

WORLD AFFAIRS COUNCIL OF GREATER HOUSTON
Financial Statements
December 31, 2024
With Independent Auditor's Report

World Affairs Council of Greater Houston
Table of Contents
December 31, 2024

| | |
|--|-----|
| Independent Auditor's Report | 1-2 |
| Financial Statements | |
| Statements of Assets, Liabilities and Net Assets - Modified Cash Basis | 3 |
| Statements of Support, Revenue and Expenses - Modified Cash Basis | 4 |
| Notes to Financial Statements - Modified Cash Basis | 5-9 |

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the World Affairs Council of Greater Houston (a nonprofit organization) (the "Council"), which comprise the statement of assets, liabilities and net assets - modified cash basis, as of December 31, 2024, and the related statement of support, revenue and expenses - modified cash basis, for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Council as of December 31, 2024, 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Council as of and for the year ended December 31, 2023 were audited by Pannell Kerr Forster of Texas, P.C. On June 1, 2025, Pannell Kerr Forster of Texas, P.C. joined with WithumSmith+Brown, PC. Pannell Kerr Forster of Texas, P.C. expressed an unmodified opinion on those statements dated August 20, 2024.

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 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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' 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 auditors' 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.

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 the 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 the 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.

Withum Smith & Brown, PC

October 9, 2025

World Affairs Council of Greater Houston
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|--------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 242,005 | \$ 494,161 |
| Certificates of deposit | 1,229,099 | 1,227,147 |
| Property and equipment, net | <u>43,455</u> | <u>41,751</u> |
| Total assets | <u>\$ 1,514,559</u> | <u>\$ 1,763,059</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Credit card liability | \$ 37,807 | \$ 41,698 |
| Payroll liabilities | <u>11,974</u> | <u>5,459</u> |
| Total liabilities | <u>49,781</u> | <u>47,157</u> |
| Net assets | | |
| Without donor restrictions | 1,464,778 | 1,646,673 |
| With donor restrictions | <u>-</u> | <u>69,229</u> |
| Total net assets | <u>1,464,778</u> | <u>1,715,902</u> |
| Total liabilities and net assets | <u>\$ 1,514,559</u> | <u>\$ 1,763,059</u> |

The Notes to Financial Statements are an integral part of these statements.

World Affairs Council of Greater Houston
Statements of Support, Revenue and Expenses - Modified Cash Basis
Years Ended December 31, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Changes in net assets without donor restrictions | | |
| Support and revenue | | |
| Annual benefit | \$ 579,312 | \$ 810,151 |
| Membership income | 323,224 | 369,762 |
| Membership travel | 165,525 | 299,909 |
| In-kind donation | 87,070 | 123,945 |
| Program income | 202,738 | 199,071 |
| Education income | 271,912 | 271,056 |
| Grants and contributions | - | 10,000 |
| Interest income | 83,760 | 21,353 |
| Other income, net | <u>19,824</u> | <u>28,921</u> |
| Total support and revenue | <u>1,733,365</u> | <u>2,134,168</u> |
| Net assets released from restrictions | <u>134,229</u> | <u>15,771</u> |
| Total support and revenue | <u>1,867,594</u> | <u>2,149,939</u> |
| Expenses | | |
| Program event expenses | 218,435 | 214,960 |
| Travel expenses | 104,329 | 226,800 |
| Annual benefit expenses | 109,684 | 119,821 |
| Payroll expenses | 1,175,160 | 984,876 |
| Bank and credit card fees | 15,990 | 24,516 |
| Marketing and development | 120,669 | 149,824 |
| Occupancy | 111,617 | 98,452 |
| Information technology | 63,070 | 51,386 |
| Dues and subscriptions | 11,887 | 8,279 |
| Insurance | 16,052 | 16,955 |
| Office supplies and equipment | 17,426 | 21,634 |
| Postage and printing | 7,291 | 4,292 |
| Training and conferences | 5,044 | 375 |
| Other expenses | 17,193 | 13,138 |
| Scholarships | 27,333 | 6,137 |
| Professional fees | <u>28,309</u> | <u>26,873</u> |
| Total expenses | <u>2,049,489</u> | <u>1,968,318</u> |
| Change in net assets without donor restrictions | (181,895) | 181,621 |
| Changes in net assets with donor restrictions | | |
| Contributions | 65,000 | 85,000 |
| Net assets released from restrictions | <u>(134,229)</u> | <u>(15,771)</u> |
| Changes in net assets with donor restrictions | <u>(69,229)</u> | <u>69,229</u> |
| Increase (decrease) in net assets | (251,124) | 250,850 |
| Net assets, beginning of year | <u>1,715,902</u> | <u>1,465,052</u> |
| Net assets, end of year | <u>\$ 1,464,778</u> | <u>\$ 1,715,902</u> |

The Notes to Financial Statements are an integral part of these statements.

World Affairs Council of Greater Houston
Notes to Financial Statements
December 31, 2024

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 provide educational programs on international affairs discussions. 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’s 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 accounting principles generally accepted in the United States of America (“GAAP”). Under this basis, revenues are recognized when cash is received, and expenses are generally recorded when paid. Liabilities are recorded for credit card charges when those charges are incurred and for payroll liabilities when the related salaries and wages are paid. Additionally, modification from cash basis include the recognition of property and equipment and in-kind donations. 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, prepaid expenses, contract assets, contract liabilities, accounts payable, other accrued liabilities, right-of-use assets and lease 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. Net assets with donor restrictions at December 31, 2023 are restricted for the Model United Nations program.

World Affairs Council of Greater Houston
Notes to Financial Statements
December 31, 2024

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 materials or services when there is an objective basis available to measure their value. Donated materials or services are included in the accompanying statement of assets, liabilities and net assets - modified cash basis at their fair values at date of receipt. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. The Council received advertising from an organization for fundraising efforts, event venue space for program events, and travel vouchers from an organization for the Council's travel program. A number of volunteers donated amounts of their time to the Council's program services, but no amounts have been reflected in the statements of support, revenue, and expenses - modified cash basis, as they do not meet the requirements to record. The Council did not monetize any contributed nonfinancial assets.

Donated nonfinancial assets were as follows for the years ended December 31:

| | <u>2024</u> | <u>2023</u> |
|---------------------|------------------|-------------------|
| Travel certificates | \$ 14,575 | \$ 16,425 |
| Event venue | 10,185 | - |
| Advertising | <u>62,310</u> | <u>107,520</u> |
| | <u>\$ 87,070</u> | <u>\$ 123,945</u> |

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 seven 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 - modified cash basis, as necessary; however, there are currently no uncertain tax positions.

World Affairs Council of Greater Houston
Notes to Financial Statements
December 31, 2024

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 - modified cash basis.

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 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 certificates of deposit. The Council maintains cash accounts primarily in federally insured financial institutions. Certificates of deposit are held with brokerage firms insured by Securities Investor Protection Corporation. 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 and certificates of deposit.

Use of Estimates

The preparation of the financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP requires management to make certain assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Management believes its estimates are reasonable.

2. PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, is as follows:

| | <u>2024</u> | <u>2023</u> |
|-----------------------------------|------------------|------------------|
| Office equipment | \$ 53,082 | \$ 47,233 |
| Leasehold improvements | 7,190 | - |
| Less: Accumulated depreciation | <u>(16,817)</u> | <u>(5,482)</u> |
| Total property and equipment, net | <u>\$ 43,455</u> | <u>\$ 41,751</u> |

Depreciation expense of \$9,406 and \$1,929 was recorded for the years ended December 31, 2024 and 2023, respectively and is included in other expenses on the statements of support, revenue and expenses – modified cash basis.

3. LEASES

The Council had a non-cancellable lease for office space that expires in October 2025. Total rent expense was \$111,617 and \$98,452 for the years ended December 31, 2024 and 2023, respectively.

The future minimum lease payments under non-cancelable operating leases includes \$55,644 to be paid during the year ended December 31, 2025.

World Affairs Council of Greater Houston
Notes to Financial Statements
December 31, 2024

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, 2024:

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| Program event expenses | \$ 245,768 | \$ - | \$ - | \$ 245,768 |
| Travel programs | 104,329 | - | - | 104,329 |
| Annual benefit | - | - | 109,684 | 109,684 |
| Marketing and development | 66,168 | 31,852 | 22,649 | 120,669 |
| Office expense and other | 50,664 | 35,132 | 17,344 | 103,140 |
| Insurance | 8,380 | 4,804 | 2,868 | 16,052 |
| Information technology | 32,929 | 18,873 | 11,268 | 63,070 |
| Occupancy | 58,788 | 33,079 | 19,750 | 111,617 |
| Payroll expenses | 614,044 | 351,343 | 209,773 | 1,175,160 |
| | <u>\$ 1,181,070</u> | <u>\$ 475,083</u> | <u>\$ 393,336</u> | <u>\$ 2,049,489</u> |

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, 2023:

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| Program event expenses | \$ 214,960 | \$ - | \$ - | \$ 214,960 |
| Travel programs | 226,800 | - | - | 226,800 |
| Annual benefit | - | - | 119,821 | 119,821 |
| Marketing and development | 86,934 | 36,237 | 26,653 | 149,824 |
| Office expense and other | 61,362 | 26,102 | 17,780 | 105,244 |
| Insurance | 10,490 | 3,725 | 2,740 | 16,955 |
| Information technology | 41,975 | 5,423 | 3,988 | 51,386 |
| Occupancy | 50,673 | 27,530 | 20,249 | 98,452 |
| Payroll expenses | 586,044 | 229,806 | 169,026 | 984,876 |
| | <u>\$ 1,279,238</u> | <u>\$ 328,823</u> | <u>\$ 360,257</u> | <u>\$ 1,968,318</u> |

World Affairs Council of Greater Houston
Notes to Financial Statements
December 31, 2024

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, 2024 and 2023 includes cash and cash equivalents of \$242,005 and \$494,161, respectively. To help manage unanticipated liquidity needs, the Council places certain amounts of excess cash in certificates of deposit with terms ranging from 6 to 24 months. These amounts are available for use as the certificates of deposit mature, with Board of Directors' approval. Certificates of deposit were \$1,229,099 and \$1,227,147 as of December 31, 2024 and 2023, respectively, of which \$1,229,099 and \$1,227,147 mature by December 31, 2025 and December 31, 2024, 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.

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 and are at least age 21. The Council contributed \$23,467 and \$21,508 to the plan during the years ended December 31, 2024 and 2023, respectively.

7. SUBSEQUENT EVENTS

In 2025, the Council amended its office lease agreement to extend the maturity from October 31, 2025 to October 31, 2028. The annual base rent required under the extension for the twelve-month periods beginning November 1, 2025, November 1, 2026 and November 1, 2027 are \$66,773, \$69,075, and \$71,378, respectively.

Management has evaluated subsequent events through October 9, 2025, 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.