



Certified Public Accountants

LOS ANGELES WORLD AFFAIRS COUNCIL

Financial Statements
Year Ended June 30, 2019
Together with Independent Auditor's Report

**LOS ANGELES WORLD AFFAIRS COUNCIL
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Los Angeles World Affairs Council

We have audited the accompanying statement of financial position of Los Angeles World Affairs Council (the "Council"), a California nonprofit corporation, as of June 30, 2019, and the related statements of activities, changes in net assets, functional expenses and cash flow for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Council, as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Los Angeles, California
September 20, 2019

**LOS ANGELES WORLD AFFAIRS COUNCIL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

	Without Donor Restrictions					
	Board Designated Funds				With Donor Restrictions	Total Funds
	Operating Fund	Reserve Fund	Student & Community Education Programs	Total		
Assets						
Current Assets						
Cash and cash equivalents	\$ 81,704	\$ ---	\$ ---	\$ 81,704	\$ ---	\$ 81,704
Accounts receivable	420	---	---	420	---	420
Prepaid expenses	16,680	---	---	16,680	---	16,680
Total current assets	98,804	---	---	98,804	---	98,804
Investments	1,042	1,201,541	515,399	1,717,982	---	1,717,982
Deposit	14,739	---	---	14,739	---	14,739
Fixed assets, net	3,050	---	---	3,050	1,283	4,333
Interfund transaction	(161,805)	16,988	---	(144,817)	144,817	---
Total assets	\$ (44,170)	\$ 1,218,529	\$ 515,399	\$ 1,689,758	\$ 146,100	\$ 1,835,858
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 2,408	\$ ---	\$ ---	\$ 2,408	\$ ---	\$ 2,408
Accrued vacation payable	12,607	---	---	12,607	---	12,607
Unearned membership fees	12,260	---	---	12,260	---	12,260
Deferred public events revenues	3,963	---	---	3,963	---	3,963
Total current liabilities	31,238	---	---	31,238	---	31,238
Deferred rent	21,246	---	---	21,246	---	21,246
Total liabilities	52,484	---	---	52,484	---	52,484
Net Assets						
Without donor restrictions	(96,654)	1,218,529	515,399	1,637,274	---	1,637,274
With donor restrictions	---	---	---	---	146,100	146,100
Total liabilities and net assets	\$ (44,170)	\$ 1,218,529	\$ 515,399	\$ 1,689,758	\$ 146,100	\$ 1,835,858

The accompanying notes are an integral part of these financial statements.

**LOS ANGELES WORLD AFFAIRS COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions					
	Board Designated Funds			Total	With Donor Restrictions	Total Funds
	Operating Fund	Reserve Fund	Student & Community Education Programs			
Revenues						
Membership fees	\$ 444,673	\$ ---	\$ ---	\$ 444,673	\$ ---	\$ 444,673
Event ticket sales	114,679	---	---	114,679	---	114,679
Contributions	157,497	---	---	157,497	35,975	193,472
Interest and dividends	27	95,406	41,007	136,440	---	136,440
Travel program	78,452	---	---	78,452	---	78,452
Unrealized (loss) on investments	---	(77,822)	(33,449)	(111,271)	---	(111,271)
Other income	40	---	---	40	---	40
Net assets released from restrictions	59,525	---	(824)	58,701	(58,701)	---
Total revenues	854,893	17,584	6,734	879,211	(22,726)	856,485
Allocation to Operating Fund	59,359	(59,359)	---	---	---	---
Expenses						
Program services						
Educational events	500,599	---	---	500,599	---	500,599
Online media	99,630	---	---	99,630	---	99,630
Student programs	52,917	---	---	52,917	---	52,917
Total program services	653,146	---	---	653,146	---	653,146
Supporting services						
Management and general	165,615	---	---	165,615	---	165,615
Membership development and fund-raising	9,867	---	---	9,867	---	9,867
Total supporting services	175,482	---	---	175,482	---	175,482
Total expenses	828,628	---	---	828,628	---	828,628
Change in Net Assets	\$ 85,624	\$ (41,775)	\$ 6,734	\$ 50,583	\$ (22,726)	\$ 27,857

The accompanying notes are an integral part of these financial statements.

**LOS ANGELES WORLD AFFAIRS COUNCIL
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions					
	Board Designated Funds			Total	With Donor Restrictions	Total Funds
	Operating Fund	Reserve Fund	Student & Community Education Programs			
Net Assets, July 1, 2018	\$ (182,278)	\$ 1,260,304	\$ 508,665	\$ 1,586,691	\$ 168,826	\$ 1,755,517
Change in net assets	85,624	(41,775)	6,734	50,583	(22,726)	27,857
Net Assets, June 30, 2019	<u>\$ (96,654)</u>	<u>\$ 1,218,529</u>	<u>\$ 515,399</u>	<u>\$ 1,637,274</u>	<u>\$ 146,100</u>	<u>\$ 1,783,374</u>

The accompanying notes are an integral part of these financial statements.

**LOS ANGELES WORLD AFFAIRS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services				Supporting Services			
	Educational Events	Online Media	Student Programs	Total	Management and General	Membership Development, Fund-raising	Total	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 216,344	\$ 61,843	\$ 34,576	\$ 312,763	\$ 77,942	\$ 5,001	\$ 82,943	\$ 395,706
Event expenses	105,985	---	---	105,985	---	---	---	105,985
Direct event expense	30,665	---	---	30,665	---	---	---	30,665
Auto expense	9,495	2,714	1,518	13,727	3,421	220	3,641	17,368
Broadcast production	---	824	---	824	---	---	---	824
Credit card and bank fees	7,318	2,092	1,170	10,580	2,636	169	2,805	13,385
Film program	3,915	---	---	3,915	---	---	---	3,915
Insurance	3,635	1,039	581	5,255	1,309	84	1,393	6,648
Internet and website	2,039	4,743	326	7,108	2,747	47	2,794	9,902
Legal and accounting	8,606	2,460	1,375	12,441	3,100	199	3,299	15,740
Major donor benefits	27,176	---	---	27,176	---	---	---	27,176
Membership development & advertising	---	---	---	---	---	2,213	2,213	2,213
Office equipment maintenance	1,716	490	274	2,480	618	40	658	3,138
Office expense	3,691	1,055	590	5,336	11,509	85	11,594	16,930
Rent	72,609	20,755	11,604	104,968	26,159	1,679	27,838	132,806
Telephone	2,433	695	389	3,517	877	56	933	4,450
Travel and business meeting	1,010	289	161	1,460	364	23	387	1,847
Travel program	---	---	---	---	34,138	---	34,138	34,138
Volunteers	1,755	---	---	1,755	---	---	---	1,755
Total Operating Expenses Before Depreciation	498,392	98,999	52,564	649,955	164,820	9,816	174,636	824,591
Depreciation	2,207	631	353	3,191	795	51	846	4,037
Total Expenses	\$ 500,599	\$ 99,630	\$ 52,917	\$ 653,146	\$ 165,615	\$ 9,867	\$ 175,482	\$ 828,628

The accompanying notes are an integral part of these financial statements.

**LOS ANGELES WORLD AFFAIRS COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

Operating Activities

Change in net assets	\$ 27,857
Reconciliation of change in net assets to cash provided by (used in) operating activities:	
Depreciation	4,037
Unrealized loss on investments	111,271
Changes in operating assets and liabilities	
(Increase) decrease in operating assets	
Accounts receivables	385
Employee and other receivables	1,214
Prepaid expenses	6,574
Increase (decrease) in operating liabilities	
Accounts payable	(27,782)
Accrued vacation payable	(11,507)
Unearned membership fees	(3,655)
Deferred public events revenues	(703)
Deferred rent	10,399
Tour deposits	(40,942)
	77,148
Net cash provided by operating activities	77,148

Investing Activities

Purchase of investment	(136,414)
	(136,414)
Net cash used in investing activities	(136,414)
	(136,414)
Change in Cash and Cash Equivalents	(59,266)
Cash and Cash Equivalents, July 1, 2018	140,970
	140,970
Cash and Cash Equivalents, June 30, 2019	\$ 81,704
	81,704

The accompanying notes are an integral part of these financial statements.

LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 – GENERAL INFORMATION

Los Angeles World Affairs Council (Council) has a membership of more than 1,000 leading individuals and corporations in the Los Angeles area who believe in maintaining an active interest in world affairs. As a major contributor to the cultural vitality of Southern California, the Council presents today's global issues without bias, endorsement of any policy or support for any particular individuals. The Council is nonprofit, nonpartisan, educational and civic. It is supported entirely by membership dues and donations. It is independent of any other organization.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b. Basis of Presentation

The Council prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP). The significant accounting and reporting policies used by the Council are described subsequently to enhance the usefulness and understanding of the financial statements.

c. Cash and Cash Equivalents

The Council considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Council maintains its cash in bank and brokerage accounts with national financial institutions of high credit ratings. The balances in these accounts at times may exceed federally insured deposit limits. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant risk on its cash.

The Council considers all assets of Board designated funds which are subject to the Council's investment policy as investments even when these assets meet the definition of cash and cash equivalents.

d. Accounts receivables and Allowance for Doubtful Accounts

Accounts receivables consist primarily of noninterest-bearing amounts due for events and services. The Council writes off individual accounts receivable when they are determined to be uncollectible. Management of the Council has evaluated outstanding balances and considers there to be no material uncollectible accounts at June 30, 2019.

e. Investments

Investments are stated at market value as of the close of the fiscal year. Unrealized and realized gains and losses are included in investment income reported on the statement of activities. Investment income is reported net of related investment expenses.

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Fixed Assets and Depreciation

Fixed assets are carried at cost or, if donated, at estimated fair value on the date of the gift. Depreciation is computed using the straight-line method over useful lives of three to ten years for fixed assets.

The Council capitalizes fixed assets with a cost of over \$1,000. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

g. Website Development

In accordance with FASB ASC 350-50-25, website development costs incurred in the preliminary project phase are expensed as incurred; costs incurred in the application development phase are capitalized; and cost incurred in the post-implementation operating phase are expensed as incurred. Capitalized website development costs are amortized over a 36-month period using the straight-line method of amortization.

h. Accrued Vacation Payable

All full time employees earn vacation and sick leave. Employees cannot accumulate more than 15 days of vacation. The amount of vacation leave earned but not taken by employees is recorded as a liability (accrued vacation payable). The applicable share of employer related taxes and other expenses are included in the liability. The Council does not accrue sick leave. Sick leave benefits are not vested.

i. Net Assets

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958). Under the main provisions of this update, net assets and changes in net assets are presented only for two classes: net assets with donor restrictions and net assets without restrictions, rather than the three classes: unrestricted, temporarily restricted and permanently restricted. FASB ASC 958-205-45 requires the Organization to report all of its expenses in the assets without donor restrictions (unrestricted), regardless of the source of the funds for the expenditures. A transfer of expenses from the assets without donor restrictions (unrestricted) to the assets with donor restrictions (restricted) will be reported, if applicable, to match the restricted revenue with the restricted expenses. 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 (or certain grantor) restrictions. The Board of Directors has discretionary control and are used to carry out operations of the Council in accordance with its bylaws.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a 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.

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Net Assets (continued)

The Board of Directors has established a Board designated reserve fund to support the general operations of the Council. Cash assets may be designated by the Board of Directors to this fund for the purpose of generating investment income. All investment returns are classified as an increase (decrease) to the net assets of the Board designated fund. Based on a spending policy established by the Investment Committee of the Board of Directors, a fixed percentage of the investment portfolio is distributed to the Operating Fund on a quarterly basis.

The Board of Directors also designated funds to endow the Council's student and community education programs. Such funds will be invested in order to provide the Council with a regular source of income to fund the following: (a) seventy-five percent is designated to support the Council's student program and (b) twenty-five percent to support the Council's broader community programs. Allocation of investment income from this fund is determined on the basis of the Council's investment policy (see Note 4).

Resources of with donor restrictions fund of the Council originate from gifts and grants.

j. Contributions and Revenue Recognition

In accordance with FASB ASC 985-605-50, revenues from contributions are recognized pursuant to the terms specified by the donor. Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors.

All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in the future periods or for specific purposes are reported as increases in net assets with donor restriction, consistent with the nature of the restriction. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

k. Membership Fees

Membership fees are for a 12-month membership period commencing from the date a dues payment is received. For annual membership dues of less than \$3,800, members do not receive tangible benefits. The full membership fee is recognized as revenue from a contribution in the period received. Members, who pay \$3,950 or more in annual membership fees, are entitled to receive tangible benefits. Therefore, membership fees of \$3,950 and higher contain elements of contribution and exchange transaction.

The contribution portion of the membership fee is recognized as revenue in the period received. The amount of membership fee related to the exchange transaction is recognized as revenue when the benefit is provided or when the entitlement to the benefit expires, whichever is earlier. While the exchange transaction portion is not yet recognized as revenue, it is classified as a liability (unearned membership fees).

l. Deferred Public Event Revenue

Income for public events is deferred and recognized when the event takes place.

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Income Tax Status

The Council is organized as a California nonprofit corporation and has been recognized by both the IRS and as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3) and applicable California law, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and has been determined not to be a private foundation under IRC Section 509(a). The Council is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS and related state law. In addition, the Council is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes.

The Council's revenue is derived primarily from contributions, investment income and other fundraising activities and is not subject to federal or state income taxes. The Council has reportable unrelated business income and therefore, files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. No provision for taxes has been made as such amount is immaterial.

n. Functional Allocation of Expenses

The cost of providing the Council's programs and other activities is summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. The costs have been allocated between the programs directly benefited and the various support and fundraising functions. Such allocations were based upon ratios of time and space as determined by management.

Accordingly, certain costs have been allocated to program services, management and general and fundraising. The functional classifications are defined as follows:

- *Program service expenses* – consist of costs incurred in connection with providing services and conducting programs.
- *Management and general expenses* – include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direct of the Council.
- *Fundraising expenses* – consist of costs incurred to solicit funds and other fundraising activities for the Council. They are expensed as incurred, even though may result in contributions received in future years.

o. Use of Estimates

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

Note 3 – FINANCIAL INSTRUMENTS AND CREDIT RISK

Deposit concentration risk was managed by placing cash, money market accounts and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Council has not experienced losses in any of these accounts.

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 3 – FINANCIAL INSTRUMENTS AND CREDIT RISK (continued)

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from large corporations with strong performance histories, governmental agencies, and foundations supportive of the mission.

The Council maintains its cash balances at more than one financial institution. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At June 30, 2019, uninsured cash balance of the Council was \$0.

Note 4 – ACCOUNTS RECEIVABLE

Accounts receivables consist of receivables from public events. They are amounts due from attendees for admission to the Council's public events that have taken place before June 30, 2019. Receivable from public events at June 30, 2019 was \$420. No reserve for uncollectible receivables was recorded.

Note 5 – PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for items that had not yet occurred as of the end of the fiscal year period. These include insurance premiums and rent paid in advance. The amount of prepaid expenses at June 30, 2019 was \$16,680.

Note 6 – INVESTMENTS

a. Fair Value Measurements

The Council complies with FASB ASC 820-10-50 for its financial instruments measured at fair value on a recurring basis. FASB ASC 820-10-50 provides a framework for measuring fair value under generally accepted accounting principles, expands disclosures about fair value measurements, and establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy are as follows:

- Level 1* Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
- Level 2* Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly such as quoted prices for similar assets or liabilities. In active markets or inactive markets, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3* Inputs are unobservable. Valuation for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuation incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 6 – INVESTMENTS (continued)

The Council uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, the Council measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

The Council's financial instruments measured at fair value on a recurring basis are summarized below:

<u>Financial Instrument</u>	<u>Fair Value Hierarchy</u>	<u>Fair Value at June 30, 2019</u>
Money market funds	Level 1	\$ 5
Equity securities	Level 1	\$ 1,717,977

b. Marketable Securities

The Council accounts for investments in marketable securities under FASB ASC 958-320. In accordance with FASB ASC 958-320, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with realized and unrealized gains and losses included in the statement of activities.

Investments in money market and mutual funds at June 30, 2019 were as follows:

	<u>Basis</u>	<u>Market Value</u>
Operating Fund		
Dodge and Cox Global Stock Fund	\$ 1,009	\$ 1,042
Reserve Fund		
Money market funds	4	4
Dodge and Cox Global Stock Fund	1,163,210	1,201,537
Student and Community Education Programs		
Money market funds	1	1
Dodge and Cox Global Stock Fund	498,957	515,398
	<u>\$ 1,663,181</u>	<u>\$ 1,717,982</u>

It is the policy of the Council to make an annual investment allocation for the support of current operations and for student and community education programs at 5% of the average market value of the investments for the preceding 12 quarters.

Total investment income (loss) was reported as follows:

Dividends and interest	\$ 136,440
Net realized and unrealized gain	<u>(111,271)</u>
Total investment income	<u>\$ 25,169</u>

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 7 – DEPOSIT

The Council paid a security deposit in the amount of \$14,739 which is held by the lessor of the office premises. The security deposit will be refunded to the Council upon expiration of the lease.

Note 8 – FIXED ASSETS, NET

At June 30, 2019, the value of the Council's fixed assets are as follows:

	<u>Life</u>		
Furniture and Fixtures	7 years	\$	3,317
Equipment	3-5 years		45,786
Computer software	3 years		<u>70,902</u>
			120,005
Less: Accumulated Depreciation			<u>(115,672)</u>
Total Fixed Assets, net		\$	<u><u>4,333</u></u>

Depreciation expense for the fiscal year ended June 30, 2019 was \$4,037.

Note 9 – DEFERRED PUBLIC EVENTS REVENUES

Deferred public events revenues represent payments of \$3,963 from attendees for events held after June 30, 2019.

Note 10 – DEFERRED RENT

The lease agreement provides for escalating rent payments and free rent occupancy periods. The Council recognizes rent expenses on a straight-line basis over the lease term. The deferred rent at June 30, 2019 was \$21,246.

Note 11 – LEASE COMMITMENT AND RENT

The Council has a 63-month non-cancellable operating lease on its office in Culver City which provides for both rent abatements and increases in minimum lease payments. For financial reporting purposes, these rent abatements and increases are amortized and expensed on a straight-line basis over the life of the lease. The difference between straight-line rent expense and actual payment is reported in the statement of financial position. The lease commitment is as follows:

Year ending June 30:		
2020	\$	112,792
2021		126,908
2022		130,715
2023		<u>100,480</u>
Total minimum future rent payments	\$	<u><u>470,895</u></u>

The rent expense for this office space, including other related maintenance expenses, for the year ended June 30, 2019 was \$132,806.

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 12 – NET ASSETS

The net assets of the Council are composed of net assets without donor restrictions and net assets with donor restrictions.

The net assets with donor restrictions were available for the following:

Student Program	\$ 135,507
Young Professionals Program	4,808
Equipment, Website	3,439
Film Program	<u>2,346</u>
	<u>\$ 146,100</u>

The net assets without donor restrictions were available for the following:

Operating Fund	\$ (96,654)
Reserve Fund	1,218,529
Student and Community Education Programs	<u>515,399</u>
	<u>\$ 1,637,274</u>

Note 13 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions were released by incurring the expenses satisfying the restricted purposes or by occurrences of events specified by donors.

Satisfaction of donor specified purpose restrictions:

Student event participation	\$ 52,150
Film Program	3,915
Equipment	<u>2,636</u>
	<u>\$ 58,701</u>

Net assets without donor restrictions from board designated funds were expended in accordance with board designated purpose restrictions.

Satisfaction of board designated restrictions:

Webcast	\$ <u>824</u>
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Note 14 – RETIREMENT PLAN

The Council has a defined contribution retirement plan which provides for the purchase of individual custodial accounts and covers all full-time employees. Each employee may elect to contribute his or her salary to the custodial account, up to the Internal Revenue Code limitation. In addition, the Council makes contributions to the plan for all full-time employees with more than 1,000 hours of service each calendar year. Total Council contributions during the year ended June 30, 2019 amounted to \$19,367.

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 15 – RELATED PARTY TRANSACTION

For the year ended June 30, 2019, the Council had no related party transaction.

Note 16 – ADVERTISING COSTS

Advertising costs are expensed as incurred. For the year ended June 30, 2019, advertising costs of the Council amounted to \$514.

Note 17 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial Assets:	
Cash and cash equivalents	\$ 81,704
Accounts receivable	420
Investments	1,717,982
Financial Assets, at year-end	<u>1,800,106</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	(144,817)
Board designations:	
Student and community education program reserves	(515,399)
	<u>(660,216)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,139,890</u>

As part of the Council's liquidity management plan, cash is retained in excess of daily requirements in short-term instruments such as, CDs, and money market funds. Occasionally, the Board may designate a portion of any operating surplus (if any) to its investments. As of December 31, 2019, the financial assets available for general expenditures within one year totaled \$1,139,890.

Note 18 - NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-02

In February, 2016, the FASB issued ASU 2016-02, Leases (Topic 842). It is expected to be effective for periods beginning after December 15, 2018 for public entities, and for periods beginning after December 15, 2020 for nonpublic entities. For lessees, any leases that are over 12 months in duration will need to be presented on the entity's statement of financial position as a right-to-use asset and corresponding liability for the obligation to pay rent. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional renewal periods if the lessee is reasonably certain to exercise an option to extend the lease. The present value should be calculated using the discount rate implicit in the lease (if determinable) or the lessee's incremental borrowing rate. The asset will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities.

**LOS ANGELES WORLD AFFAIRS COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 18 - NEW ACCOUNTING PRONOUNCEMENTS (continued)

ASU 2016-14

In August 2016, the FASB issued ASU 2016-14. *Not-for-Profit Entities* (Topic 958). The main provisions of this update, which amend the requirements for financial statements and notes in topic 958, Not-for-Profit Entities, which are anticipated to impact the Council require a not-for-profit to:

- 1) Present net assets and the changes in net assets for two classes of net assets, net assets with restrictions and net assets without restrictions, rather than for the currently required three classes.
- 2) Provide enhanced disclosures regarding: the amounts and purposes of governing board designations that result in self-imposed limits on the use of resources, the composition of net assets with restrictions and how the restrictions affect the use of resources, qualitative information that communicates how the not-for-profit manages its liquid resources available to meet cash needs within one year of the statement of financial position date, and the methods used to allocate costs among program and support functions.

This amendment is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early application of the amendments in this update is permitted. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. The Council is currently evaluating the impact of this new accounting standard on the financial statements.

Note 19 – SUBSEQUENT EVENT

Subsequent to the year ended June 30, 2019, a majority of the Council's membership approved an Agreement and Plan of Merger with Town Hall Los Angeles. Pursuant to the Agreement, revised Bylaws and Articles of Incorporation were filed and approved by the California Attorney General and the California Secretary of State. On August 30, 2019, the effective date of the merger, Town Hall ceased to exist as a corporate entity. The Council continues as the surviving corporation of the merger under the new corporate name Los Angeles World Affairs Council and Town Hall. All assets and liabilities belonging to Town Hall became assets and liabilities of the Los Angeles World Affairs Council and Town Hall.