

**COMBINED FINANCIAL STATEMENTS**



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

**FOR THE YEARS ENDED  
JUNE 30, 2022 AND 2021**

# 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.

### **Opinion**

We have audited the accompanying combined financial statements of World Environment Center, Inc. and Subsidiary (WEC), which comprise the combined statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of WEC as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of WEC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WEC's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

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

## **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WEC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WEC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



January 31, 2023

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2022 AND 2021

## ASSETS

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 73,957	\$ 530,123
Accounts and grants receivable, net of allowance for doubtful accounts of \$110,000 and \$0 as of June 30, 2022 and 2021, respectively	153,933	204,898
Prepaid expenses and other assets	<u>15,279</u>	<u>16,042</u>
Total current assets	<u>243,169</u>	<u>751,063</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	9,088	9,088
Computers and equipment	17,852	17,852
Software and website	<u>47,832</u>	<u>47,832</u>
	74,772	74,772
Less: Accumulated depreciation and amortization	<u>(72,667)</u>	<u>(67,536)</u>
Net property and equipment	<u>2,105</u>	<u>7,236</u>
<b>NONCURRENT ASSETS</b>		
Investments	<u>32,926</u>	<u>189,434</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 278,200</u></b>	<b><u>\$ 947,733</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Federal loan payable	\$ -	\$ 94,799
Accounts payable and accrued liabilities	<u>129,591</u>	<u>127,594</u>
Total liabilities	<u>129,591</u>	<u>222,393</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	19,246	20,403
Board designated - Endowment Fund	21,805	91,684
Board designated - Reserve Fund	<u>18,588</u>	<u>103,102</u>
Total net assets without donor restrictions	59,639	215,189
With donor restrictions	<u>88,970</u>	<u>510,151</u>
Total net assets	<u>148,609</u>	<u>725,340</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 278,200</u></b>	<b><u>\$ 947,733</u></b>

See accompanying notes to combined financial statements.

**WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY**  
**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Membership	\$ 350,000	\$ -	\$ 350,000
Contributions	2,638	90,000	92,638
Government grants	86,636	-	86,636
Interest and investment loss, net	(19,445)	-	(19,445)
Special event, net	82,048	-	82,048
Net assets released from donor restrictions	<u>511,181</u>	<u>(511,181)</u>	<u>-</u>
Total support and revenue	<u>1,013,058</u>	<u>(421,181)</u>	<u>591,877</u>
<b>EXPENSES</b>			
Program Services:			
Member Initiatives	119,518	-	119,518
Capacity Building	481,929	-	481,929
Other Programs	<u>23,590</u>	<u>-</u>	<u>23,590</u>
Total program services	<u>625,037</u>	<u>-</u>	<u>625,037</u>
Supporting Services:			
Management and General	577,406	-	577,406
Fundraising	<u>60,964</u>	<u>-</u>	<u>60,964</u>
Total supporting services	<u>638,370</u>	<u>-</u>	<u>638,370</u>
Total expenses	<u>1,263,407</u>	<u>-</u>	<u>1,263,407</u>
Changes in net assets before other item	(250,349)	(421,181)	(671,530)
<b>OTHER ITEM</b>			
Extinguishment of debt	<u>94,799</u>	<u>-</u>	<u>94,799</u>
Changes in net assets	(155,550)	(421,181)	(576,731)
Net assets at beginning of year, as restated	<u>215,189</u>	<u>510,151</u>	<u>725,340</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 59,639</u></b>	<b><u>\$ 88,970</u></b>	<b><u>\$ 148,609</u></b>

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Membership	\$ 204,000	\$ -	\$ 204,000
Contributions	5,000	162,484	167,484
Government grants	465,857	-	465,857
Interest and investment income, net	34,973	-	34,973
Special event	84,000	-	84,000
Program service fees	18,228	-	18,228
Net assets released from donor restrictions	<u>373,420</u>	<u>(373,420)</u>	<u>-</u>
Total support and revenue	<u>1,185,478</u>	<u>(210,936)</u>	<u>974,542</u>
<b>EXPENSES</b>			
Program Services:			
Member Initiatives	147,424	-	147,424
Capacity Building	566,826	-	566,826
Other Programs	<u>37,957</u>	<u>-</u>	<u>37,957</u>
Total program services	<u>752,207</u>	<u>-</u>	<u>752,207</u>
Supporting Services:			
Management and General	441,057	-	441,057
Fundraising	<u>26,588</u>	<u>-</u>	<u>26,588</u>
Total supporting services	<u>467,645</u>	<u>-</u>	<u>467,645</u>
Total expenses	<u>1,219,852</u>	<u>-</u>	<u>1,219,852</u>
Changes in net assets	(34,374)	(210,936)	(245,310)
Net assets at beginning of year	<u>249,563</u>	<u>721,087</u>	<u>970,650</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 215,189</u></b>	<b><u>\$ 510,151</u></b>	<b><u>\$ 725,340</u></b>

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services			Total Expenses
	Member Initiatives	Capacity Building	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related benefits	\$ 97,007	\$ 22,042	\$ 16,590	\$ 135,639	\$ 336,200	\$ 59,964	\$ 396,164	\$ 531,803
Contract services	6,614	3,000	7,000	16,614	57,375	-	57,375	73,989
Occupancy	-	-	-	-	20,467	-	20,467	20,467
Utilities	-	-	-	-	808	-	808	808
Depreciation and amortization	-	-	-	-	5,131	-	5,131	5,131
Subscriptions, dues and licenses	-	-	-	-	681	-	681	681
Office supplies	-	1,388	-	1,388	-	-	-	1,388
Telephone	68	22,546	-	22,614	3,060	-	3,060	25,674
Computer charges	-	2,490	-	2,490	417	-	417	2,907
Insurance	-	-	-	-	5,328	-	5,328	5,328
Bank and miscellaneous fees	-	-	-	-	17,966	-	17,966	17,966
Marketing and public relations	2,500	1,089	-	3,589	7,590	1,000	8,590	12,179
Travel and meetings	-	18,934	-	18,934	2,873	-	2,873	21,807
Local country coordinator fees	-	117,059	-	117,059	101,258	-	101,258	218,317
Subgrantee fees	-	55,809	-	55,809	-	-	-	55,809
Subcontractors	49	237,572	-	237,621	18,220	-	18,220	255,841
Facilities and equipment	13,280	-	-	13,280	32	-	32	13,312
<b>TOTAL</b>	<b>\$ 119,518</b>	<b>\$ 481,929</b>	<b>\$ 23,590</b>	<b>\$ 625,037</b>	<b>\$ 577,406</b>	<b>\$ 60,964</b>	<b>\$ 638,370</b>	<b>\$ 1,263,407</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, 2021

	Program Services			Supporting Services			Total Expenses	
	Member Initiatives	Capacity Building	Other Programs	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and related benefits	\$ 131,074	\$ 74,213	\$ 18,957	\$ 224,244	\$ 179,979	\$ 19,570	\$ 199,549	\$ 423,793
Contract services	12,060	9,297	19,000	40,357	65,585	-	65,585	105,942
Occupancy	-	-	-	-	29,071	-	29,071	29,071
Utilities	-	-	-	-	268	-	268	268
Depreciation and amortization	-	-	-	-	5,326	-	5,326	5,326
Subscriptions, dues and licenses	-	63	-	63	456	-	456	519
Office supplies	-	958	-	958	1,071	-	1,071	2,029
Telephone	-	1,337	-	1,337	-	-	-	1,337
Computer charges	-	857	-	857	4,914	18	4,932	5,789
Insurance	-	-	-	-	16,125	-	16,125	16,125
Bad debt expense and fees	45	-	-	45	36,077	-	36,077	36,122
Marketing and public relations	-	334	-	334	6,603	7,000	13,603	13,937
Travel and meetings	4,245	12,199	-	16,444	-	-	-	16,444
Local country coordinator fees	-	115,068	-	115,068	95,582	-	95,582	210,650
Subgrantee fees	-	36,014	-	36,014	-	-	-	36,014
Subcontractors	-	316,486	-	316,486	-	-	-	316,486
<b>TOTAL</b>	<b>\$ 147,424</b>	<b>\$ 566,826</b>	<b>\$ 37,957</b>	<b>\$ 752,207</b>	<b>\$ 441,057</b>	<b>\$ 26,588</b>	<b>\$ 467,645</b>	<b>\$ 1,219,852</b>

See accompanying notes to combined financial statements.

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (576,731)	\$ (245,310)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	5,131	5,326
Realized loss (gain) on sales of investments	15,354	(17,062)
Unrealized loss (gain) on investments	10,721	(11,181)
Change in allowance for doubtful accounts	110,000	-
Extinguishment of debt	(94,799)	-
(Increase) decrease in:		
Accounts and grants receivable	(59,035)	67,400
Prepaid expenses and other assets	763	3,919
Increase in:		
Accounts payable and accrued liabilities	<u>1,997</u>	<u>13,543</u>
Net cash used by operating activities	<u>(586,599)</u>	<u>(183,365)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(7,408)	(6,730)
Proceeds from sales of investments	<u>137,841</u>	<u>3,755</u>
Net cash provided (used) by investing activities	<u>130,433</u>	<u>(2,975)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Federal loan payable	<u>-</u>	<u>46,730</u>
Net cash provided by financing activities	<u>-</u>	<u>46,730</u>
Net decrease in cash and cash equivalents	(456,166)	(139,610)
Cash and cash equivalents at beginning of year	<u>530,123</u>	<u>669,733</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 73,957</u></b>	<b><u>\$ 530,123</u></b>

## WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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

##### Organizations -

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

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

##### Basis of combination -

The accompanying combined financial statements reflect the activity of the World Environment Center, Inc. and its European subsidiary, collectively referred to as WEC. The accompanying financial statements have been combined as the organizations are under common control. All intercompany transactions have been eliminated in combination. As of June 30, 2022 and 2021, assets held in foreign countries totaled \$24,748 and \$30,928, respectively.

##### Foreign currency translation -

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

##### Basis of presentation -

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

Descriptions of the two net asset categories are as follows:

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

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Prior period adjustment -

During 2021, WEC corrected an error for revenue recognized in the prior year that was not fully committed. Accordingly, an adjustment was posted to reduce beginning balance net assets and accounts and grants receivable as follows:

	<b>Balance at July 1, 2021 Before <u>Restatement</u></b>	<b><u>Adjustment</u></b>	<b>Balance at July 1, 2021 After <u>Restatement</u></b>
Net Assets with Donor Restrictions	\$ 560,151	\$ (50,000)	\$ 510,151
Accounts and Grants Receivable	\$ 254,898	\$ (50,000)	\$ 204,898

Cash and cash equivalents -

WEC considers all cash and other highly liquid investments with initial maturities of one year or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, WEC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

WEC maintains a bank account in Germany. Cash and cash equivalents held overseas as of June 30, 2022 and 2021 totaled \$18,614 and \$24,383, respectively; such funds are not insured.

Accounts and grants receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value, and consist primarily of member dues. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor/ stakeholder/customer. Management considers all amounts to be collectable within one year from the date of the Combined Statements of Financial Position.

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, 2022 and 2021 totaled \$5,131 and \$5,326, respectively.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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

Investments -

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

Income taxes -

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

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

Uncertain tax positions -

For the years ended June 30, 2022 and 2021, WEC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Revenue recognition -

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

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

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

Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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

Revenue recognition (continued) -

As such, WEC recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

As of June 30, 2022 and 2021, WEC had \$0 and \$147,542, respectively, of conditional awards which have not been recognized as revenue in the accompanying combined financial statements.

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

Functional allocation of expenses -

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

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

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

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

**Other Programs:** This functional area comprises of special/ad hoc activities that support WEC in achieving its mission, and includes programs such as Trane Sponsorship for Marketing & Communication Activities and UNEP.

**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.

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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

Functional allocation of expenses (continued) -

**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.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncements (not yet adopted) -

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

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

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**2. INVESTMENTS**

Investments (all classified as noncurrent) consisted of the following as of June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Equities and mutual funds	\$ 22,126	\$ 93,699
Corporate and municipal bonds	10,800	95,735
<b>TOTAL NONCURRENT INVESTMENTS</b>	<b>\$ 32,926</b>	<b>\$ 189,434</b>

Included in interest and investment (loss) income, net, were the following, during the years ended June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Interest and dividends, net of expenses	\$ 6,630	\$ 6,730
Realized (loss) gain on sales of investments	(15,354)	17,062
Unrealized (loss) gain on investments	(10,721)	11,181
<b>TOTAL INTEREST AND INVESTMENT (LOSS) INCOME, NET</b>	<b>\$ (19,445)</b>	<b>\$ 34,973</b>

**3. FEDERAL LOAN PAYABLE**

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

On March 2, 2021, WEC received loan proceeds in the amount of \$46,730 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first ten months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. WEC has applied and received full forgiveness for this loan.

WEC recognized \$94,799 for both loans as revenue from debt extinguishments which is reflected on the Combined Statements of Activities and Changes in Net Assets in the current fiscal year.

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

The Board Designated Endowment and Reserve Funds were established as operating reserve funds to provide financial stability and to be used as contingency funds for unanticipated events as authorized by the Board of Directors.

In 2003, the Board of Directors authorized transfers totaling \$140,000 from the Board Designated Reserve Fund to the General Fund. In 2017, the Board of Directors authorized transfers totaling \$191,104 from the Endowment Fund to the General Fund. The Board intends to return such funds and will determine the amount to be replenished on an annual basis.



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

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**4. BOARD DESIGNATED ENDOWMENT AND RESERVE FUNDS (Continued)**

As of June 30, 2022 and 2021, the balance in the Endowment Fund aggregated \$21,805 (including \$4,559 of current cash and \$17,246 of noncurrent investments) and \$91,684 (including \$5,109 of current cash and \$86,575 of noncurrent investments), respectively.

As of June 30, 2022 and 2021, the balance in the Reserve Fund aggregated \$18,588 (including \$2,908 of current cash and \$15,680 of noncurrent investments) and \$103,102 (including \$243 of current cash and \$102,859 of noncurrent investments), respectively.

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Member Initiatives	\$ 49,353	\$ 65,084
Capacity Building	<u>39,617</u>	<u>445,067</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 88,970</u></b>	<b><u>\$ 510,151</u></b>

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>2022</u>	<u>2021</u>
Member Initiatives	\$ 105,731	\$ 100,357
Capacity Building	<u>405,450</u>	<u>273,063</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 511,181</u></b>	<b><u>\$ 373,420</u></b>

**6. LIQUIDITY AND AVAILABILITY**

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 73,957	\$ 530,123
Accounts and grants receivable	<u>153,933</u>	<u>204,898</u>
Subtotal financial assets available within one year	227,890	735,021
Less: Donor restricted funds for purpose	(88,970)	(510,151)
Less: Board designated fund cash funds only	<u>(7,467)</u>	<u>(5,352)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 131,453</u></b>	<b><u>\$ 219,518</u></b>

WORLD ENVIRONMENT CENTER, INC. AND SUBSIDIARY

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

6. LIQUIDITY AND AVAILABILITY (Continued)

WEC has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2022 and 2021, WEC had financial assets equal to approximately one to two months of operating expenses. In addition, WEC may utilize its Board designated funds in the event it is needed to cover operating expenses.

7. LEASE COMMITMENTS

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

WEC also leases office space under a five-year lease agreement (through its local representative) in Munich, Germany that will expire February 28, 2027. Rental payments are €2,654 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 €1,798 per month.

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

Year Ending June 30,

2023	\$	39,559
2024		33,919
2025		33,405
2026		33,405
2027		<u>22,270</u>
	\$	<u>162,558</u>

Occupancy (net of sublease income of \$14,083 and \$17,881), during the years ended June 30, 2022 and 2021, totaled \$20,512 and \$25,324, respectively, and is included in Occupancy on the accompanying Combined Statements of Functional Expenses.

8. CONTINGENCY

WEC receives grants from the U.S. Government, particularly the U.S. Department of State. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the U.S. Government as a result of the audits. For the years ended June 30, 2022 and 2021, WEC did not meet the requirements to be subject to an audit under the provisions of Uniform Guidance, but is still open for review by the donors.

9. RETIREMENT PLANS

All employees of WEC are eligible for participation in a defined contribution plan, to which WEC contributes a fixed percentage of salary, based upon the individual's length of service.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**9. RETIREMENT PLANS (Continued)**

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, 2022 and 2021 totaled \$25,276 and \$24,668, respectively.

**10. FAIR VALUE MEASUREMENT**

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

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

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and no transfers between levels during the years ended June 30, 2022 and 2021.

- *Equities and Mutual Funds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Corporate and Municipal Bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes, by level within the fair value hierarchy, WEC's investments as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class - Noncurrent Investments:</b>				
Equities and mutual funds	\$ 22,126	\$ -	\$ -	\$ 22,126
Corporate and municipal bonds	<u>-</u>	<u>10,800</u>	<u>-</u>	<u>10,800</u>
<b>TOTAL</b>	<b><u>\$ 22,126</u></b>	<b><u>\$ 10,800</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 32,926</u></b>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
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**10. FAIR VALUE MEASUREMENT (Continued)**

The table below summarizes, by level within the fair value hierarchy, WEC's investments as of June 30, 2021:

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

**11. SUBSEQUENT EVENTS**

In preparing these combined financial statements, WEC has evaluated events and transactions for potential recognition or disclosure through January 31, 2023, the date the combined financial statements were issued.

Subsequent to year-end, WEC was awarded a grant to implement *Building & Scaling Supply Chains in Central America* from the Walmart Foundation in the amount of \$375,000. The project period is to run from July 1, 2022 to December 31, 2023. Additionally, in October 2022, WEC was awarded a grant of \$3,456,790 from the U.S. Department of State to implement *Empower Innovation Challenge* in Latin America & the Caribbean. The project period is to run from October 1, 2022 to September 30, 2026.