

**WASHINGTON OFFICE ON LATIN AMERICA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 AND 2009**

**BELL & FRECH, LLC  
BROOKEVILLE, MD**

## WASHINGTON OFFICE ON LATIN AMERICA

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# BELL & FRECH, LLC

Certified Public Accountants

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## Report of Independent Auditors

Board of Directors  
Washington Office on Latin America

We have audited the accompanying statements of financial position of Washington Office on Latin America (WOLA) as of December 31, 2010 and 2009 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of WOLA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with accounting 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Office on Latin America as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Bell & Frech, LLC*

Bell & Frech, LLC  
Brookeville, MD  
April 4, 2011

**WASHINGTON OFFICE ON LATIN AMERICA**

WASHINGTON OFFICE ON LATIN AMERICA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

ASSETS

	<u>2010</u>	<u>2009</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 675,610	\$ 2,360,666
Certificates of deposit	994,986	-
Grants receivable	82,031	465,099
Contributions receivable	46,720	19,740
Other receivables	3,386	37,944
Prepaid expenses and other	45,344	53,441
<b>Total Current Assets</b>	<u>1,848,077</u>	<u>2,936,890</u>
<b>Other Assets</b>		
Property and equipment, net	227,474	220,696
Certificates of deposit	356,209	-
Security deposits	27,056	27,056
<b>Total Other Assets</b>	<u>610,739</u>	<u>247,752</u>
<b>Total Assets</b>	<u>\$ 2,458,816</u>	<u>\$ 3,184,642</u>

See independent auditors' report and notes to the financial statements.

## LIABILITIES AND NET ASSETS

### Current Liabilities

Accounts payable and accrued expenses	\$ 65,722	\$ 73,931
Deferred rent	16,990	16,990

<b>Total Current Liabilities</b>	<u>82,712</u>	<u>90,921</u>
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### Long-term Liabilities

Deferred rent	200,900	189,366
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<b>Total Long-term Liabilities</b>	<u>200,900</u>	<u>189,366</u>
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<b>Total Liabilities</b>	<u>283,612</u>	<u>280,287</u>
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### Net Assets

Unrestricted		
Board-designated	1,018,417	1,356,964
Undesignated	777,603	1,224,484

Total unrestricted net assets	1,796,020	2,581,448
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Temporarily restricted net assets	379,184	322,907
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<b>Total Net Assets</b>	<u>2,175,204</u>	<u>2,904,355</u>
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<b>Total Liabilities and Net Assets</b>	<u>\$ 2,458,816</u>	<u>\$ 3,184,642</u>
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See independent auditors' report and notes to the financial statements.

WASHINGTON OFFICE ON LATIN AMERICA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31,

	<u>2010</u>	<u>2009</u>
<b>Unrestricted net assets</b>		
Unrestricted support and revenue		
Contributions	\$ 354,429	\$ 365,188
Grants and contracts	130,089	1,963,836
Investment income	22,210	4,957
Publications and special events	19,967	434
Net assets released from restrictions	<u>719,166</u>	<u>1,608,675</u>
<b>Total Unrestricted Support and Revenue</b>	<u>1,245,861</u>	<u>3,943,090</u>
<b>Expenses</b>		
Program services	<u>1,551,750</u>	<u>1,409,293</u>
<b>Total program services</b>	<u>1,551,750</u>	<u>1,409,293</u>
Support services		
General and administrative	138,120	114,577
Fundraising	<u>321,920</u>	<u>237,200</u>
<b>Total supporting services</b>	<u>460,040</u>	<u>351,777</u>
<b>Total expenses</b>	<u>2,011,790</u>	<u>1,761,070</u>
<b>Change in unrestricted net assets</b>	<u>(765,929)</u>	<u>2,182,020</u>
<b>Temporarily restricted net assets</b>		
Grants and contributions	755,944	758,035
Net assets released from restrictions	<u>(719,166)</u>	<u>(1,608,675)</u>
<b>Change in temporarily restricted net assets</b>	<u>36,778</u>	<u>(850,640)</u>
<b>Change in net assets</b>	(729,151)	1,331,380
<b>Net assets, beginning of year</b>	<u>2,904,355</u>	<u>1,572,975</u>
<b>Net assets, end of year</b>	<u>\$ 2,175,204</u>	<u>\$ 2,904,355</u>

See independent auditors' report and notes to the financial statements.

WASHINGTON OFFICE ON LATIN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Expenses	Supporting Services		Total Supporting Supporting Services	Total Expenses
		General and Administrative	Fundraising		
Expenses					
Salaries	\$ 653,223	\$ 76,012	\$ 148,748	\$ 224,760	\$ 877,983
Employee benefits and payroll taxes	142,970	15,184	32,473	47,657	190,627
Occupancy	169,076	24,235	38,495	62,730	231,806
Travel	208,275	309	7,427	7,736	216,011
Consultants	250,063	400	36,800	37,200	287,263
Meetings and receptions	36,503	4,418	42,066	46,484	82,987
Printing and publications	33,983	2,148	2,482	4,630	38,613
Depreciation and amortization	3,000	6,741	650	7,391	10,391
Professional services	13,337	1,272	2,890	4,162	17,499
Telephone	12,548	1,113	2,159	3,272	15,820
Equipment rental/purchase	6,142	606	1,339	1,945	8,087
Office supplies	7,875	1,227	1,655	2,882	10,757
Taxes and insurance	5,765	286	1,310	1,596	7,361
Subscriptions/reference materials	4,507	467	668	1,135	5,642
Postage	1,715	961	1,248	2,209	3,924
Repairs and maintenance	1,496	(1,230)	337	(893)	603
Bank fees	272	3,112	239	3,351	3,623
Dues/fees/licenses	1,000	-	859	859	1,859
Staff development	-	50	75	125	125
Recruitment	-	809	-	809	809
	<u>\$ 1,551,750</u>	<u>\$ 138,120</u>	<u>\$ 321,920</u>	<u>\$ 460,040</u>	<u>\$ 2,011,790</u>

See independent auditors' report and notes to the financial statements.



WASHINGTON OFFICE ON LATIN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Expenses	Supporting Services		Total Supporting Supporting Services	Total Expenses
		General and Administrative	Fundraising		
Expenses					
Salaries	\$ 640,391	\$ 54,344	\$ 138,062	\$ 192,406	\$ 832,797
Employee benefits and payroll taxes	146,217	11,249	31,890	43,139	189,356
Occupancy	146,965	31,119	31,980	63,099	210,064
Travel	173,204	129	4,130	4,259	177,463
Consultants	130,605	8,525	2,909	11,434	142,039
Meetings and receptions	38,340	3,773	12,919	16,692	55,032
Printing and publications	34,031	4,216	2,328	6,544	40,575
Depreciation and amortization	13,918	16,990	-	16,990	30,908
Professional services	11,451	1,120	2,274	3,394	14,845
Telephone	11,688	763	1,910	2,673	14,361
Equipment rental/purchase	13,250	1,063	2,875	3,938	17,188
Office supplies	8,286	591	1,189	1,780	10,066
Taxes and insurance	6,079	489	1,332	1,821	7,900
Subscriptions/reference materials	3,891	578	711	1,289	5,180
Postage	3,496	407	1,544	1,951	5,447
Repairs and maintenance	1,766	148	353	501	2,267
Bank fees	-	2,798	-	2,798	2,798
Dues/fees/licenses	1,000	728	759	1,487	2,487
Staff development	-	47	35	82	82
Recruitment	-	215	-	215	215
Administrative fees	24,715	(24,715)	-	(24,715)	-
	<u>\$ 1,409,293</u>	<u>\$ 114,577</u>	<u>\$ 237,200</u>	<u>\$ 351,777</u>	<u>\$ 1,761,070</u>

See independent auditors' report and notes to the financial statements.

**WASHINGTON OFFICE ON LATIN AMERICA**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31,**

	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (729,151)	\$ 1,331,380
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	29,327	30,908
(Increase) decrease in:		
Grants and contracts receivable	383,068	233,901
Contributions receivable	(26,980)	2,025
Other receivable	34,558	(27,224)
Prepaid expenses and other	8,097	(9,585)
Security deposits	-	-
(Increase) decrease in:		
Accounts payable and accrued expenses	(8,209)	21,803
Deferred rent	11,534	19,752
	<u>(297,756)</u>	<u>1,602,960</u>
<b>Net Cash (Used in) Provided by Operating Activities</b>		
	<u>(297,756)</u>	<u>1,602,960</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of certificates of deposit	(1,351,195)	-
Purchase of furniture and equipment	(36,105)	(1,453)
	<u>(1,387,300)</u>	<u>(1,453)</u>
<b>Net Cash Used in Investing Activities</b>		
	<u>(1,387,300)</u>	<u>(1,453)</u>
<b>Net (Decrease) Increase in Cash</b>	(1,685,056)	1,601,507
Cash, Beginning of year	<u>2,360,666</u>	<u>759,159</u>
<b>Cash, End of Year</b>	<u>\$ 675,610</u>	<u>\$ 2,360,666</u>

See independent auditors' report and notes to the financial statements.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

1. Organization

Washington Office on Latin America (WOLA) was incorporated on July 27, 1981 as a District of Columbia non-profit organization. The Organization is an independent, locally-controlled organization with a volunteer Board of Trustees.

WOLA promotes human rights, democracy, and social and economic justice in Latin America and the Caribbean. WOLA facilitates dialogue between governmental and non-governmental actors, monitors the impact of policies and programs of governments and international organizations, and promotes alternatives through reporting, education, training and advocacy. WOLA was founded in 1974 by a coalition of religious and civil leaders. WOLA works closely with civil society organizations and government officials throughout the Western Hemisphere.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of Washington Office on Latin America is presented to assist in understanding of the financial statements.

WOLA prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when the related goods or services are received.

*Financial Statement Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board set forth in the Accounting Standards Codification. Under this guidance, WOLA is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

WOLA accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in the Accounting Standards Codification. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Summary of Significant Accounting Policies, continued

*Income taxes*

WOLA has been classified as an other-than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2010 or 2009.

WOLA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2006.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, WOLA considers cash and all other highly liquid investments with initial maturities of three months or less to be cash equivalents.

*Fair Value*

The carrying amounts reflected in the financial statements for cash, cash equivalents, and certificates of deposit approximate the respective fair values due to the short maturities of those instruments.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Summary of Significant Accounting Policies, continued

*Property and Equipment and Leasehold Improvements*

Property and equipment, including software, and leasehold improvements with an original cost of \$2,000 or more, are carried at cost, or if donated, at the approximate fair market value at the date of donation. Items with an original cost or fair market value at the date of donation of less than \$2,000 are expensed when incurred. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using a straight-line method from three to five years for property and equipment, and over the life of the lease in the case of leasehold improvements.

*Donated Materials and Services*

WOLA records the value of donated goods and services when there is an objective basis available to measure their value and they would have otherwise had to purchase the goods or services.

No amounts have been reflected in the financial statements for donated services. WOLA generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its work, but these services do not meet the criteria for recognition as contributed services.

*Contributions and Grants*

Contributions and grants received are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

WOLA uses the allowance method to determine uncollectible contributions and grants receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

*Expense Allocation*

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services provided.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Date of Management's Review*

Management has evaluated subsequent events through April 4, 2011, the date on which the financial statements were available to be issued.

*Reclassification*

Certain items in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on previously reported net income.

3. Certificates of Deposit

WOLA invested in certificates of deposit during 2010, which mature at various times as follows:

2011	\$ 994,986
2012	<u>356,209</u>
Total	<u>\$1,351,195</u>

For the years ended December 31, 2010 and 2009, investment income consisted of interest earned on certificates of deposit and bank accounts.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

4. Grants and Contributions Receivable

All of the grants and contributions receivable reported in the accompanying financial statements are expected to be collected within one year. Management believes that all items are collectible in full. Accordingly, no allowance for uncollectible accounts has been recorded for the years ended December 31, 2010 and 2009.

5. Property and Equipment

Property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 228,715	\$ 228,715
Furniture and equipment	54,980	52,297
Web site	<u>25,410</u>	<u>-</u>
	309,105	281,012
Less accumulated depreciation	<u>(81,631)</u>	<u>(60,316)</u>
Net property and equipment	<u>\$ 227,474</u>	<u>\$ 220,696</u>

6. Tax Shelter Annuity Plan

WOLA has adopted a plan to purchase annuity contracts for its employees under the provisions of Section 403(b) of the Internal Revenue Code. The plan was issued by TIAA-CREF. The annual plan contribution is up to four percent matching contribution of eligible employees' salaries. Retirement plan expense for the year ended December 31, 2010 and 2009 was \$27,950, and \$24,404, respectively.

7. Lease Commitments

WOLA signed a lease for office space in December 2007, with a commencement date of July 1, 2008, and expiration date of June 30, 2018. The lease agreement provides for an annual increase of 2.5% to the base rent, except on the fifth anniversary date when the basic rent shall increase by one dollar and fifty cents per square foot. The agreement also provides for an option to extend the lease for an additional five-year term.

WOLA leases office equipment under agreements which expire in 2012 and 2013. The monthly payments under these leases amount to \$973.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Lease Commitments, continued

The future minimum lease payments on an annual basis are as follows:

Year ending December 31,	<u>Amount</u>
2011	\$ 357,055
2012	365,689
2013	368,433
2014	376,187
2015	385,592
Thereafter	<u>1,005,402</u>
Total	<u>\$ 2,858,358</u>

In December 2007, WOLA entered into a sublease agreement for a portion of the office space for a period of five years. The rental income is reported as a reduction of occupancy expense. The future minimum rental income from this sublease is as follows:

Year ending December 31,	<u>Amount</u>
2011	\$ 146,217
2012	145,498
2013	<u>73,647</u>
Total	<u>\$ 365,362</u>

Net occupancy expense for the years ending December 31, 2010 and 2009 was \$208,932 and \$210,064, respectively.

8. Deferred Rent

In connection with the lease for office space (see Note 6) WOLA is responsible for certain annual increases, and also received certain incentives for leasehold improvements totaling \$169,899. WOLA recognized the effect of such increases and incentives by recording a deferred rent liability. The deferred rent liability consists of the effects of the scheduled rent increases and the unamortized portion related to the incentives received for leasehold improvements. The deferred rent liability is increased or decreased by changes to rent expense over the lease-term on a straight-line basis. At December 31, 2010 and 2009 the deferred rent liability balance was \$217,890 and \$206,356, respectively.



WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

9. Concentrations

*Cash and certificates of deposit*

WOLA maintains its cash in bank accounts which, at times, may exceed federally insured limits. WOLA has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk related to cash. The majority of the excess funds were placed in fully-insured accounts in March 2010.

*Donors*

Two donors accounted for 43% of revenue in 2010, one of whom accounted for 66.5% of pledges receivable at December 31, 2010. A third donor accounted for 24.1% of pledges receivable at December 31, 2010.

Two donors accounted for 68.4% of revenue in 2009. One of these donors accounted for 88.2% of pledges receivable at December 31, 2009. A third donor accounted for 10.8% of accounts receivable at December 31, 2009.

10. Board-designated Reserve

The Board of Directors has designated a portion of net assets for the following purposes:

Reserve	\$ 668,417
Operations – 2011	<u>350,000</u>
Total	<u>\$1,018,417</u>

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2009</u>	<u>Additions</u>	<u>Releases</u>	<u>2010</u>
Andes Drug Policy	\$ 155,938	\$ 285,000	\$ 263,575	\$ 177,363
Cuba	64,930	81,802	146,732	-
Colombia	-	2,500	2,500	-
El Salvador	-	7,000	7,000	-
Mexico	21,534	121,500	131,485	11,549
Gangs	16,961	198,400	86,147	129,214
General Human Rights & Sally Yudelman	10,000	-	10,000	-
Rights & Development	17,201	2,600	19,701	100
Strategic plan	16,343	2,000	18,343	-
KAL program	20,000	-	20,000	-
Security policy	-	39,642	13,684	25,958
Fundraising	-	5,000	-	5,000
Time restricted- General support	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total	<u>\$ 322,907</u>	<u>\$ 775,444</u>	<u>\$ 719,167</u>	<u>\$ 379,184</u>