



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

**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED JUNE 30, 2015**

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

CONTENTS

	<b>PAGE NO.</b>
I. Financial Section	
Combined Financial Statements for the Years Ended June 30, 2015 and 2014, Including the Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs	I-(1 - 19)
II. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance With Government Auditing Standards	II-(1 - 2)
III. Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	III-(1 - 2)

**COMBINED FINANCIAL STATEMENTS**



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

**FOR THE YEARS ENDED  
JUNE 30, 2015 AND 2014**

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	I-(3 - 4)
EXHIBIT A - Combined Statements of Financial Position, as of June 30, 2015 and 2014	I-5
EXHIBIT B - Combined Statements of Activities and Changes in Net Assets, for the Years Ended June 30, 2015 and 2014	I-(6 - 7)
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended June 30, 2015	I-8
EXHIBIT D - Combined Statement of Functional Expenses, for the Year Ended June 30, 2014	I-9
EXHIBIT E - Combined Statements of Cash Flows, for the Years Ended June 30, 2015 and 2014	I-10
NOTES TO COMBINED FINANCIAL STATEMENTS	I-(11 - 16)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Expenditures of Federal Awards, for the Year Ended June 30, 2015	I-17
SCHEDULE 2 - Schedule of Findings and Questioned Costs, for the Year Ended June 30, 2014	I-(18 - 19)

## 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, 2015 and 2014, 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 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 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 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.

### 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, 2015 and 2014, 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.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Schedule of Expenditures of Federal Awards on page I-17, 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 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.

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2015 AND 2014

<b>ASSETS</b>		
	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 247,626	\$ 89,168
Accounts receivable	535,710	385,986
Prepaid expenses and other assets	<u>34,920</u>	<u>49,244</u>
Total current assets	<u>818,256</u>	<u>524,398</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	9,088	9,088
Computers and equipment	16,081	16,081
Software and website	<u>34,232</u>	<u>34,232</u>
	59,401	59,401
Less: Accumulated depreciation and amortization	<u>(50,402)</u>	<u>(46,950)</u>
Net property and equipment	<u>8,999</u>	<u>12,451</u>
<b>NONCURRENT ASSETS</b>		
Investments	<u>594,637</u>	<u>605,830</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,421,892</u></b>	<b><u>\$ 1,142,679</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 490,360	\$ 229,898
Deferred dues	<u>144,000</u>	<u>168,000</u>
Total current liabilities	<u>634,360</u>	<u>397,898</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	22,055	(5,813)
Board designated - Endowment Fund	524,192	536,674
Board designated - Reserve Fund	<u>77,485</u>	<u>78,920</u>
Total unrestricted net assets	<u>623,732</u>	<u>609,781</u>
Temporarily restricted	<u>163,800</u>	<u>135,000</u>
Total net assets	<u>787,532</u>	<u>744,781</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,421,892</u></b>	<b><u>\$ 1,142,679</u></b>

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<b>2015</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Member contributions	\$ 300,000	\$ -	\$ 300,000
Other contributions	48,532	119,800	168,332
U.S. Government grants and contracts	2,133,428	-	2,133,428
Interest and investment (loss) income	(14,674)	-	(14,674)
Special event	334,500	-	334,500
Program service fees	35,470	-	35,470
Other revenue	408	-	408
Net assets released from donor restrictions	<u>91,000</u>	<u>(91,000)</u>	<u>-</u>
Total support and revenue	<u>2,928,664</u>	<u>28,800</u>	<u>2,957,464</u>
<b>EXPENSES</b>			
Program Services:			
Member Initiatives	130,763	-	130,763
Capacity Building	<u>2,148,576</u>	<u>-</u>	<u>2,148,576</u>
Total program services	<u>2,279,339</u>	<u>-</u>	<u>2,279,339</u>
Supporting Services:			
Management and General	415,577	-	415,577
Fundraising	<u>219,797</u>	<u>-</u>	<u>219,797</u>
Total supporting services	<u>635,374</u>	<u>-</u>	<u>635,374</u>
Total expenses	<u>2,914,713</u>	<u>-</u>	<u>2,914,713</u>
Changes in net assets	13,951	28,800	42,751
Net assets at beginning of year	<u>609,781</u>	<u>135,000</u>	<u>744,781</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 623,732</u></b>	<b><u>\$ 163,800</u></b>	<b><u>\$ 787,532</u></b>

<b>2014</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 342,000	\$ -	\$ 342,000
3,546	185,000	188,546
1,148,325	-	1,148,325
43,004	-	43,004
227,626	-	227,626
110,324	-	110,324
-	-	-
<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
<u>1,924,825</u>	<u>135,000</u>	<u>2,059,825</u>
203,726	-	203,726
<u>1,160,406</u>	<u>-</u>	<u>1,160,406</u>
<u>1,364,132</u>	<u>-</u>	<u>1,364,132</u>
418,329	-	418,329
<u>240,676</u>	<u>-</u>	<u>240,676</u>
<u>659,005</u>	<u>-</u>	<u>659,005</u>
<u>2,023,137</u>	<u>-</u>	<u>2,023,137</u>
(98,312)	135,000	36,688
<u>708,093</u>	<u>-</u>	<u>708,093</u>
<b><u>\$ 609,781</u></b>	<b><u>\$ 135,000</u></b>	<b><u>\$ 744,781</u></b>

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services			Supporting Services			Total Expenses
	Member Initiatives	Capacity Building	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related benefits	\$ 87,978	\$ 209,147	\$ 297,125	\$ 202,179	\$ 41,076	\$ 243,255	\$ 540,380
Printing and production	666	549	1,215	441	9,917	10,358	11,573
Occupancy	3,677	60,400	64,077	40,788	2,396	43,184	107,261
Accounting	1,078	17,711	18,789	11,371	702	12,073	30,862
Insurance	-	-	-	6,825	-	6,825	6,825
Depreciation and amortization	-	-	-	3,452	-	3,452	3,452
Telephone	613	13,124	13,737	4,859	399	5,258	18,995
Travel and entertainment	11,248	325,571	336,819	10,103	18,375	28,478	365,297
Consulting fees	1,942	16,015	17,957	10,357	1,935	12,292	30,249
Postage and delivery	58	66	124	443	31	474	598
Repairs and maintenance	-	-	-	1,883	-	1,883	1,883
Supplies	-	3,982	3,982	1,576	-	1,576	5,558
Subscriptions and publications	-	745	745	1,929	-	1,929	2,674
Meetings and conventions	-	724	724	142	-	142	866
Bank fees	-	470	470	5,946	195	6,141	6,611
Equipment rental and maintenance	-	2,354	2,354	-	-	-	2,354
Subrecipients and subcontracts	-	1,361,444	1,361,444	19,015	-	19,015	1,380,459
Gold Medal Award	-	-	-	-	134,590	134,590	134,590
Program facilities and meals	12,573	21,441	34,014	693	466	1,159	35,173
Local country coordinator fees	10,930	113,692	124,622	75,137	3,712	78,849	203,471
Other	-	1,141	1,141	18,438	6,003	24,441	25,582
<b>TOTAL</b>	<b>\$ 130,763</b>	<b>\$ 2,148,576</b>	<b>\$ 2,279,339</b>	<b>\$ 415,577</b>	<b>\$ 219,797</b>	<b>\$ 635,374</b>	<b>\$ 2,914,713</b>

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED 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	\$ 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	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
Subrecipients and 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. AND SUBSIDIARY

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 42,751	\$ 36,688
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,452	4,957
Realized loss (gain) on sales of investments	15,970	(5,801)
Unrealized loss on investments	35,201	169
Change in allowance for doubtful accounts	-	(12,000)
(Increase) decrease in:		
Accounts receivable	(149,724)	(128,145)
Prepaid expenses and other assets	14,324	(9,603)
Increase (decrease) in:		
Accounts payable and accrued liabilities	260,462	97,750
Deferred dues	<u>(24,000)</u>	<u>(46,000)</u>
Net cash provided (used) by operating activities	<u>198,436</u>	<u>(61,985)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(1,595)
Purchase of investments	(308,452)	(286,664)
Proceeds from sales of investments	<u>268,474</u>	<u>335,572</u>
Net cash (used) provided by investing activities	<u>(39,978)</u>	<u>47,313</u>
Net increase (decrease) in cash and cash equivalents	158,458	(14,672)
Cash and cash equivalents at beginning of year	<u>89,168</u>	<u>103,840</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 247,626</u></b>	<b><u>\$ 89,168</u></b>

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

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 non-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 presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

The accompanying combined financial statements include the world-wide operations of WEC. At June 30, 2015 and 2014, assets held in foreign countries totaled \$11,312 and \$1,050, respectively.

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.

Foreign currency translation -

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

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.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

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

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 are incurred.

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 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 Combined 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 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.

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 Combined 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 combined 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.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

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

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.

**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 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.

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

## 2. INVESTMENTS

Investments consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<b>Noncurrent Corporate and Municipal Bonds</b>	<b>\$ <u>654,378</u></b>	<b>\$ <u>594,637</u></b>	<b>\$ <u>630,370</u></b>	<b>\$ <u>605,830</u></b>

Included in interest and investment (loss) income are the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 36,497	\$ 37,372
Realized (loss) gain on sales of investments	(15,970)	5,801
Unrealized loss on investments	<u>(35,201)</u>	<u>(169)</u>
<b>TOTAL INTEREST AND INVESTMENT (LOSS) INCOME</b>	<b>\$ <u>(14,674)</u></b>	<b>\$ <u>43,004</u></b>

## 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Member Initiatives	<b>\$ <u>163,800</u></b>	<b>\$ <u>135,000</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>2015</u>	<u>2014</u>
Member Initiatives	<b>\$ <u>91,000</u></b>	<b>\$ <u>50,000</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. WEC subleased a portion of its Munich office space under an agreement which commenced on January 1, 2013 and expired during February 2015. WEC entered into a new sublease agreement for a portion of its Munich office with another subtenant. The sublease commenced on May 1, 2015 and will continue for an indefinite period on a month-to-month basis; sublease income totals 940 Euros per month. Future minimum payments due under both office leases are as follows:

Year Ending June 30,

2016	\$ 110,680
2017	103,544
2018	87,067
2019	<u>7,272</u>
	<b>\$ <u>308,563</u></b>

Occupancy expense (net of sublease income of \$7,590 and \$9,056), during the years ended June 30, 2015 and 2014 totaled \$107,261 and \$99,435, respectively.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

**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 2015. 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 \$42,832 and \$40,324 during the years ended June 30, 2015 and 2014, 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, 2015 and 2014, the balance in the "Endowment Fund" aggregated \$524,192 (including \$6,069 of current cash and \$518,123 of noncurrent investments) and \$536,674 (including \$4,734 of current cash and \$531,940 of noncurrent investments), respectively.

At June 30, 2015 and 2014, the balance in the "Reserve Fund" aggregated \$77,485 (including \$971 of current cash and \$76,514 of noncurrent investments) and \$78,920 (including \$5,030 of current cash and \$73,890 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. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

8. 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 at June 30, 2015 and 2014.

*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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2015</u>
<b>Asset Class - Investments:</b>				
<b>Noncurrent Corporate and Municipal Bonds</b>	\$ <u>-</u>	\$ <u>594,637</u>	\$ <u>-</u>	\$ <u>594,637</u>

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 June 30, 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>

9. SUBSEQUENT EVENTS

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

**SUPPLEMENTAL INFORMATION**

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<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	\$ 383,638
U.S. Department of State Pathways Challenge	19.750	<u>1,634,638</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ <u>2,018,276</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, 2015. 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	\$ 2,018,276
Fixed price contracts not subject to OMB Circular A-133	<u>115,152</u>
<b>TOTAL U.S. GOVERNMENT GRANTS AND CONTRACTS REVENUE</b>	<b>\$ <u>2,133,428</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 Provided to Subrecipients</u>
U.S. Department of State Environment and Scientific Partnerships and Programs	19.017	\$ 142,146
U.S. Department of State Pathways Challenge	19.750	\$ 639,714

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**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>Federal Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of State Pathways Challenge	19.750	\$ 1,634,638

- 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. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**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 COMBINED FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

To the Board of Directors  
World Environment Center, Inc. and Subsidiary  
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 combined financial statements of the World Environment Center, Inc. and Subsidiary (WEC) as of and for the year ended June 30, 2015, and the related notes to the combined financial statements, which collectively comprise WEC's basic combined financial statements, and have issued our report thereon dated .

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined 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 combined 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 combined 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WEC's combined 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 combined 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.

**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. and Subsidiary  
Washington, D.C.

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

We have audited the World Environment Center, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WEC's major federal programs for the year ended June 30, 2015. 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, 2015.

### 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.