\$ 1,606,965</u></u>	 <u><u>\$ 1,387,726</u></u>

The accompanying notes are an integral part of these financial statements

WORLD AFFAIRS COUNCIL OF HOUSTON
STATEMENTS OF ACTIVITIES
Modified Cash Basis
December 31, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
Unrestricted revenues and gains		
Grants and gifts	\$ 188,354	\$ 125,030
Annual benefit	295,340	263,150
Program income	413,910	280,875
Membership income	596,586	584,613
Travel for members	331,464	523,442
Investment income	1,961	2,755
TOTAL UNRESTRICTED REVENUES AND GAINS	1,827,616	1,779,864
EXPENSES		
Program expense - Speaker expense	151,557	56,891
Program expense - Venue expense	246,821	247,279
Program expense - other	78,983	62,128
Travel for members	318,427	463,551
Bank fees	23,344	40,239
Payroll	505,328	495,431
Development	62,827	60,894
Annual benefit expense	32,446	137,964
Rent	72,850	58,759
Information technology	31,652	40,604
Scholarships	2,800	2,500
Depreciation	1,770	2,360
Dues	4,072	4,112
Insurance	3,891	14,653
Office supplies and equipment	44,972	31,927
Postage and printing	23,420	19,898
Training and conferences	1,047	7,966
Other expenses	1,186	566
Accounting fees	984	8,669
TOTAL EXPENSES	1,608,377	1,756,390
INCREASE IN UNRESTRICTED NET ASSETS	219,239	23,474
NET ASSETS BEGINNING OF YEAR	1,387,726	1,364,252
NET ASSETS AT END OF YEAR	<u>\$ 1,606,965</u>	<u>\$ 1,387,726</u>

The accompanying notes are an integral part of these financial statements

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NOTES TO FINANCIAL STATEMENTS

WORLD AFFAIRS COUNCIL OF HOUSTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

1. ORGANIZATION

World Affairs Council of Houston (the “Council”) was established in 1990 to present educational programs on world affairs and the United States foreign policy. The mission of the Council is to promote better understanding of the world – the 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 U.S. 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, there is an educational outreach program, bringing speakers to area high schools and providing 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 generally accepted accounting principles. Under this basis, revenues are recognized when cash is received and expenses are recorded when paid, and long-lived assets are capitalized and depreciated.

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 positions and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently all of the Council’s net assets are unrestricted.

WORLD AFFAIRS COUNCIL OF HOUSTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 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 in 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 as other than a private foundation.

The Internal Revenue Service Form 990 is filed on an annual basis for reporting purposes and the Council is current on all filings.

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 has been computed using the straight-line method over the following useful lives:

Computers and office equipment 3 – 7 years

The Council records the value of donated property when there is an objective basis available to measure the value. Donated property is reflected as other revenues in the accompanying statements at their fair values at the date of the receipt.

WORLD AFFAIRS COUNCIL OF HOUSTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

3. PROPERTY AND EQUIPMENT

Depreciable property and equipment as of December 31, 2013 and 2012 is summarized as follows:

	Balance January 1, 2012	Additions	Balance December 31, 2012	Additions	Balance December 31, 2013
Property and equipment	\$ 7,080	\$ -	\$ 7,080	\$ -	\$ 7,080
Accumulated depreciation	(2,950)	-	(5,310)	-	(7,080)
Net property and equipment	<u>\$ 4,130</u>	<u>\$ -</u>	<u>\$ 1,770</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was \$1,770 and \$2,360 for the years ended 2013 and 2012, respectively. There were no retirements of property and equipment in either year.

4. CONCENTRATIONS AND CREDIT RISK

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

5. LEASES

The Council has non-cancellable leases for office space, and telephone and data equipment and services. The office lease expires in May 2017, and monthly rental averages approximately \$6,500 over the lease term. The table below shows minimum lease payments due annually under this lease.

2014	\$ 77,248
2015	81,000
2016	83,648
2017	<u>35,313</u>
Total	<u>\$ 277,210</u>

The telephone and data services are for 36 month terms, expiring in 2014. The charges under these agreements are not material to the financial statements.

WORLD AFFAIRS COUNCIL OF HOUSTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

6. 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:

	2013	2012
Program Services	\$ 1,200,050	\$ 1,226,193
General & Administrative	375,881	392,232
Fundraising	32,446	137,964
Total Expenses	<u>\$ 1,608,377</u>	<u>1,756,390</u>