

**World Affairs Council of  
Greater Houston**

**Financial Statements**

**December 31, 2021**

World Affairs Council of Greater Houston

December 31, 2021

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PANNELL  
KERR  
FORSTER  
OF TEXAS, P.C.

5847 San Felipe St., Suite 2600  
Houston, Texas 77057-3000  
Ph: (713) 860-1400  
Fax: (713) 355-3909  
www.PKFTexas.com

## **INDEPENDENT AUDITORS' 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 non-profit organization)(the "Council"), which comprise the statements of assets, liabilities and net assets - modified cash basis, as of December 31, 2021 and 2020, and the related statements of support, revenue and expenses - modified cash basis, for the years 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, 2021 and 2020, 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 for Opinion**

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

### **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.

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

September 07, 2022

## World Affairs Council of Greater Houston

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

	December 31,	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,170,165	\$ 517,170
Certificates of deposit	<u>474,163</u>	<u>1,179,506</u>
Total assets	<u>\$ 1,644,328</u>	<u>\$ 1,696,676</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Credit card liability	\$ 11,399	\$ 3,548
Payroll liabilities	<u>16,275</u>	<u>8,090</u>
Total liabilities	<u>27,674</u>	<u>11,638</u>
Net assets without donor restrictions	<u>1,616,654</u>	<u>1,685,038</u>
Total liabilities and net assets	<u>\$ 1,644,328</u>	<u>\$ 1,696,676</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,	
	2021	2020
Unrestricted support and revenue		
Annual benefit	\$ 387,695	\$ 371,155
Membership income	320,828	344,328
Membership travel	187,173	-
In-kind donation	2,775	-
Program income	81,172	61,066
Education income	28,489	32,080
Grants and contributions	194,845	217,097
Interest income	5,553	23,375
Other income, net	12,318	1,937
Total unrestricted support and revenue	<u>1,220,848</u>	<u>1,051,038</u>
Expenses		
Program expenses	62,840	67,285
Travel expenses	128,126	2,540
In-kind expense	2,775	-
Payroll expenses	790,782	803,242
Bank fees	1,999	4,361
Development	69,160	53,369
Occupancy	117,420	107,958
Information technology	22,798	27,630
Scholarships	-	51
Dues and subscriptions	9,912	8,415
Insurance	15,888	16,159
Office supplies and equipment	16,215	20,611
Postage and printing	4,174	8,457
Training and conferences	-	12,580
Other expenses	25,487	9,373
Accounting fees	21,656	27,070
Total expenses	<u>1,289,232</u>	<u>1,169,101</u>
Decrease in net assets without donor restrictions	(68,384)	(118,063)
Net assets without donor restrictions, beginning of year	<u>1,685,038</u>	<u>1,803,101</u>
Net assets without donor restrictions, end of year	\$ <u>1,616,654</u>	\$ <u>1,685,038</u>

*See notes to financial statements.*

## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2021

**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 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 accounting principles generally accepted in the United States of America ("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. As of December 31, 2021 and 2020, there were no net assets with donor restrictions.

## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2021

**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.

In-kind donations and services

The Council records the value of in-kind donations or services when there is an objective basis available to measure their value. In-kind donations are included in the accompanying statement of assets, liabilities and net assets – modified cash basis at their estimated values at date of receipt. The in-kind donation, with a fair value of \$2,775, has been included in the accompanying financial statements for the year ended December 31, 2021. No in-kind donations were received as of and for the year ended December 31, 2020. A number of volunteers donated 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, 2021

**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.

Conditional contributions have a barrier to overcome and include a right of return, and are not included as support until the contribution has become unconditional. At December 31, 2021 and 2020, the Council had conditional contributions of \$19,425 and \$0, respectively.

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.

During February 2021, the Council applied for and received a \$159,052 loan issued pursuant to the PPP under the CARES Act. The loan bears interest at 1% per annum and has required principal and interest payments commencing in March 2021, with maturity of February 2026. 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 2021, 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, 2021.

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. 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.

## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2021

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**Recent accounting pronouncement

In September 2020, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") for contributed nonfinancial assets. The ASU increases the transparency of contributed nonfinancial assets for organizations through enhancement of presentation and disclosure. Organizations must present contributed nonfinancial assets as a separate line in the statement of activities along with disclosing disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of assets along with descriptive identifiers for the users of the financial statements. The ASU is effective for annual reporting periods beginning after June 15, 2021, using a retrospective approach. The Organization is still evaluating the impact that the ASU will have on its financial statements and related disclosures.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified in order to conform to the current year presentation. These reclassifications had no effect on total assets, total liabilities or net assets.

**Note 2 - Property and Equipment, Net**

Property and equipment at December 31, is as follows:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 8,307	\$ 8,307
Less: accumulated depreciation	<u>(8,307)</u>	<u>(8,307)</u>
Total property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

**Note 3 - Leases**

The Council has a non-cancellable lease for office space expiring in August 2022. The Council entered into a new lease agreement for a different office space that commences in September 2022 and ends in October 2025. Total rent expense was \$117,420 and \$107,958 for the years ended December 31, 2021 and 2020, respectively.

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

<u>Year Ending December 31,</u>	
2022	\$ 84,798
2023	62,551
2024	64,854
2025	<u>55,644</u>
	<u>\$ 267,847</u>

## World Affairs Council of Greater Houston

## Notes to Financial Statements

December 31, 2021

**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, 2021:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program expenses	\$ 62,840	\$ -	\$ -	\$ 62,840
Travel programs	128,126	-	-	128,126
In-kind expense	2,775	-	-	2,775
Fundraising	-	-	55,752	55,752
Marketing and development	2,078	6,455	4,875	13,408
Office expense	24,811	45,543	9,089	79,443
Insurance	7,409	5,587	2,892	15,888
Information technology	10,455	8,133	4,210	22,798
Occupancy	54,751	41,293	21,376	117,420
Payroll expenses	<u>354,692</u>	<u>315,021</u>	<u>121,069</u>	<u>790,782</u>
	<u>\$ 647,937</u>	<u>\$ 422,032</u>	<u>\$ 219,263</u>	<u>\$1,289,232</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, 2020:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program expenses	\$ 67,285	\$ -	\$ -	\$ 67,285
Travel programs	2,540	-	-	2,540
Fundraising	-	-	25,422	25,422
Marketing and development	27,111	5,726	4,470	37,307
Office expense	31,930	46,168	3,460	81,558
Insurance	11,720	2,493	1,946	16,159
Information technology	20,040	4,263	3,327	27,630
Occupancy	78,303	16,655	13,000	107,958
Payroll expenses	<u>589,717</u>	<u>113,526</u>	<u>99,999</u>	<u>803,242</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

December 31, 2021

**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, 2021 and 2020 includes cash and cash equivalents of \$1,170,165 and \$517,170, 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 \$474,163 and \$1,179,506 as of December 31, 2021 and 2020, 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 \$15,871 and \$15,377 to the plan during the years ended December 31, 2021 and 2020, respectively.

**Note 7 - Subsequent Events**

Management has evaluated subsequent events through September 07, 2022, 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.