



## **AUDIT REPORT**

### **FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED JUNE 30, 2014**

**WORLD ENVIRONMENT CENTER, INC.**

**CONTENTS**

|  | <b>PAGE NO.</b> |
|--|-----------------|
| I. Financial Section   |                 |
| Financial Statements for the Years Ended June 30, 2014 and 2013,<br>Including the Schedule of Expenditures of Federal Awards and Schedule<br>of Findings and Questioned Costs                          | I-(1 - 18)      |
| II. Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed<br>in Accordance With Government Auditing Standards | II-(1 - 2)      |
| III. Report on Compliance For Each Major Federal Program and Report on<br>Internal Control Over Compliance Required by OMB Circular A-133  | III-(1 - 2)     |

## **FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
JUNE 30, 2014 AND 2013**

**WORLD ENVIRONMENT CENTER, INC.**

**CONTENTS**

|  | <b>PAGE NO.</b> |
|--|-----------------|
| INDEPENDENT AUDITOR'S REPORT   | I-(3 - 4)       |
| EXHIBIT A - Statements of Financial Position, as of June 30, 2014 and 2013                                 | I-5             |
| EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended June 30, 2014 and 2013 | I-6             |
| EXHIBIT C - Statement of Functional Expenses, for the Year Ended June 30, 2014                             | I-7             |
| EXHIBIT D - Statement of Functional Expenses, for the Year Ended June 30, 2013                             | I-8             |
| EXHIBIT E - Statements of Cash Flows, for the Years Ended June 30, 2014 and 2013                           | I-9             |
| NOTES TO FINANCIAL STATEMENTS  | I-(10 - 15)     |
| SUPPLEMENTAL INFORMATION   |                 |
| SCHEDULE 1 - Schedule of Expenditures of Federal Awards, for the Year Ended June 30, 2014                  | I-16            |
| SCHEDULE 2 - Schedule of Findings and Questioned Costs, for the Year Ended June 30, 2014                   | I-(17 - 18)     |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
World Environment Center, Inc.  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying financial statements of the World Environment Center, Inc. (WEC), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 financial position of WEC as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on page I-16, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2015 on our consideration of WEC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WEC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

July 15, 2015

## WORLD ENVIRONMENT CENTER, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2014 AND 2013

## ASSETS

|   | <u>2014</u>                | <u>2013</u>                |
|---|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>   |                            |                            |
| Cash and cash equivalents (Note 7)  | \$ 89,168                  | \$ 99,810                  |
| Accounts receivable, net of allowance for doubtful accounts of<br>\$0 and \$12,000 in 2014 and 2013, respectively | 385,986                    | 245,841                    |
| Prepaid expenses and other assets   | <u>49,244</u>              | <u>39,641</u>              |
| Total current assets  | <u>524,398</u>             | <u>385,292</u>             |
| <b>PROPERTY AND EQUIPMENT</b>   |                            |                            |
| Furniture and equipment   | 9,088                      | 9,088                      |
| Computers and equipment   | 16,081                     | 35,037                     |
| Software and website  | <u>34,232</u>              | <u>34,232</u>              |
|   | 59,401                     | 78,357                     |
| Less: Accumulated depreciation and amortization   | <u>(46,950)</u>            | <u>(62,544)</u>            |
| Net property and equipment  | <u>12,451</u>              | <u>15,813</u>              |
| <b>NONCURRENT ASSETS</b>  |                            |                            |
| Cash and cash equivalents - noncurrent (Note 7)   | -                          | 4,030                      |
| Investments (Notes 2, 7 and 8)  | <u>605,830</u>             | <u>649,106</u>             |
| Total noncurrent assets   | <u>605,830</u>             | <u>653,136</u>             |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 1,142,679</u></b> | <b><u>\$ 1,054,241</u></b> |

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

|  |                |                |
|--|----------------|----------------|
| Accounts payable and accrued liabilities | \$ 229,898     | \$ 132,148     |
| Deferred dues                            | <u>168,000</u> | <u>214,000</u> |
| Total current liabilities                | <u>397,898</u> | <u>346,148</u> |

## NET ASSETS

|  |                            |                            |
|--|----------------------------|----------------------------|
| Unrestricted:                              |                            |                            |
| Undesignated                               | (5,813)                    | 35,119                     |
| Board designated - Endowment Fund (Note 7) | 536,674                    | 500,278                    |
| Board designated - Reserve Fund (Note 7)   | <u>78,920</u>              | <u>172,696</u>             |
| Total unrestricted net assets              | <u>609,781</u>             | <u>708,093</u>             |
| Temporarily restricted (Note 3)            | <u>135,000</u>             | <u>-</u>                   |
| Total net assets                           | <u>744,781</u>             | <u>708,093</u>             |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>    | <b><u>\$ 1,142,679</u></b> | <b><u>\$ 1,054,241</u></b> |

See accompanying notes to financial statements.

## WORLD ENVIRONMENT CENTER, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

|  | 2014                     |                          |                          | 2013                     |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | Unrestricted             | Temporarily Restricted   | Total                    | Unrestricted Total       |
| <b>SUPPORT AND REVENUE</b>                           |                          |                          |                          |                          |
| Member contributions                                 | \$ 342,000               | \$ -                     | \$ 342,000               | \$ 402,000               |
| Other contributions                                  | 3,546                    | 185,000                  | 188,546                  | 5,944                    |
| U.S. Government grants and contracts (Note 5)        | 1,148,325                | -                        | 1,148,325                | 665,942                  |
| Interest and investment income (Note 2)              | 43,004                   | -                        | 43,004                   | 40,956                   |
| Special event  | 227,626                  | -                        | 227,626                  | 198,250                  |
| Program service fees                                 | 110,324                  | -                        | 110,324                  | 131,717                  |
| Net assets released from donor restrictions (Note 3) | <u>50,000</u>            | <u>(50,000)</u>          | <u>-</u>                 | <u>-</u>                 |
| Total support and revenue                            | <u>1,924,825</u>         | <u>135,000</u>           | <u>2,059,825</u>         | <u>1,444,809</u>         |
| <b>EXPENSES</b>                                      |                          |                          |                          |                          |
| Program Services:                                    |                          |                          |                          |                          |
| Member Initiatives                                   | 203,726                  | -                        | 203,726                  | 237,272                  |
| Capacity Building                                    | <u>1,160,406</u>         | <u>-</u>                 | <u>1,160,406</u>         | <u>673,909</u>           |
| Total program services                               | <u>1,364,132</u>         | <u>-</u>                 | <u>1,364,132</u>         | <u>911,181</u>           |
| Supporting Services:                                 |                          |                          |                          |                          |
| Management and General                               | 418,329                  | -                        | 418,329                  | 493,179                  |
| Fundraising  | <u>240,676</u>           | <u>-</u>                 | <u>240,676</u>           | <u>229,301</u>           |
| Total supporting services                            | <u>659,005</u>           | <u>-</u>                 | <u>659,005</u>           | <u>722,480</u>           |
| Total expenses                                       | <u>2,023,137</u>         | <u>-</u>                 | <u>2,023,137</u>         | <u>1,633,661</u>         |
| Changes in net assets                                | (98,312)                 | 135,000                  | 36,688                   | (188,852)                |
| Net assets at beginning of year                      | <u>708,093</u>           | <u>-</u>                 | <u>708,093</u>           | <u>896,945</u>           |
| <b>NET ASSETS AT END OF YEAR</b>                     | <b>\$ <u>609,781</u></b> | <b>\$ <u>135,000</u></b> | <b>\$ <u>744,781</u></b> | <b>\$ <u>708,093</u></b> |



## WORLD ENVIRONMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

|  | Program Services   |                     |                        | Supporting Services    |                   |                           | Total Expenses      |
|--|--------------------|---------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
|  | Member Initiatives | Capacity Building   | Total Program Services | Management and General | Fundraising       | Total Supporting Services |                     |
| Salaries and related benefits (Note 6) | \$ 115,505         | \$ 126,480          | \$ 241,985             | \$ 224,748             | \$ 54,052         | \$ 278,800                | \$ 520,785          |
| Printing and production                | 116                | 795                 | 911                    | 42                     | 7,493             | 7,535                     | 8,446               |
| Occupancy (Note 4)                     | 10,021             | 56,249              | 66,270                 | 28,360                 | 4,805             | 33,165                    | 99,435              |
| Accounting                             | 2,423              | 13,591              | 16,014                 | 6,851                  | 1,161             | 8,012                     | 24,026              |
| Insurance                              | -                  | -                   | -                      | 5,892                  | -                 | 5,892                     | 5,892               |
| Depreciation and amortization          | -                  | -                   | -                      | 4,957                  | -                 | 4,957                     | 4,957               |
| Telephone                              | -                  | 2,068               | 2,068                  | 14,150                 | -                 | 14,150                    | 16,218              |
| Travel and entertainment               | 25,232             | 105,771             | 131,003                | 1,520                  | 17,422            | 18,942                    | 149,945             |
| Consulting fees                        | 3,711              | 15,105              | 18,816                 | 10,361                 | 3,221             | 13,582                    | 32,398              |
| Postage and delivery                   | 45                 | 107                 | 152                    | 290                    | 156               | 446                       | 598                 |
| Repairs and maintenance                | -                  | -                   | -                      | 3,167                  | -                 | 3,167                     | 3,167               |
| Supplies                               | 1,589              | 9,043               | 10,632                 | (7,784)                | 712               | (7,072)                   | 3,560               |
| Subscriptions and publications         | -                  | -                   | -                      | 3,591                  | -                 | 3,591                     | 3,591               |
| Meetings and conventions               | -                  | 2,416               | 2,416                  | 179                    | 767               | 946                       | 3,362               |
| Bank fees                              | -                  | 53                  | 53                     | 6,247                  | -                 | 6,247                     | 6,300               |
| Equipment rental and maintenance       | -                  | 3,698               | 3,698                  | -                      | -                 | -                         | 3,698               |
| Subcontracts                           | -                  | 706,287             | 706,287                | 18,093                 | -                 | 18,093                    | 724,380             |
| Gold Medal Award                       | -                  | -                   | -                      | -                      | 139,730           | 139,730                   | 139,730             |
| Program facilities and meals           | 13,889             | 5,819               | 19,708                 | 358                    | -                 | 358                       | 20,066              |
| Local country coordinator fees         | 30,507             | 112,924             | 143,431                | 93,493                 | 11,157            | 104,650                   | 248,081             |
| Other                                  | 688                | -                   | 688                    | 3,814                  | -                 | 3,814                     | 4,502               |
| <b>TOTAL</b>                           | <b>\$ 203,726</b>  | <b>\$ 1,160,406</b> | <b>\$ 1,364,132</b>    | <b>\$ 418,329</b>      | <b>\$ 240,676</b> | <b>\$ 659,005</b>         | <b>\$ 2,023,137</b> |

## WORLD ENVIRONMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

|  | Program Services   |                   |                        | Supporting Services    |                   |                           | Total Expenses      |
|--|--------------------|-------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
|  | Member Initiatives | Capacity Building | Total Program Services | Management and General | Fundraising       | Total Supporting Services |                     |
| Salaries and related benefits (Note 6) | \$ 100,453         | \$ 89,008         | \$ 189,461             | \$ 296,959             | \$ 53,139         | \$ 350,098                | \$ 539,559          |
| Printing and production                | 1                  | 220               | 221                    | 4,743                  | 713               | 5,456                     | 5,677               |
| Occupancy (Note 4)                     | 15,775             | 43,852            | 59,627                 | 44,362                 | 6,068             | 50,430                    | 110,057             |
| Accounting                             | 3,376              | 9,377             | 12,753                 | 9,486                  | 1,298             | 10,784                    | 23,537              |
| Insurance                              | -                  | -                 | -                      | 5,939                  | -                 | 5,939                     | 5,939               |
| Depreciation and amortization          | -                  | -                 | -                      | 8,405                  | -                 | 8,405                     | 8,405               |
| Telephone                              | 2,989              | 9,285             | 12,274                 | 4,921                  | 924               | 5,845                     | 18,119              |
| Travel and entertainment               | 28,651             | 104,802           | 133,453                | 1,857                  | 13,268            | 15,125                    | 148,578             |
| Consulting fees                        | 4,327              | 9,252             | 13,579                 | 8,719                  | 2,300             | 11,019                    | 24,598              |
| Postage and delivery                   | 18                 | 165               | 183                    | 490                    | 184               | 674                       | 857                 |
| Repairs and maintenance                | -                  | -                 | -                      | 1,955                  | -                 | 1,955                     | 1,955               |
| Supplies                               | 1,110              | 1,397             | 2,507                  | (354)                  | 282               | (72)                      | 2,435               |
| Subscriptions and publications         | 1,922              | -                 | 1,922                  | 931                    | -                 | 931                       | 2,853               |
| Meetings and conventions               | 178                | 3,485             | 3,663                  | 201                    | 27                | 228                       | 3,891               |
| Bank fees                              | 777                | 2,088             | 2,865                  | 1,707                  | 557               | 2,264                     | 5,129               |
| Equipment rental and maintenance       | -                  | 1,486             | 1,486                  | -                      | -                 | -                         | 1,486               |
| Subcontracts                           | -                  | 282,481           | 282,481                | 18,663                 | -                 | 18,663                    | 301,144             |
| Gold Medal Award                       | -                  | -                 | -                      | -                      | 138,026           | 138,026                   | 138,026             |
| Program facilities and meals           | 37,712             | 1,357             | 39,069                 | 2,042                  | -                 | 2,042                     | 41,111              |
| Local country coordinator fees         | 39,983             | 115,654           | 155,637                | 71,253                 | 12,515            | 83,768                    | 239,405             |
| Other                                  | -                  | -                 | -                      | 10,900                 | -                 | 10,900                    | 10,900              |
| <b>TOTAL</b>                           | <b>\$ 237,272</b>  | <b>\$ 673,909</b> | <b>\$ 911,181</b>      | <b>\$ 493,179</b>      | <b>\$ 229,301</b> | <b>\$ 722,480</b>         | <b>\$ 1,633,661</b> |

## WORLD ENVIRONMENT CENTER, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

|   | <u>2014</u>             | <u>2013</u>              |
|---|-------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                         |                          |
| Changes in net assets   | \$ 36,688               | \$ (188,852)             |
| Adjustments to reconcile changes in net assets to net cash used by operating activities:  |                         |                          |
| Depreciation and amortization   | 4,957                   | 8,405                    |
| Realized gain on sales of investments   | (5,801)                 | (21,611)                 |
| Unrealized loss on investments  | 169                     | 19,130                   |
| Change in allowance for doubtful accounts   | (12,000)                | 12,000                   |
| (Increase) decrease in:   |                         |                          |
| Accounts receivable   | (128,145)               | 2,867                    |
| Prepaid expenses and other assets   | (9,603)                 | 8,462                    |
| Increase (decrease) in:   |                         |                          |
| Accounts payable and accrued liabilities  | 97,750                  | 80,170                   |
| Deferred dues   | <u>(46,000)</u>         | <u>(2,000)</u>           |
| Net cash used by operating activities   | <u>(61,985)</u>         | <u>(81,429)</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                         |                          |
| Purchase of computers and equipment   | (1,595)                 | -                        |
| Purchase of investments   | (286,664)               | (638,297)                |
| Proceeds from sales of investments  | <u>335,572</u>          | <u>570,373</u>           |
| Net cash provided (used) by investing activities  | <u>47,313</u>           | <u>(67,924)</u>          |
| Net decrease in cash and cash equivalents   | (14,672)                | (149,353)                |
| Cash and cash equivalents at beginning of year  | <u>103,840</u>          | <u>253,193</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b><br>(Includes \$0 and \$4,030 of Noncurrent Cash<br>Equivalents as of June 30, 2014 and 2013,<br>Respectively) | <b>\$ <u>89,168</u></b> | <b>\$ <u>103,840</u></b> |

**WORLD ENVIRONMENT CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

**Organization -**

The World Environment Center, Inc. (WEC), founded in 1974, is an independent, not-for-profit, non-advocacy organization. Working with government, the private sector, international organizations, non-governmental organizations and academia, WEC promotes sustainable development by encouraging environmental leadership, improving health and safety practices worldwide, and fostering the efficient use of natural resources to protect the global environment.

**Basis of presentation -**

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

**Cash and cash equivalents -**

WEC considers all cash and other highly liquid investments with initial maturities of one year or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, WEC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

**Accounts receivable -**

Accounts receivable consist primarily of member dues, Gold Medal Award (GMA) payments and amounts due for contract services. All receivables are anticipated to be collected within one year. Management periodically reviews each receivable balance for collectability based on its knowledge of the customer or grantor. All receivables are stated at the amount management expects to collect from outstanding balances.

**Property and equipment -**

Property and equipment with an acquisition value in excess of \$1,000 are stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses as incurred.

**Investments -**

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

**Deferred dues -**

Amounts collected as dues from member companies are recognized as revenues in the period earned. Accordingly, amounts received but not yet earned are presented as deferred dues in the accompanying Statements of Financial Position.

**Income taxes -**

WEC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. WEC is not a private foundation.

WORLD ENVIRONMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Uncertain tax positions -

For the years ended June 30, 2014 and 2013, WEC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of WEC and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of WEC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

WEC receives funding under grants and contracts from the U.S. Government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Allocation of expenses -

There are four functional categories of WEC's expenses: 1) Member Initiatives, 2) Capacity Building, 3) Management and General, and 4) Fundraising. Employee staff time is tracked according to the programs and projects that are incorporated into these categories:

**Member Initiatives:** This functional area incorporates the services that WEC provides to all members in general, including international membership roundtables and sustainability forums. These services provide senior level HSE, CSR and sustainable development executives in multinational corporations with an exchange of information, expertise, and a worldwide network of contacts to promote the shared mission of WEC and member companies.

**WORLD ENVIRONMENT CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Allocation of expenses (continued) -

**Capacity Building:** This functional area contributes to sustainable development by providing cooperative projects, training and technology solutions that enhance the ability of industry, government, and environmental organizations to protect and improve the environment and communities within which they are based. These programs are often funded through government grants and/or WEC's corporate members, and constitute the largest source of revenue for the organization. This category includes all WEC supply chain projects.

**Management and General:** This functional area includes activities related to the communication of WEC's brand, web site enhancements and updates, press releases, reports of results to membership, planning activities with members and WEC's key external stakeholders, preparation of Board of Directors materials and other aspects of WEC governance, financial management, and travel related to these activities.

**Fundraising:** This functional area incorporates WEC activities and expenses that are conducted with the express purpose of raising revenue for WEC, including, but not limited to, membership development, and pursuing new business and grant opportunities. Fundraising also houses the annual Gold Medal Awards Dinner.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investment risks and uncertainties -

WEC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

WEC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

WEC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

**2. INVESTMENTS**

Investments consisted of the following at June 30, 2014 and 2013:

|   | 2014              |                   | 2013              |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Cost              | Fair Value        | Cost              | Fair Value        |
| Noncurrent Corporate and<br>Municipal Bonds | \$ <u>630,370</u> | \$ <u>605,830</u> | \$ <u>673,477</u> | \$ <u>649,106</u> |

**WORLD ENVIRONMENT CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**2. INVESTMENTS (Continued)**

Included in interest and investment income are the following:

|   | <u>2014</u>             | <u>2013</u>             |
|---|-------------------------|-------------------------|
| Interest and dividends                      | \$ 37,372               | \$ 38,475               |
| Realized gain on sales of investments       | 5,801                   | 21,611                  |
| Unrealized loss on investments              | <u>(169)</u>            | <u>(19,130)</u>         |
| <b>TOTAL INTEREST AND INVESTMENT INCOME</b> | <b><u>\$ 43,004</u></b> | <b><u>\$ 40,956</u></b> |

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2014 and 2013:

|                    | <u>2014</u>              | <u>2013</u>        |
|--------------------|--------------------------|--------------------|
| Member Initiatives | <b><u>\$ 135,000</u></b> | <b><u>\$ -</u></b> |

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

|                    | <u>2014</u>             | <u>2013</u>        |
|--------------------|-------------------------|--------------------|
| Member Initiatives | <b><u>\$ 50,000</u></b> | <b><u>\$ -</u></b> |

**4. LEASE COMMITMENT**

WEC leases its principal office space in Washington, D.C. under an agreement which expires on July 31, 2018. Base rent is \$6,524 per month and increases by 2.75% each year. WEC also leases office space under a five-year lease agreement (through its local representative) in Munich, Germany. Rental payments are €2,119 per month, and the agreement expires on February 28, 2017. This lease will become the obligation of WEC Europe (a separate legal entity) once WEC Europe is granted non-government organization status. WEC subleases a portion of its Munich office space under an agreement which commenced on January 1, 2013 (and currently is on a month-to-month basis); sublease income totals €550 per month.

Future minimum payments due under both office leases are as follows:

**Year Ending June 30,**

|      |                          |
|------|--------------------------|
| 2015 | \$ 114,958               |
| 2016 | 117,166                  |
| 2017 | 107,868                  |
| 2018 | 87,067                   |
| 2019 | <u>7,272</u>             |
|      | <b><u>\$ 434,331</u></b> |

Occupancy expense for the years ended June 30, 2014 and 2013 totaled \$99,435 and \$110,057, respectively.

**WORLD ENVIRONMENT CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**5. CONTINGENCY**

WEC receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits under the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2014. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**6. RETIREMENT PLAN**

All employees of WEC are eligible for participation in a defined contribution plan, to which WEC contributes a fixed percentage of salary, based upon the individual's length of service. Contributions are forwarded to the Teachers Insurance Annuity Association-Common Retirement Equity Fund ("TIAA-CREF"), an independent entity that issues individual retirement annuity contracts to each participant. Contributions by WEC totaled \$40,324 and \$39,623 during the years ended June 30, 2014 and 2013, respectively.

All employees are also eligible to participate in a salary deferral 403(b) plan.

**7. BOARD DESIGNATED ENDOWMENT AND RESERVE FUNDS**

The Board Designated Endowment and Reserve Funds were established as operating reserve funds to provide financial stability and to be used as contingency funds for unanticipated events as authorized by the Board of Directors. In 2003, the Board of Directors authorized transfers totaling \$140,000 from the Board Designated Reserve Fund to the General Fund. The Board intends to return the \$140,000 to the Reserve Fund and will determine the amount to be replenished on an annual basis.

At June 30, 2014 and 2013, the balance in the "Endowment Fund" aggregated \$536,674 (including \$4,734 of current cash, \$0 of noncurrent cash and \$531,940 of noncurrent investments) and \$500,278 (including \$19,683 of current cash, \$0 of noncurrent cash and \$480,595 of noncurrent investments), respectively.

At June 30, 2014 and 2013, the balance in the "Reserve Fund" aggregated \$78,920 (including \$5,030 of current cash, \$0 of noncurrent cash and \$73,890 of noncurrent investments) and \$172,696 (including \$155 of current cash, \$4,030 of noncurrent cash and \$168,511 of noncurrent investments), respectively.

**8. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, WEC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.



**WORLD ENVIRONMENT CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**8. FAIR VALUE MEASUREMENT (Continued)**

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market WEC has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

*Corporate and Municipal Bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, WEC's investments as of June 30, 2014:

|   | <u>Level 1</u> | <u>Level 2</u>    | <u>Level 3</u> | <u>Total<br/>June 30,<br/>2014</u> |
|---|----------------|-------------------|----------------|------------------------------------|
| <b>Asset Class - Investments:</b>               |                |                   |                |                                    |
| <b>Noncurrent Corporate and Municipal Bonds</b> | \$ <u>-</u>    | \$ <u>605,830</u> | \$ <u>-</u>    | \$ <u>605,830</u>                  |

The table below summarizes, by level within the fair value hierarchy, WEC's investments as of June 30, 2013:

|   | <u>Level 1</u> | <u>Level 2</u>    | <u>Level 3</u> | <u>Total<br/>June 30,<br/>2013</u> |
|---|----------------|-------------------|----------------|------------------------------------|
| <b>Asset Class - Investments:</b>               |                |                   |                |                                    |
| <b>Noncurrent Corporate and Municipal Bonds</b> | \$ <u>-</u>    | \$ <u>649,106</u> | \$ <u>-</u>    | \$ <u>649,106</u>                  |

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, WEC has evaluated events and transactions for potential recognition or disclosure through July 15, 2015, the date the financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

## WORLD ENVIRONMENT CENTER, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Federal Granting Agency and Program Title</u>                              | <u>CFDA Number</u> | <u>Expenditures</u>        |
|---|--------------------|----------------------------|
| U.S. Department of State Environment and Scientific Partnerships and Programs | 19.017             | \$ 569,746                 |
| U.S. Department of State Pathways Challenge                                   | 19.750             | <u>498,328</u>             |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                   |                    | <b><u>\$ 1,068,074</u></b> |

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of WEC under programs of the Federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of WEC, it is not intended to and does not present the financial position, changes in net assets or cash flows of WEC.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3. Revenue Reconciliation**

Included in government contracts and grants revenue are the following:

|   |                            |
|---|----------------------------|
| Assistance awards   | \$ 1,068,074               |
| Fixed price contracts not subject to OMB Circular A-133   | <u>80,251</u>              |
| <b>TOTAL U.S. GOVERNMENT GRANTS AND CONTRACTS REVENUE</b> | <b><u>\$ 1,148,325</u></b> |

**Note 4. Subrecipients**

Of the Federal expenditures presented in the Schedule, WEC provided Federal awards to subrecipients as follows:

| <u>Program Name</u>   | <u>CFDA Number</u> | <u>Amount<br/>Provided to<br/>Subrecipients</u> |
|---|--------------------|---|
| U.S. Department of State Environment and Scientific Partnerships and Programs | 19.017             | \$ 175,502                                      |
| U.S. Department of State Pathways Challenge                                   | 19.750             | \$ 377,282                                      |

## WORLD ENVIRONMENT CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Section I - Summary of Auditor's Results****Financial Statements**

1). Type of auditor's report issued:

**Unmodified**

2). Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None Reported

3). Noncompliance material to financial statements noted?

☐ Yes ☒ No**Federal Awards**

4). Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None Reported

5). Type of auditor's report issued on compliance for major programs:

**Unmodified**

6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

7). Identification of major programs:

| <u><b>Federal Program Title</b></u>   | <u><b>CFDA<br/>Number</b></u> | <u><b>Expenditures</b></u> |
|---|-------------------------------|----------------------------|
| U.S. Department of State Environment and Scientific Partnerships and Programs | 19.017                        | \$ 569,746                 |
| U.S. Department of State Pathways Challenge                                   | 19.750                        | \$ 498,328                 |

8). Dollar threshold used to distinguish between Type A and Type B programs:

**\$300,000**

9). Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

**WORLD ENVIRONMENT CENTER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Section II - Financial Statement Findings**

There were no reportable findings.

**Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)**

There were no reportable findings.

**Section IV - Prior Year Findings**

There were no prior year audit findings.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

To the Board of Directors  
World Environment Center, Inc.  
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the World Environment Center, Inc. (WEC) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise WEC's basic financial statements, and have issued our report thereon dated July 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WEC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WEC's internal control. Accordingly, we do not express an opinion on the effectiveness of WEC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of WEC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WEC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

July 15, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**Independent Auditor's Report**

To the Board of Directors  
World Environment Center, Inc.  
Washington, D.C.

**Report on Compliance for Each Major Federal Program**

We have audited the World Environment Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of WEC's major federal programs for the year ended June 30, 2014. WEC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of WEC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of WEC's compliance.

**Opinion on Each Major Federal Program**

In our opinion, WEC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM



## Report on Internal Control Over Compliance

Management of WEC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WEC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WEC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



July 15, 2015