

**COMBINED FINANCIAL STATEMENTS**



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

**FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018**

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

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**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, 2019 and 2018, 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 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.

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**MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL**  
**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, 2019 and 2018, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2020 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 this report is solely 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 the effectiveness of WEC's 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.



February 2, 2020

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2019 AND 2018

## ASSETS

|   | <u>2019</u>              | <u>2018</u>              |
|---|--------------------------|--------------------------|
| <b>CURRENT ASSETS</b>                           |                          |                          |
| Cash and cash equivalents                       | \$ 84,942                | \$ 256,656               |
| Accounts receivable                             | 37,000                   | 1,000                    |
| Grants receivable                               | 248,135                  | 115,689                  |
| Prepaid expenses and other assets               | <u>20,612</u>            | <u>24,722</u>            |
| Total current assets                            | <u>390,689</u>           | <u>398,067</u>           |
| <b>PROPERTY AND EQUIPMENT</b>                   |                          |                          |
| Furniture and equipment                         | 9,088                    | 9,088                    |
| Computers and equipment                         | 17,852                   | 17,852                   |
| Software and website                            | <u>41,032</u>            | <u>34,232</u>            |
|   | 67,972                   | 61,172                   |
| Less: Accumulated depreciation and amortization | <u>(58,983)</u>          | <u>(57,629)</u>          |
| Net property and equipment                      | <u>8,989</u>             | <u>3,543</u>             |
| <b>NONCURRENT ASSETS</b>                        |                          |                          |
| Investments                                     | <u>165,644</u>           | <u>138,335</u>           |
| <b>TOTAL ASSETS</b>                             | <b><u>\$ 565,322</u></b> | <b><u>\$ 539,945</u></b> |

## LIABILITIES AND NET ASSETS

|   |                          |                          |
|---|--------------------------|--------------------------|
| <b>CURRENT LIABILITIES</b>                  |                          |                          |
| Accounts payable and accrued liabilities    | \$ 189,984               | \$ 161,129               |
| Deferred dues                               | <u>119,000</u>           | <u>132,000</u>           |
| Total current liabilities                   | <u>308,984</u>           | <u>293,129</u>           |
| <b>NET ASSETS</b>                           |                          |                          |
| Without donor restrictions:                 |                          |                          |
| Undesignated deficit                        | (27,586)                 | (26,368)                 |
| Board designated - Endowment Fund           | 85,384                   | 74,015                   |
| Board designated - Reserve Fund             | <u>98,183</u>            | <u>91,312</u>            |
| Total net assets without donor restrictions | <u>155,981</u>           | <u>138,959</u>           |
| With donor restrictions                     | <u>100,357</u>           | <u>107,857</u>           |
| Total net assets                            | <u>256,338</u>           | <u>246,816</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>     | <b><u>\$ 565,322</u></b> | <b><u>\$ 539,945</u></b> |

See accompanying notes to combined financial statements.

**WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY**  
**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

|   | <b>2019</b>                               |                                    |                          |
|---|---|------------------------------------|--------------------------|
|   | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>             |
| <b>SUPPORT AND REVENUE</b>                  |   |                                    |                          |
| Member contributions                        | \$ 251,000                                | \$ -                               | \$ 251,000               |
| Other contributions                         | -   | 15,000                             | 15,000                   |
| Government grants                           | 1,157,914                                 | -                                  | 1,157,914                |
| Interest and investment income, net         | 18,240                                    | -                                  | 18,240                   |
| Special event                               | 135,000                                   | -                                  | 135,000                  |
| Program service fees                        | 100,455                                   | -                                  | 100,455                  |
| Other revenue                               | 4,995                                     | -                                  | 4,995                    |
| Net assets released from donor restrictions | <u>22,500</u>                             | <u>(22,500)</u>                    | <u>-</u>                 |
| Total support and revenue                   | <u>1,690,104</u>                          | <u>(7,500)</u>                     | <u>1,682,604</u>         |
| <b>EXPENSES</b>                             |   |                                    |                          |
| Program Services:                           |   |                                    |                          |
| Member Initiatives                          | 85,106                                    | -                                  | 85,106                   |
| Capacity Building                           | <u>1,168,759</u>                          | <u>-</u>                           | <u>1,168,759</u>         |
| Total program services                      | <u>1,253,865</u>                          | <u>-</u>                           | <u>1,253,865</u>         |
| Supporting Services:                        |   |                                    |                          |
| Management and General                      | 282,171                                   | -                                  | 282,171                  |
| Fundraising                                 | <u>137,046</u>                            | <u>-</u>                           | <u>137,046</u>           |
| Total supporting services                   | <u>419,217</u>                            | <u>-</u>                           | <u>419,217</u>           |
| Total expenses                              | <u>1,673,082</u>                          | <u>-</u>                           | <u>1,673,082</u>         |
| Change in net assets                        | 17,022                                    | (7,500)                            | 9,522                    |
| Net assets at beginning of year             | <u>138,959</u>                            | <u>107,857</u>                     | <u>246,816</u>           |
| <b>NET ASSETS AT END OF YEAR</b>            | <b><u>\$ 155,981</u></b>                  | <b><u>\$ 100,357</u></b>           | <b><u>\$ 256,338</u></b> |

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

|   | <u>2018</u>                               |                                    |                          |
|---|---|------------------------------------|--------------------------|
|   | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>             |
| <b>SUPPORT AND REVENUE</b>                  |   |                                    |                          |
| Member contributions                        | \$ 294,000                                | \$ -                               | \$ 294,000               |
| Other contributions                         | -   | -                                  | -                        |
| Government grants                           | 1,292,977                                 | -                                  | 1,292,977                |
| Interest and investment income, net         | 15,501                                    | -                                  | 15,501                   |
| Special event                               | 180,000                                   | -                                  | 180,000                  |
| Program service fees                        | 42,479                                    | -                                  | 42,479                   |
| Other revenue                               | 20,865                                    | -                                  | 20,865                   |
| Net assets released from donor restrictions | <u>23,692</u>                             | <u>(23,692)</u>                    | <u>-</u>                 |
| Total support and revenue                   | <u>1,869,514</u>                          | <u>(23,692)</u>                    | <u>1,845,822</u>         |
| <b>EXPENSES</b>                             |   |                                    |                          |
| Program Services:                           |   |                                    |                          |
| Member Initiatives                          | 222,650                                   | -                                  | 222,650                  |
| Capacity Building                           | <u>1,217,524</u>                          | <u>-</u>                           | <u>1,217,524</u>         |
| Total program services                      | <u>1,440,174</u>                          | <u>-</u>                           | <u>1,440,174</u>         |
| Supporting Services:                        |   |                                    |                          |
| Management and General                      | 443,510                                   | -                                  | 443,510                  |
| Fundraising                                 | <u>154,700</u>                            | <u>-</u>                           | <u>154,700</u>           |
| Total supporting services                   | <u>598,210</u>                            | <u>-</u>                           | <u>598,210</u>           |
| Total expenses                              | <u>2,038,384</u>                          | <u>-</u>                           | <u>2,038,384</u>         |
| Change in net assets                        | (168,870)                                 | (23,692)                           | (192,562)                |
| Net assets at beginning of year             | <u>307,829</u>                            | <u>131,549</u>                     | <u>439,378</u>           |
| <b>NET ASSETS AT END OF YEAR</b>            | <b><u>\$ 138,959</u></b>                  | <b><u>\$ 107,857</u></b>           | <b><u>\$ 246,816</u></b> |

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

|                                | Program Services   |                     |                        | Supporting Services    |                   |                           | Total Expenses      |
|--------------------------------|--------------------|---------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
|                                | Member Initiatives | Capacity Building   | Total Program Services | Management and General | Fundraising       | Total Supporting Services |                     |
| Salaries and related benefits  | \$ 30,534          | \$ 219,325          | \$ 249,859             | \$ 185,392             | \$ 53,684         | \$ 239,076                | \$ 488,935          |
| Printing and production        | 352                | 148                 | 500                    | -                      | -                 | -                         | 500                 |
| Occupancy                      | 2,591              | 35,581              | 38,172                 | (6,616)                | 2,119             | (4,497)                   | 33,675              |
| Accounting                     | 1,516              | 20,821              | 22,337                 | 6,837                  | 1,240             | 8,077                     | 30,414              |
| Insurance                      | -                  | 917                 | 917                    | 7,405                  | -                 | 7,405                     | 8,322               |
| Depreciation and amortization  | -                  | -                   | -                      | 1,354                  | -                 | 1,354                     | 1,354               |
| Telephone                      | 310                | 6,020               | 6,330                  | 543                    | 235               | 778                       | 7,108               |
| Travel and entertainment       | -                  | 129,379             | 129,379                | 7,265                  | 1,569             | 8,834                     | 138,213             |
| Consulting fees                | 19,574             | 11,177              | 30,751                 | 3,379                  | 544               | 3,923                     | 34,674              |
| Postage and delivery           | -                  | 30                  | 30                     | 2,001                  | -                 | 2,001                     | 2,031               |
| Repairs and maintenance        | -                  | -                   | -                      | 2,450                  | -                 | 2,450                     | 2,450               |
| Supplies                       | -                  | 1,725               | 1,725                  | 863                    | -                 | 863                       | 2,588               |
| Subscriptions and publications | -                  | 106                 | 106                    | 406                    | -                 | 406                       | 512                 |
| Meetings and conventions       | -                  | -                   | -                      | -                      | -                 | -                         | -                   |
| Advertising and promotion      | -                  | 1,079               | 1,079                  | 17,389                 | 264               | 17,653                    | 18,732              |
| Bank fees                      | -                  | 314                 | 314                    | 5,534                  | -                 | 5,534                     | 5,848               |
| Subrecipients and subcontracts | -                  | 595,107             | 595,107                | -                      | -                 | -                         | 595,107             |
| Gold Medal Award               | -                  | -                   | -                      | -                      | 67,431            | 67,431                    | 67,431              |
| Program facilities and meals   | 6,712              | 15,756              | 22,468                 | -                      | -                 | -                         | 22,468              |
| Local country coordinator fees | 23,517             | 128,866             | 152,383                | 45,591                 | 2,960             | 48,551                    | 200,934             |
| Other                          | -                  | 2,408               | 2,408                  | 2,378                  | 7,000             | 9,378                     | 11,786              |
| <b>TOTAL</b>                   | <b>\$ 85,106</b>   | <b>\$ 1,168,759</b> | <b>\$ 1,253,865</b>    | <b>\$ 282,171</b>      | <b>\$ 137,046</b> | <b>\$ 419,217</b>         | <b>\$ 1,673,082</b> |

See accompanying notes to combined financial statements.



## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

|                                | Program Services   |                     |                        | Supporting Services    |                   |                           | Total Expenses      |
|--------------------------------|--------------------|---------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
|                                | Member Initiatives | Capacity Building   | Total Program Services | Management and General | Fundraising       | Total Supporting Services |                     |
| Salaries and related benefits  | \$ 66,336          | \$ 189,765          | \$ 256,101             | \$ 188,158             | \$ 16,443         | \$ 204,601                | \$ 460,702          |
| Printing and production        | 60                 | 400                 | 460                    | -                      | -                 | -                         | 460                 |
| Occupancy                      | 9,046              | 49,466              | 58,512                 | 55,466                 | 1,926             | 57,392                    | 115,904             |
| Accounting                     | 3,016              | 16,489              | 19,505                 | 15,356                 | 641               | 15,997                    | 35,502              |
| Insurance                      | -                  | -                   | -                      | 6,728                  | -                 | 6,728                     | 6,728               |
| Depreciation and amortization  | -                  | -                   | -                      | 1,436                  | -                 | 1,436                     | 1,436               |
| Telephone                      | 1,103              | 8,337               | 9,440                  | 4,676                  | 402               | 5,078                     | 14,518              |
| Travel and entertainment       | 10,285             | 28,175              | 38,460                 | 4,700                  | 9,740             | 14,440                    | 52,900              |
| Consulting fees                | 2,373              | 59,189              | 61,562                 | 92,226                 | 8,260             | 100,486                   | 162,048             |
| Postage and delivery           | -                  | 281                 | 281                    | 117                    | 370               | 487                       | 768                 |
| Repairs and maintenance        | -                  | -                   | -                      | 1,990                  | -                 | 1,990                     | 1,990               |
| Supplies                       | 134                | 41                  | 175                    | 1,723                  | -                 | 1,723                     | 1,898               |
| Subscriptions and publications | -                  | -                   | -                      | 1,871                  | 55                | 1,926                     | 1,926               |
| Meetings and conventions       | 1,185              | -                   | 1,185                  | 1,755                  | -                 | 1,755                     | 2,940               |
| Advertising and promotion      | -                  | 438                 | 438                    | 1,850                  | 264               | 2,114                     | 2,552               |
| Bank fees                      | 718                | -                   | 718                    | 6,780                  | (143)             | 6,637                     | 7,355               |
| Subrecipients and subcontracts | 69,481             | 743,188             | 812,669                | -                      | 696               | 696                       | 813,365             |
| Gold Medal Award               | -                  | -                   | -                      | -                      | 107,296           | 107,296                   | 107,296             |
| Program facilities and meals   | 6,339              | 19,048              | 25,387                 | -                      | -                 | -                         | 25,387              |
| Local country coordinator fees | 50,854             | 96,189              | 147,043                | 61,632                 | 3,750             | 65,382                    | 212,425             |
| Other                          | 1,720              | 6,518               | 8,238                  | (2,954)                | 5,000             | 2,046                     | 10,284              |
| <b>TOTAL</b>                   | <b>\$ 222,650</b>  | <b>\$ 1,217,524</b> | <b>\$ 1,440,174</b>    | <b>\$ 443,510</b>      | <b>\$ 154,700</b> | <b>\$ 598,210</b>         | <b>\$ 2,038,384</b> |

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

|  | <u>2019</u>             | <u>2018</u>              |
|--|-------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                         |                          |
| Changes in net assets  | \$ 9,522                | \$ (192,562)             |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: |                         |                          |
| Depreciation and amortization  | 1,354                   | 1,436                    |
| Realized loss on sales of investments  | 7,557                   | 27,640                   |
| Unrealized gain on investments   | (18,094)                | (23,580)                 |
| (Increase) decrease in:  |                         |                          |
| Accounts receivable  | (36,000)                | 106,952                  |
| Grants receivable  | (132,446)               | 238,726                  |
| Prepaid expenses and other assets  | 4,110                   | (1,437)                  |
| Increase (decrease) in:  |                         |                          |
| Accounts payable and accrued liabilities   | 28,855                  | (300,658)                |
| Deferred dues  | <u>(13,000)</u>         | <u>(18,000)</u>          |
| Net cash used by operating activities  | <u>(148,142)</u>        | <u>(161,483)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                         |                          |
| Purchases of property and equipment  | (6,800)                 | -                        |
| Purchases of investments   | (53,029)                | (313,672)                |
| Proceeds from sales of investments   | <u>36,257</u>           | <u>625,403</u>           |
| Net cash (used) provided by investing activities   | <u>(23,572)</u>         | <u>311,731</u>           |
| Net (decrease) increase in cash and cash equivalents                                     | (171,714)               | 150,248                  |
| Cash and cash equivalents at beginning of year   | <u>256,656</u>          | <u>106,408</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b><u>\$ 84,942</u></b> | <b><u>\$ 256,656</u></b> |

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and Subtopic FASB Accounting Standards Codification (ASC) 958-810, *Consolidation*. The ASU was adopted during the year ended June 30, 2019 and applied retrospectively.

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, 2019 and 2018, assets held in foreign countries totaled \$29,993 and \$47,475, 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.

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. Total cash and cash equivalents held overseas as of June 30, 2019 and 2018, was \$22,274 and \$39,756 respectively. Such funds are generally not insured.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

Accounts and grants receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value, and consist primarily of member dues, Gold Medal Award (GMA) payments and amounts due for contract services. Grants receivable that are expected to be collected in future years are recorded at fair 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.

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, 2019 and 2018 totaled \$1,354 and \$1,436, 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 Statements of Activities and Changes in Net Assets, which is presented net of investment expenses paid to external investment advisors.

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.

Uncertain tax positions -

For the years ended June 30, 2019 and 2018, 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.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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

Net asset classification (continued) -

Accordingly, net assets and changes therein are classified and reported 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** - Contributions and grants restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions and grants are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statements of Activities and Changes in Net Assets as net assets are released from donor restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with 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. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

WEC receives awards under cost reimbursable grants from the U.S. Government and the German 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 revenue "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Awards received under these grants direct and indirect program costs (in which the claimed costs are deemed conditional until accepted by the donor) in advance of incurring the related expenses are recorded as refundable advances.

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: 1) Member Initiatives, 2) Capacity Building, 3) Management and General, and 4) Fundraising.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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

Functional allocation of expenses (continued) -

Following is a brief description of each category:

**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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

Fair value measurement (continued) -

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

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of June 30, 2018 as unrestricted net assets in the amount of \$138,959 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$107,857 are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by one year; thus, the effective date is for fiscal years beginning after December 15, 2018. Early adoption is permitted. WEC has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its combined financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. WEC has not yet decided on a transition method. This ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities beginning after December 15, 2020. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

WEC plans to adopt the new ASUs at the respective required implementation dates.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**2. INVESTMENTS**

Investments (all classified as noncurrent) consisted of the following as of June 30, 2019 and 2018:

|                                       | <u>2019</u>              | <u>2018</u>              |
|---------------------------------------|--------------------------|--------------------------|
|                                       | <u>Fair Value</u>        | <u>Fair Value</u>        |
| Equities and miscellaneous securities | \$ 26,603                | \$ -                     |
| Corporate and municipal bonds         | <u>139,041</u>           | <u>138,335</u>           |
| <b>TOTAL NONCURRENT INVESTMENTS</b>   | <b><u>\$ 165,644</u></b> | <b><u>\$ 138,335</u></b> |

Included in interest and investment income, net were as follows during the years ended June 30, 2019 and 2018:

|  | <u>2019</u>             | <u>2018</u>             |
|--|-------------------------|-------------------------|
| Interest and dividends, net of expenses          | \$ 7,703                | \$ 19,561               |
| Realized loss on sales of investments            | (7,557)                 | (27,640)                |
| Unrealized gain on investments                   | <u>18,094</u>           | <u>23,580</u>           |
| <b>TOTAL INTEREST AND INVESTMENT INCOME, NET</b> | <b><u>\$ 18,240</u></b> | <b><u>\$ 15,501</u></b> |

**3. 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, 2019 and 2018, the balance in the Endowment Fund aggregated \$85,384 (including \$12,333 of current cash and \$73,051 of noncurrent investments) and \$74,015 (including \$21,089 of current cash and \$52,926 of noncurrent investments), respectively.

As of June 30, 2019 and 2018, the balance in the Reserve Fund aggregated \$98,183 (including \$5,590 of current cash and \$92,593 of noncurrent investments) and \$91,312 (including \$5,904 of current cash and \$85,408 of noncurrent investments), respectively.

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of June 30, 2019 and 2018:

|   | <u>2019</u>              | <u>2018</u>              |
|---|--------------------------|--------------------------|
| Member Initiatives                              | \$ 100,357               | \$ 85,357                |
| Time Restricted                                 | <u>-</u>                 | <u>22,500</u>            |
| <b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b> | <b><u>\$ 100,357</u></b> | <b><u>\$ 107,857</u></b> |



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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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>2019</u>             | <u>2018</u>             |
|--|-------------------------|-------------------------|
| Member Initiatives   | \$ -                    | \$ 23,692               |
| Passage of Time  | <u>22,500</u>           | <u>-</u>                |
| <b>TOTAL NET ASSETS RELEASED FROM DONOR<br/>RESTRICTIONS</b> | <b><u>\$ 22,500</u></b> | <b><u>\$ 23,692</u></b> |

**5. 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>2019</u>              | <u>2018</u>              |
|---|--------------------------|--------------------------|
| Cash and cash equivalents   | \$ 84,942                | \$ 256,656               |
| Accounts receivable   | 37,000                   | 1,000                    |
| Grants receivable   | <u>248,135</u>           | <u>115,689</u>           |
| Subtotal financial assets available within one year   | 370,077                  | 373,345                  |
| Less: Donor restricted funds for purpose  | <u>(100,357)</u>         | <u>(85,357)</u>          |
| <b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS<br/>FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b> | <b><u>\$ 269,720</u></b> | <b><u>\$ 287,988</u></b> |

WEC has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019 and 2018, WEC had financial assets equal to approximately 1 - 2 months of operating expenses. In addition, WEC may utilize its Board designated funds in the event it is needed to cover operating expenses.

**6. LEASE COMMITMENTS**

WEC leases its principal office space in Washington, D.C. under an agreement which expired on July 31, 2018. Base rent was \$6,524 per month and increased by 2.75% each year. Upon expiration of this lease, WEC relocated its principal office space and signed a twelve-month, which was subsequently renewed for an additional twelve-month period. Base rent under this lease began at \$1,150 per month, and is subject to annual escalations of 2.75% beginning March 1st of each year.

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.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

6. LEASE COMMITMENTS (Continued)

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

Year Ending June 30,

|      |    |               |
|------|----|---------------|
| 2020 | \$ | 39,569        |
| 2021 |    | 29,873        |
| 2022 |    | <u>19,269</u> |
|      | \$ | <u>88,711</u> |

Occupancy (net of sublease income of \$18,300 and \$15,486), during the years ended June 30, 2019 and 2018, totaled \$33,675 and \$115,904, respectively.

7. 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. Audits in accordance with the applicable provisions have been completed for all required periods through fiscal year 2019. Until such audits have been accepted by the U.S. 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.

8. 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, 2019 and 2018 totaled \$25,291 and \$30,254, respectively.

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

9. 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.

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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**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, 2019 and 2018.

- *Equities and miscellaneous securities* - 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, 2019:

|  | <u>Level 1</u>          | <u>Level 2</u>           | <u>Level 3</u>     | <u>Total<br/>June 30,<br/>2019</u> |
|--|-------------------------|--------------------------|--------------------|------------------------------------|
| <b>Asset Class - Noncurrent Investments:</b> |                         |                          |                    |                                    |
| Equities and miscellaneous securities        | \$ 26,603               | \$ -                     | \$ -               | \$ 26,603                          |
| Corporate and municipal bonds                | <u>-</u>                | <u>139,041</u>           | <u>-</u>           | <u>139,041</u>                     |
| <b>TOTAL</b>                                 | <b><u>\$ 26,603</u></b> | <b><u>\$ 139,041</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 165,644</u></b>           |

The table below summarizes, by level within the fair value hierarchy, WEC's investments as of June 30, 2018:

|  | <u>Level 1</u> | <u>Level 2</u>    | <u>Level 3</u> | <u>Total<br/>June 30,<br/>2018</u> |
|--|----------------|-------------------|----------------|------------------------------------|
| <b>Asset Class - Noncurrent Investments:</b> |                |                   |                |                                    |
| Corporate and Municipal Bonds                | <u>\$ -</u>    | <u>\$ 138,335</u> | <u>\$ -</u>    | <u>\$ 138,335</u>                  |

**10. SUBSEQUENT EVENTS**

In preparing these combined financial statements, WEC has evaluated events and transactions for potential recognition or disclosure through February 2, 2020, the date the combined financial statements were issued.