

COMBINED FINANCIAL STATEMENTS



**WORLD ENVIRONMENT CENTER, INC.
AND SUBSIDIARY**

**FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Combined Statements of Financial Position, as of June 30, 2021 and 2020	4
EXHIBIT B - Combined Statement of Activities and Changes in Net Assets, for the Year Ended June 30, 2021	5
EXHIBIT C - Combined Statement of Activities and Changes in Net Assets, for the Year Ended June 30, 2020	6
EXHIBIT D - Combined Statement of Functional Expenses, for the Year Ended June 30, 2021	7
EXHIBIT E - Combined Statement of Functional Expenses, for the Year Ended June 30, 2020	8
EXHIBIT F - Combined Statements of Cash Flows, for the Years Ended June 30, 2021 and 2020	9
NOTES TO COMBINED FINANCIAL STATEMENTS	10 - 19



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of the World Environment Center, Inc. and Subsidiary (collectively referred to as WEC), which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of WEC as of June 30, 2021 and 2020, and the combined changes in its net assets and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

January 19, 2022

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 530,123	\$ 669,733
Accounts receivable	33,000	127,000
Grants receivable	221,898	145,298
Prepaid expenses and other assets	<u>16,042</u>	<u>19,961</u>
Total current assets	<u>801,063</u>	<u>961,992</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	9,088	9,088
Computers and equipment	17,852	17,852
Software and website	<u>47,832</u>	<u>47,832</u>
	74,772	74,772
Less: Accumulated depreciation and amortization	<u>(67,536)</u>	<u>(62,210)</u>
Net property and equipment	<u>7,236</u>	<u>12,562</u>
NONCURRENT ASSETS		
Investments	<u>189,434</u>	<u>158,216</u>
TOTAL ASSETS	<u>\$ 997,733</u>	<u>\$ 1,132,770</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Federal loan payable	\$ 53,677	\$ 13,719
Accounts payable and accrued liabilities	<u>127,594</u>	<u>114,051</u>
Total current liabilities	<u>181,271</u>	<u>127,770</u>
LONG-TERM LIABILITIES		
Federal loan payable, net of current portion	<u>41,122</u>	<u>34,350</u>
Total liabilities	<u>222,393</u>	<u>162,120</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	20,403	89,799
Board designated - Endowment Fund	91,684	76,023
Board designated - Reserve Fund	<u>103,102</u>	<u>83,741</u>
Total net assets without donor restrictions	215,189	249,563
With donor restrictions	<u>560,151</u>	<u>721,087</u>
Total net assets	<u>775,340</u>	<u>970,650</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 997,733</u>	<u>\$ 1,132,770</u>

See accompanying notes to combined financial statements.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Membership	\$ 204,000	\$ -	\$ 204,000
Contributions	5,000	212,484	217,484
Government grants	465,857	-	465,857
Interest and investment income, net	34,973	-	34,973
Special event	84,000	-	84,000
Program service fees	18,228	-	18,228
Net assets released from donor restrictions	<u>373,420</u>	<u>(373,420)</u>	<u>-</u>
Total support and revenue	<u>1,185,478</u>	<u>(160,936)</u>	<u>1,024,542</u>
EXPENSES			
Program Services:			
Member Initiatives	64,211	-	64,211
Capacity Building	566,826	-	566,826
Trane-Marketing Communications Sponsor	15,058	-	15,058
UNEP	22,899	-	22,899
Global Roundtables/Forums	<u>83,168</u>	<u>-</u>	<u>83,168</u>
Total program services	<u>752,162</u>	<u>-</u>	<u>752,162</u>
Supporting Services:			
Management and General	441,102	-	441,102
Fundraising	<u>26,588</u>	<u>-</u>	<u>26,588</u>
Total supporting services	<u>467,690</u>	<u>-</u>	<u>467,690</u>
Total expenses	<u>1,219,852</u>	<u>-</u>	<u>1,219,852</u>
Changes in net assets	(34,374)	(160,936)	(195,310)
Net assets at beginning of year, as restated	<u>249,563</u>	<u>721,087</u>	<u>970,650</u>
NET ASSETS AT END OF YEAR	<u>\$ 215,189</u>	<u>\$ 560,151</u>	<u>\$ 775,340</u>

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Membership	\$ 262,000	\$ -	\$ 262,000
Contributions	5,574	650,000	655,574
Government grants	861,421	-	861,421
Interest and investment loss, net	(23,851)	-	(23,851)
Special event	90,099	-	90,099
Other revenue	10,989	-	10,989
Net assets released from donor restrictions	<u>29,270</u>	<u>(29,270)</u>	<u>-</u>
Total support and revenue	<u>1,235,502</u>	<u>620,730</u>	<u>1,856,232</u>
EXPENSES			
Program Services:			
Member Initiatives	45,259	-	45,259
Capacity Building	<u>780,274</u>	<u>-</u>	<u>780,274</u>
Total program services	<u>825,533</u>	<u>-</u>	<u>825,533</u>
Supporting Services:			
Management and General	386,055	-	386,055
Fundraising	<u>49,332</u>	<u>-</u>	<u>49,332</u>
Total supporting services	<u>435,387</u>	<u>-</u>	<u>435,387</u>
Total expenses	<u>1,260,920</u>	<u>-</u>	<u>1,260,920</u>
Changes in net assets	(25,418)	620,730	595,312
Net assets at beginning of year, as restated	<u>274,981</u>	<u>100,357</u>	<u>375,338</u>
NET ASSETS AT END OF YEAR	<u>\$ 249,563</u>	<u>\$ 721,087</u>	<u>\$ 970,650</u>

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services				
	Member Initiatives	Capacity Building	Trane-Marketing Communications Sponsor	UNEP	Global Roundtables/ Forums	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and related benefits	\$ 64,211	\$ 74,213	\$ 15,058	\$ 3,899	\$ 66,863	\$ 224,244	\$ 179,979	\$ 19,570	\$ 199,549	\$ 423,793
Contract services	-	9,297	-	19,000	12,060	40,357	65,585	-	65,585	105,942
Facilities and equipment	-	-	-	-	-	-	32,093	-	32,093	32,093
Depreciation and amortization	-	-	-	-	-	-	5,326	-	5,326	5,326
Operations	-	3,206	-	-	-	3,206	4,914	18	4,932	8,138
Marketing and public relations	-	334	-	-	-	334	6,603	7,000	13,603	13,937
Travel and meetings	-	12,199	-	-	4,200	16,399	-	-	-	16,399
Local country coordinator fees	-	115,068	-	-	-	115,068	95,582	-	95,582	210,650
Subgrantee fees	-	36,014	-	-	-	36,014	-	-	-	36,014
Subcontractors	-	316,486	-	-	-	316,486	-	-	-	316,486
Other expenses	-	9	-	-	45	54	51,020	-	51,020	51,074
TOTAL	\$ 64,211	\$ 566,826	\$ 15,058	\$ 22,899	\$ 83,168	\$ 752,162	\$ 441,102	\$ 26,588	\$ 467,690	\$ 1,219,852

See accompanying notes to combined financial statements.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services			Total Expenses
	Member Initiatives	Capacity Building	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related benefits	\$ 35,906	\$ 112,902	\$ 148,808	\$ 152,824	\$ 38,006	\$ 190,830	\$ 339,638
Contract services	-	1,120	1,120	89,735	-	89,735	90,855
Facilities and equipment	-	-	-	25,212	-	25,212	25,212
Depreciation and amortization	-	-	-	3,227	-	3,227	3,227
Operations	4,014	6,677	10,691	4,475	-	4,475	15,166
Marketing and public relations	-	350	350	8,207	-	8,207	8,557
Travel and meetings	-	152,181	152,181	1,605	-	1,605	153,786
Local country coordinator fees	5,339	112,272	117,611	82,163	2,198	84,361	201,972
Subgrantee fees	-	191,313	191,313	-	-	-	191,313
Subcontractors	-	179,490	179,490	-	-	-	179,490
Program facilities and other costs	-	20,745	20,745	-	-	-	20,745
Other expenses	-	3,224	3,224	18,607	9,128	27,735	30,959
TOTAL	\$ 45,259	\$ 780,274	\$ 825,533	\$ 386,055	\$ 49,332	\$ 435,387	\$ 1,260,920

See accompanying notes to combined financial statements.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (195,310)	\$ 595,312
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	5,326	3,227
Realized (gain) loss on sales of investments	(17,062)	33,516
Unrealized gain on investments	(11,181)	(1,868)
Decrease (increase) in:		
Accounts receivable	94,000	(90,000)
Grants receivable	(76,600)	102,837
Prepaid expenses and other assets	3,919	651
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>13,543</u>	<u>(75,933)</u>
Net cash (used) provided by operating activities	<u>(183,365)</u>	<u>567,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(6,800)
Purchases of investments	(6,730)	(96,689)
Proceeds from sales of investments	<u>3,755</u>	<u>72,469</u>
Net cash used by investing activities	<u>(2,975)</u>	<u>(31,020)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Federal loan payable	<u>46,730</u>	<u>48,069</u>
Net cash provided by financing activities	<u>46,730</u>	<u>48,069</u>
Net (decrease) increase in cash and cash equivalents	(139,610)	584,791
Cash and cash equivalents at beginning of year	<u>669,733</u>	<u>84,942</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 530,123</u>	<u>\$ 669,733</u>

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

The World Environment Center, Inc. and Subsidiary (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.

On November 13, 2013, World Environment Center Europe e.V. (WEC Europe e.V.) was registered in Germany as a not-for-profit, non-advocacy organization in the European Union. An integral part of WEC, WEC Europe e.V.'s by-laws establish the organization as independent under German law and regulations.

Basis of combination -

The accompanying combined financial statements reflect the activity of the World Environment Center, Inc. and its European subsidiary, collectively referred to as WEC. The accompanying financial statements have been combined as the organizations are under common control. All intercompany transactions have been eliminated in combination. As of June 30, 2021 and 2020, assets held in foreign countries totaled \$30,928 and \$8,005, respectively.

Foreign currency translation -

The U.S. Dollar (USD) is the functional currency for WEC's worldwide operations. Transactions in currencies other than USD are translated into USD at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in non-USD are translated into USD at the exchange rate in effect as of the date of the Combined Statements of Financial Position.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than WEC mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

During 2021, WEC adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the membership revenue determined a change in recognition to comply with the new framework. WEC elected a full retrospective adoption of the standard, and accordingly, opening balance net assets were restated as follows:

	<u>Balance at July 1, 2019 Before Restatement</u>		<u>Adjustment Due to Adoption</u>		<u>Balance at July 1, 2019 After Restatement</u>
Net Assets without Donor Restrictions	\$ 155,981	\$	\$ 119,000	\$	\$ 274,981
Deferred Dues	\$ 119,000	\$	\$(119,000)	\$	\$ -

	<u>Balance at July 1, 2020 Before Restatement</u>		<u>Adjustment Due to Adoption</u>		<u>Balance at July 1, 2020 After Restatement</u>
Net Assets without Donor Restrictions	\$ 119,563	\$	\$ 130,000	\$	\$ 249,563
Deferred Dues	\$ 130,000	\$	\$(130,000)	\$	\$ -

WEC has elected to opt out of all (or certain) disclosures not required for nonpublic 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.

WEC maintains a bank account in Germany. Cash and cash equivalents held overseas as of June 30, 2021 and 2020 totaled \$24,383 and \$873 respectively; such funds are not insured.

Accounts and grants receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value, and consist primarily of member dues. Grants receivable that are expected to be collected in future years are recorded at net realizable value, measured at the present value of their future cash flows. All accounts and grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and 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 are incurred. Depreciation and amortization expense during the years ended June 30, 2021 and 2020 totaled \$5,326 and \$3,227, respectively.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in interest and investment income in the Combined Statement of Activities and Changes in Net Assets, which is presented net of investment expenses paid to external investment advisors.

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 combined financial statements. WEC is not a private foundation. WEC Europe e.V. is registered as a not-for-profit organization exempt from tax under German tax code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements.

Uncertain tax positions -

For the years ended June 30, 2021 and 2020, 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 combined financial statements.

Revenue recognition -

WEC's receives revenue through awards from governments, international organizations and other private entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. WEC performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction, depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying combined financial statements.

Awards qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition (or conditions) are satisfied. Awards from the United States Government are for direct and indirect program costs; these transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Revenue recognition (continued) -

Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, WEC recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

As of June 30, 2021 and 2020, WEC had \$147,542 and \$583,401, respectively, of conditional awards which have not been recognized as revenue in the accompanying combined financial statements.

Membership includes amounts collected from WEC member companies for a series of benefits that are deemed to be immaterial in nature. Accordingly, membership dues are considered contributions to WEC and are recognized upon receipt.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of WEC are reported as direct expenses to the programmatic area, and those expenses that benefit more than one function are allocated on a basis of actual time and effort or other reasonable basis.

WEC reports its expenses in the accompanying combined financial statements according to the following functional 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.

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.

Trane-Marketing Communications Sponsor: To strengthen WEC's strategic communications, Trane Technologies sponsored part of the salaries of a young professional to support WEC's Marketing & Communications efforts and our Thought Leadership programming for member companies. To strengthen WEC's strategic communications, Trane Technologies sponsored part of the salaries of a young professional to support WEC's Marketing & Communications efforts and our Thought Leadership programming for member companies.

UNEP: This program contributes to preparations for the resumed Fifth Session of the United Nations Environment Assembly (UNEA-5.2) on the theme of "Strengthening Actions for Nature to Achieve the Sustainable Development Goals," as well as global initiatives such as the UN Food Systems Summit and the launch of the UN Decade on Ecosystem Restoration.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Functional allocation of expenses (continued) -

Global Roundtables/Forums: This functional area incorporates the services that WEC provides to all members in general, including international membership roundtables and sustainability forums. These services provided are often with partnership/sponsorships of non-WEC members.

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 combined 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 combined 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 combined 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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact WEC's operations. The overall potential impact is unknown at this time.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

New accounting pronouncements (not yet adopted) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Combined Statements of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

WEC plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying combined financial statements.

2. INVESTMENTS

Investments (all classified as noncurrent) consisted of the following as of June 30, 2021 and 2020:

	2021	2020
	Fair Value	Fair Value
Equities and mutual funds	\$ 93,699	\$ 92,487
Corporate and municipal bonds	95,735	65,729
TOTAL NONCURRENT INVESTMENTS	\$ 189,434	\$ 158,216

Included in interest and investment income (loss), net, were the following, during the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends, net of expenses	\$ 6,730	\$ 7,797
Realized gain (loss) on sales of investments	17,062	(33,516)
Unrealized gain on investments	11,181	1,868
TOTAL INTEREST AND INVESTMENT INCOME (LOSS), NET	\$ 34,973	\$ (23,851)

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

3. FEDERAL LOAN PAYABLE

On June 3, 2020, WEC received loan proceeds in the amount of \$48,069 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. WEC has applied and received full forgiveness for this loan, subsequent to year end. WEC will record revenue from debt extinguishments during the subsequent period that forgiveness was approved.

On March 2, 2021, WEC received loan proceeds in the amount of \$46,730 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first ten months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. WEC intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. WEC intends to apply for forgiveness after completing the 24-week period. If forgiveness is granted, WEC will record revenue from debt extinguishments during the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

Year Ending June 30,

2022	\$ 53,677
2023	11,215
2024	11,215
2025	11,215
2026	<u>7,477</u>
	<u>\$ 94,799</u>

4. 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. In 2017, the Board of Directors authorized transfers totaling \$191,104 from the Endowment Fund to the General Fund. The Board intends to return such funds and will determine the amount to be replenished on an annual basis.

As of June 30, 2021 and 2020, the balance in the Endowment Fund aggregated \$91,684 (including \$5,109 of current cash and \$86,575 of noncurrent investments) and \$76,023 (including \$574 of current cash and \$75,449 of noncurrent investments), respectively.

As of June 30, 2021 and 2020, the balance in the Reserve Fund aggregated \$103,102 (including \$243 of current cash and \$102,859 of noncurrent investments) and \$83,741 (including \$974 of current cash and \$82,767 of noncurrent investments), respectively.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Member Initiatives	\$ -	\$ 100,357
Capacity Building	<u>560,151</u>	<u>620,730</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>560,151</u>	\$ <u>721,087</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2021</u>	<u>2020</u>
Member Initiatives	\$ 100,357	\$ -
Capacity Building	<u>273,063</u>	<u>29,270</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>373,420</u>	\$ <u>29,270</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the date of the Combined Statements of Financial Position were comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 530,123	\$ 669,733
Accounts receivable	33,000	127,000
Grants receivable	<u>221,898</u>	<u>145,298</u>
Subtotal financial assets available within one year	785,021	942,031
Less: Donor restricted funds for purpose	(560,151)	(721,087)
Less: Board-designated fund cash funds only	<u>(5,352)</u>	<u>(1,548)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>219,518</u>	\$ <u>219,396</u>

WEC has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2021 and 2020, WEC had financial assets equal to approximately two to three months of operating expenses. In addition, WEC may utilize its Board designated funds in the event it is needed to cover operating expenses.

7. LEASE COMMITMENTS

WEC leases office space under a twelve-month agreement that is subject to annual renewal in March of each year. Base rent under this lease began at \$1,150 per month, and is subject to annual escalations of 2.75%.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

7. LEASE COMMITMENTS (Continued)

WEC also leases office space under a five-year lease agreement (through its local representative) in Munich, Germany that will expire June 30, 2022. Rental payments are €2,119 per month. WEC currently subleases a portion of this office space under an agreement which commenced on May 1, 2015 and will continue for an indefinite period on a month-to-month basis; sublease income totals €940 per month.

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

Year Ending June 30,

2022	\$	26,580
2023		<u>500</u>
	\$	<u>27,080</u>

Occupancy (net of sublease income of \$14,083 and \$17,881), during the years ended June 30, 2021 and 2020, totaled \$25,324 and \$23,247, respectively, and is included in Facilities and Equipment on the accompanying Combined Statements of Functional Expenses.

8. CONTINGENCY

WEC receives grants from the U.S. Government, particularly the U.S. Department of State. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the U.S. Government as a result of the audits. For the year ended June 30, 2021, WEC did not meet the requirements to be subject to an audit under the provisions of Uniform Guidance, but is still open for review by the donors.

9. RETIREMENT PLANS

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 made by WEC during the years ended June 30, 2021 and 2020 totaled \$24,668 and \$8,834, respectively.

10. 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. AND SUBSIDIARY

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

10. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Combined 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 and no transfers between levels during the years ended June 30, 2021 and 2020.

- *Equities and mutual funds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *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, 2021:

	Level 1	Level 2	Level 3	Total
Asset Class - Noncurrent Investments:				
Equities and mutual funds	\$ 93,699	\$ -	\$ -	\$ 93,699
Corporate and municipal bonds	-	95,735	-	95,735
TOTAL	\$ 93,699	\$ 95,735	\$ -	\$ 189,434

The table below summarizes, by level within the fair value hierarchy, WEC's investments as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Asset Class - Noncurrent Investments:				
Equities and mutual funds	\$ 92,487	\$ -	\$ -	\$ 92,487
Corporate and municipal bonds	-	65,729	-	65,729
TOTAL	\$ 92,487	\$ 65,729	\$ -	\$ 158,216

11. SUBSEQUENT EVENTS

In preparing these combined financial statements, WEC has evaluated events and transactions for potential recognition or disclosure through January 19, 2022, the date the combined financial statements were issued.