FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022

WORLD AFFAIRS COUNCILS OF AMERICA

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
World Affairs Councils of America
Washington, D.C.

Opinion

We have audited the accompanying financial statements of the World Affairs Councils of America (WACA), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WACA as of June 30, 2023 and 2022, and the changes in its net assets and its 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 Financial Statements section of our report. We are required to be independent of WACA 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 WACA'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WACA'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.

March 26, 2024

WORLD AFFAIRS COUNCILS OF AMERICA

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 30,023	$ 77,209
Investments	11,333,607	10,612,393
Contributions and grants receivable	-	46,703
Prepaid expenses	8,467	2,372
Total current assets	11,372,097	10,738,677
FIXED ASSETS		
Furniture and equipment	3,275	21,239
Website	7,809	7,809
	11,084	29,048
Less: Accumulated depreciation and amortization	(9,112)	(23,206)
Net fixed assets	1,972	5,842
NONCURRENT ASSETS		
Investments, net of current portion	645,150	645,150
Security deposits	9,068	3,323
Total noncurrent assets	654,218	648,473
TOTAL ASSETS	**$ 12,028,287**	**$ 11,392,992**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Capital lease obligation	$ -	$ 5,328
Accounts payable and accrued liabilities	46,394	38,571
Deferred revenue	96,442	71,183
Accrued salaries and related benefits	12,427	37,163
Deferred rent	-	2,088
Total current liabilities	155,263	154,333
NONCURRENT LIABILITIES		
Deferred rent, net of current portion	-	19,564
Total liabilities	155,263	173,897
NET ASSETS		
Without donor restrictions:		
Board designated	11,347,705	10,419,236
Undesignated (deficit)	(471,156)	(99,417)
Total net assets without donor restrictions	10,876,549	10,319,819
With donor restrictions	996,475	899,276
Total net assets	11,873,024	11,219,095
TOTAL LIABILITIES AND NET ASSETS	**$ 12,028,287**	**$ 11,392,992**

See accompanying notes to financial statements.

WORLD AFFAIRS COUNCILS OF AMERICA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	$ 213,978	$ -	$ 213,978
Conferences and events	203,410	-	203,410
Membership	106,300	-	106,300
Investment income	928,469	97,199	1,025,668
Other	21,822	-	21,822
Total support and revenue	1,473,979	97,199	1,571,178
EXPENSES			
Program Services	194,838	-	194,838
Supporting Services:			
Management and General	685,681	-	685,681
Fundraising	36,730	-	36,730
Total supporting services	722,411	-	722,411
Total expenses	917,249	-	917,249
Changes in net assets	556,730	97,199	653,929
Net assets at beginning of year	10,319,819	899,276	11,219,095
NET ASSETS AT END OF YEAR	**$ 10,876,549**	**$ 996,475**	**$ 11,873,024**

See accompanying notes to financial statements.

WORLD AFFAIRS COUNCILS OF AMERICA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	$ 10,240,423	$ -	$ 10,240,423
Conferences and events	217,968	-	217,968
Membership	155,879	-	155,879
Investment loss	(190,801)	(181,672)	(372,473)
Other	754	-	754
Total support and revenue	10,424,223	(181,672)	10,242,551
EXPENSES			
Program Services	172,340	-	172,340
Supporting Services:			
Management and General	548,676	-	548,676
Fundraising	43,329	-	43,329
Total supporting services	592,005	-	592,005
Total expenses	764,345	-	764,345
Changes in net assets	9,659,878	(181,672)	9,478,206
Net assets at beginning of year	659,941	1,080,948	1,740,889
NET ASSETS AT END OF YEAR	**$ 10,319,819**	**$ 899,276**	**$ 11,219,095**

See accompanying notes to financial statements.

WORLD AFFAIRS COUNCILS OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel costs	$ 92,121	$ 222,345	$ 33,465	$ 255,810	$ 347,931
Grant expenses	47,630	39,000	-	39,000	86,630
Professional fees	2,530	166,148	-	166,148	168,678
Supplies	633	950	75	1,025	1,658
Telephone and telecommunication	2,998	6,167	481	6,648	9,646
Postage and shipping	184	341	23	364	548
Equipment rental and maintenance	186	208	-	208	394
Insurance	1,495	2,556	254	2,810	4,305
Depreciation and amortization	-	3,870	-	3,870	3,870
Rent	12,283	26,525	2,231	28,756	41,039
Meetings, conferences and travel	33,172	188,823	-	188,823	221,995
Dues and subscriptions	1,172	2,490	201	2,691	3,863
Interest	42	1,885	-	1,885	1,927
Other expenses	392	24,373	-	24,373	24,765
TOTAL	**$ 194,838**	**$ 685,681**	**$ 36,730**	**$ 722,411**	**$ 917,249**

See accompanying notes to financial statements.

WORLD AFFAIRS COUNCILS OF AMERICA

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

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel costs	$ 85,572	$ 224,847	$ 39,384	$ 264,231	$ 349,803
Grant expenses	32,018	11,000	-	11,000	43,018
Professional fees	1,000	87,989	-	87,989	88,989
Supplies	103	684	79	763	866
Telephone and telecommunication	1,724	5,262	498	5,760	7,484
Postage and shipping	47	198	13	211	258
Equipment rental and maintenance	88	226	17	243	331
Insurance	1,070	3,147	289	3,436	4,506
Depreciation and amortization	-	5,619	-	5,619	5,619
Rent	9,095	30,029	2,784	32,813	41,908
Meetings, conferences and travel	40,691	170,560	-	170,560	211,251
Dues and subscriptions	890	3,213	265	3,478	4,368
Interest	42	511	-	511	553
Other expenses	-	5,391	-	5,391	5,391
TOTAL	**$ 172,340**	**$ 548,676**	**$ 43,329**	**$ 592,005**	**$ 764,345**

See accompanying notes to financial statements.

WORLD AFFAIRS COUNCILS OF AMERICA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 653,929	$ 9,478,206
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	3,870	5,619
Realized and unrealized (gain) loss on investments	(733,451)	452,671
Decrease (increase) in:		
Contributions and grants receivable	46,703	(10,453)
Prepaid expenses	(6,095)	4,103
Security deposits	(5,745)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	7,823	8,523
Deferred revenue	25,259	(43,454)
Accrued salaries and related benefits	(24,736)	7,892
Deferred rent	(21,652)	(1,965)
Net cash (used) provided by operating activities	(54,095)	9,901,142
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(2,275)
Net sales (purchases) of investments	12,237	(10,030,173)
Net cash provided (used) by investing activities	12,237	(10,032,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(5,328)	(1,784)
Net cash used by financing activities	(5,328)	(1,784)
Net decrease in cash and cash equivalents	(47,186)	(133,090)
Cash and cash equivalents at beginning of year	77,209	210,299
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 30,023**	**$ 77,209**
SUPPLEMENTAL INFORMATION:		
Interest Paid	**$ 1,927**	**$ 553**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The World Affairs Councils of America (WACA) is a non-profit organization, incorporated and located in the District of Columbia. WACA was established to improve the quantity and quality of American education in world affairs by (1) increasing the competence of officers and staff of its member organizations through the exchange of ideas and practices, the organization of cooperative workshops and study tours, and such other missions as appropriate, and (2) encouraging cooperative programs and other activities by member organizations.

Basis of presentation -

The accompanying 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 Entitie*s. 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 WACA'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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

New accounting pronouncement adopted -

During 2023, WACA adopted ASU 2019-01, *Leases* (Topic 842), which changed 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 Statements of Financial Position and disclosure of key information about leasing arrangements. WACA applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. There was no impact of the adoption on the accompanying financial statements as WACA did not have leases that qualified for recording under ASU 2019-01.

Cash and cash equivalents -

WACA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents (excluding money market funds held by investment managers in the amount of $1,288,923 and $8,227,532 as of June 30, 2023 and 2022, respectively.

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

Cash and cash equivalents (continued) -

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, WACA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income (loss) in the accompanying Statement of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. WACA's policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions and grants receivable -

Contributions and grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectable within one year. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $2,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years.

The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense during the years ended June 30, 2023 and 2022 totaled $3,870 and $5,619, respectively.

Income taxes -

WACA 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 financial statements. WACA is not a private foundation.

Revenue recognition -

WACA receives grants and contributions, including unconditional promises to give, from various sources. Grants and contributions are recognized in the appropriate category of net assets in the period received. WACA 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 transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.*

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.

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

Revenue recognition (continued) -

Unconditional awards 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 financial statements.

Conditional awards contain a right of return and a barrier. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. WACA did not have any unrecognized conditional awards as of June 30, 2023 and 2022.

Revenue classified as exchange transactions follows ASU 2014-09, *Revenue from Contracts With Customers*, and is recorded as revenue when performance obligations are met. WACA has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on the agreed-upon contracted amounts. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Membership revenue includes general member benefits that are a series of distinct obligations. There are several benefits received that are individual distinct obligations, such as discounted rates to conferences and meetings and various other benefits. The transaction price is determined based on amounts stipulated in WACA's membership dues schedule. However, the total benefits received are immaterial in nature to the membership contract, and therefore those benefits are not bifurcated and recorded as exchange transaction revenue. Accordingly, all amounts received from members are considered contributions and are recognized upon receipt.

Registration fees and sponsorships for conferences and events are recorded as revenue when the performance obligations are met, which is when the related event has occurred. Transaction price is based on the amount of the sales price.

Funds received in advance for membership and conferences are recorded as deferred revenue in the accompanying Statements of Financial Position.

Deferred revenue consists of the following as of June 30, 2023 and 2022:

	2023	2022
Deferred membership	$ 86,942	$ 68,708
Deferred conference sponsorship	9,500	2,475
TOTAL DEFERRED REVENUE	**$ 96,442**	**$ 71,183**

Use of estimates -

The preparation of the 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the 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 WACA are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

Investment risks and uncertainties -

WACA 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 financial statements.

Fair value measurement -

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

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for WACA for the year ending June 30, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

WACA 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 financial statements.

Reclassification -

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

2. BOARD DESIGNATED NET ASSETS

As of June 30, 2023 and 2022, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	2023	2022
Future infrastructure and investment projects	$ 1,347,711	$ 554,223
Board designated endowment	9,999,994	9,865,013
TOTAL	**$ 11,347,705**	**$ 10,419,236**

During the year ended June 30, 2022, WACA received a $10,000,000 gift (without restrictions) from a donor which was designated by the Board of Directors (with donor approval) to be treated as a fund acting as an endowment. The gift was invested in mutual funds and money market funds in order to ensure prudent investment of the assets.

3. INVESTMENTS

Investments consisted of the following at June 30, 2023 and 2022:

	2023 Fair Value	2022 Fair Value
Money market funds	$ 1,288,923	$ 8,227,532
Mutual funds	10,689,834	3,030,011
TOTAL INVESTMENTS	**$ 11,978,757**	**$ 11,257,543**

Included in investment income (loss) are the following:

	2023	2022
Interest and dividends	$ 292,217	$ 80,198
Realized and unrealized gain (loss) on investments	733,451	(452,671)
TOTAL INVESTMENT INCOME (LOSS)	**$ 1,025,668**	**$ (372,473)**

4. CAPITAL LEASE OBLIGATION

During the year ended June 30, 2018, WACA entered into a capital lease for a new copier. As of June 30, 2023, the cost and related accumulated amortization of the leased asset totaled $17,964 and $17,964, respectively. As of June 30, 2022, the cost and related accumulated amortization of the leased asset totaled $17,964 and $15,269, respectively. Amortization of assets held under capital leases is included with depreciation and amortization expense. The term of the capital lease expired during the year ended June 30, 2023 and there was no obligation remaining as of June 30, 2023.

Interest expense on the lease for the years ended June 30, 2023 and 2022 totaled $229 and $553, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	2023	2022
Subject to expenditure for specified purpose:		
Accumulated investment earnings on AWQ endowment assets	$ 351,325	$ 254,126
Endowment to be invested in perpetuity:		
Principal balance in AWQ endowment assets	645,150	645,150
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 996,475**	**$ 899,276**

There were no net assets released from donor restrictions during the years ended June 30, 2023 and 2022.

6. LIQUIDITY AND AVAILABILITY

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

	2023	2022
Cash and cash equivalents	$ 30,023	$ 77,209
Investments	11,333,607	10,612,393
Contributions and grants receivable	-	46,703
Subtotal financial assets available within one year	11,363,630	10,736,305
Less: Donor restricted funds (current portion)	(351,325)	(254,126)
Less: Board-designated funds	(11,347,705)	(10,419,236)
FINANCIAL (DEFICIT) ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ (335,400)**	**$ 62,943**

WACA has a policy to structure its financial assets to be available and liquid as its obligations become due. WACA had board-designated reserves of $11,347,705 and $10,419,236 as of June 30, 2023 and 2022, respectively, which can be used upon approval of the Board of Directors.

7. LEASE COMMITMENTS

During August 2019, WACA entered into a lease for new office space in Washington, D.C. at an initial monthly rent of $3,323, increasing by 3.50% per year. The lease was terminated during the year ended June 30, 2023.

Rent expense for the years ended June 30, 2023 and 2022 totaled $41,039 and $41,908, respectively.

8. RETIREMENT PLAN

WACA administers a 403(b) tax-deferred annuity plan on behalf of its employees. The Plan covers all full-time employees. WACA may elect to match employee contributions up to 5% of employee compensation. Contributions to the Plan totaled $6,177 and $9,192 during the years ended June 30, 2023 and 2022.

9. COMMITMENTS

WACA is committed under agreements for conference space through the fiscal year 2025. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increases through the date of the event.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, WACA 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 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 WACA 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 as of June 30, 2023 and 2022. There were no transfers between levels in the fair value hierarchy during the years ended June 30, 2023 and 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end mutual funds that are registered with the Securities and Exchange Commission and are deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by WACA are open-end mutual funds that are registered with the SEC. Mutual funds held by WACA are deemed to be actively traded.

10. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, WACA's investments as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 1,288,923	$ -	$ -	$ 1,288,923
Mutual funds	10,689,834	-	-	10,689,834
TOTAL	**$ 11,978,757**	**$ -**	**$ -**	**$ 11,978,757**

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

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 8,227,532	$ -	$ -	$ 8,227,532
Mutual funds	3,030,011	-	-	3,030,011
TOTAL	**$ 11,257,543**	**$ -**	**$ -**	**$ 11,257,543**

11. ENDOWMENT

WACA's endowment consists of both board-designated and donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, WACA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. WACA has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, WACA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

11. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 10,000,000	$ -	$ 10,000,000
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	645,150	645,150
Accumulated investment (loss) earnings	(6)	351,325	351,319
TOTAL ENDOWMENT FUNDS	**$ 9,999,994**	**$ 996,475**	**$ 10,996,469**

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 9,865,013	$ 899,276	$ 10,764,289
Investment return	134,981	97,199	232,180
ENDOWMENT NET ASSETS, END OF YEAR	**$ 9,999,994**	**$ 996,475**	**$ 10,996,469**

Endowment net asset composition by type of fund as of of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 10,000,000	-	$ 10,000,000
Donor Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	645,150	645,150
Accumulated investment (loss) earnings	(134,987)	254,126	119,139
TOTAL ENDOWMENT FUNDS	**$ 9,865,013**	**$ 899,276**	**$ 10,764,289**

Changes in endowment net assets for the year ended of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 1,080,948	$ 1,080,948
Contributions	10,000,000	-	10,000,000
Investment loss	(134,987)	(181,672)	(316,659)
ENDOWMENT NET ASSETS, END OF YEAR	**$ 9,865,013**	**$ 899,276**	**$ 10,764,289**

11. ENDOWMENT (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. There were no such deficiencies at June 30, 2023 and 2022.

Return Objectives and Risk Parameters -

WACA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve real growth of the Academic WorldQuest (AWQ) Fund over time through capital appreciation and earnings with a moderate amount of risk to provide funds to sustain and enhance the mission of the Carlos and Malú Alvarez Academic WorldQuest National Competition; to manage and mitigate risk and volatility through diversification of assets; and to focus on capital appreciation and total return, with a long-term time horizon (greater than ten years).

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, WACA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WACA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

WACA's spending policy is to cover WACA’s annual fixed costs of hosting the Carlos and Malú Alvarez Academic WorldQuest National Competition in Washington D.C. Annual spending is limited to 5% of the AWQ Fund average balance for the year in which the income is spent. After three years, the spending will be limited to 5% of a rolling three year average balance of the AWQ Fund.

12. SUBSEQUENT EVENTS

In preparing these financial statements, WACA has evaluated events and transactions for potential recognition or disclosure through March 26, 2024, the date the financial statements were issued.

WACA entered into a new lease for office space in Washington, D.C., with a lease commencement date of July 1, 2023 and with a termination date of October 31, 2026. Initial monthly rent is $5,746, increasing by 2.5% on March 1st of each year throughout the term of the lease. The monthly rent payable will be abated by 50% during March 2024 and March 2025. As of June 30, 2023, WACA's future minimum lease commitments under this lease totaled $232,607.