

WASHINGTON OFFICE ON LATIN AMERICA

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Financial Statements

December 31, 2008 and 2007

Washington Office on Latin America

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Independent Auditors' Report

Board of Directors
Washington Office on Latin America
Washington, D.C.

We have audited the accompanying Statements of Financial Position of **Washington Office on Latin America (WOLA)** as of December 31, 2008 and 2007 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. The prior year summarized comparative information has been derived from Washington Office on Latin America's 2007 financial statements, and in our report dated July 8, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 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, 2008 and 2007 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.

Berry Group, CPA'S
Alexandria, Virginia
August 6, 2009

Washington Office on Latin America

Statements of Financial Position

<i>Year Ended December 31,</i>	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 759,159	\$ 772,774
Grants and contracts receivable	699,000	713,000
Contributions receivable	21,765	26,484
Other receivable	10,720	1,255
Prepaid expenses and other	43,857	10,867
Total current assets	1,534,501	1,524,380
Other assets		
Property and equipment, net	250,149	8,686
Security deposits	27,056	10,798
Total other assets	277,205	19,484
Total assets	\$ 1,811,706	\$ 1,543,864
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 52,127	\$ 50,165
Deferred rent	16,990	-
Total current liabilities	69,117	50,165
Long-term liabilities		
Deferred rent	169,614	-
Total long-term liabilities	169,614	-
Total liabilities	238,731	50,165
Net assets		
Unrestricted	399,428	942,323
Temporarily restricted	1,173,547	551,376
Total net assets	1,572,975	1,493,699
Total liabilities and net assets	\$ 1,811,706	\$ 1,543,864

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Office on Latin America

Statements of Activities and Changes in Net Assets

<i>Year Ended December 31,</i>	2008	2007
Unrestricted net assets		
Support and revenue		
Contributions	\$ 410,490	\$ 489,264
Rent income	86,697	33,240
Grants and contracts	60,000	900,000
Investment income	7,298	28,568
Publication and special events	1,026	6,439
Net assets released from restrictions	651,329	612,112
Total support and revenue	1,216,840	2,069,623
Expenses		
Program Services	1,361,357	1,282,816
Total program services	1,361,357	1,282,816
Supporting services		
General and administrative	128,131	121,827
Fundraising	270,247	193,764
Total supporting services	398,378	315,591
Total expenses	1,759,735	1,598,407
Change in unrestricted net assets	(542,895)	471,216
Temporarily restricted net assets		
Grants and contributions	1,273,500	672,375
Net assets released from restrictions	(651,329)	(612,112)
Change in temporarily restricted net assets	622,171	60,263
Change in net assets	79,276	531,479
Net assets, beginning of year	1,493,699	962,220
Net assets, end of year	\$ 1,572,975	\$ 1,493,699

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Office on Latin America

Statement of Functional Expenses

Expenses	Program Services			Supporting Services		
	Program Expenses	General and Administrative	Fundraising	Total Supporting Services	2008 Total	2007 Total
	\$	\$	\$	\$	\$	\$
Salaries	668,511	62,704	131,208	193,912	862,423	792,758
Employee benefits and payroll taxes	138,973	13,439	27,113	40,552	179,525	163,466
Occupancy	231,579	21,771	44,612	66,383	297,962	206,073
Travel	88,976	3,643	7,532	11,175	100,151	93,985
Consultants	77,296	11,897	1,500	13,397	90,693	87,067
Meetings and receptions	36,990	4,799	43,019	47,818	84,808	112,395
Printing and publications	43,149	7,143	1,873	9,016	52,165	58,875
Depreciation and amortization	6,851	10,191	1,219	11,410	18,261	4,552
Professional services	11,897	988	2,188	3,176	15,073	23,253
Telephone	9,411	655	1,248	1,903	11,314	10,916
Equipment rental/purchase	8,112	876	1,525	2,401	10,513	4,891
Office supplies	5,311	1,391	2,342	3,733	9,044	8,352
Taxes and insurance	5,523	527	1,080	1,607	7,130	6,785
Subscriptions/reference materials	4,305	488	743	1,231	5,536	7,927
Postage	1,999	331	1,834	2,165	4,164	7,730
Repairs and maintenance	1,974	207	406	613	2,587	1,392
Bank fees	-	2,535	-	2,535	2,535	3,510
Dues/fees/licenses	1,000	516	805	1,321	2,321	3,502
Staff development	-	2,129	-	2,129	2,129	478
Recruitment	-	1,401	-	1,401	1,401	500
Administrative fees	19,500	(19,500)	-	(19,500)	-	-
Total expenses	\$ 1,361,357	\$ 128,131	\$ 270,247	\$ 398,378	\$ 1,759,735	\$ 1,598,407

Year Ended December 31, 2008 (With comparative totals for year ended December 31, 2007)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Office on Latin America

Statements of Cash Flows

<i>Year Ended December 31,</i>	2008	2007
Cash flows from operating activities		
Change in net assets	\$ 79,276	\$ 531,479
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	18,261	4,252
(Increase) decrease in:		
Grants and contracts receivable	14,000	(464,730)
Contributions receivable	4,719	(26,484)
Other receivable	(9,465)	(898)
Prepaid expenses and other	(32,990)	15,069
Security deposits	(16,258)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	1,962	22,757
Deferred rent	186,604	-
Net cash provided by operating activities	246,109	81,445
Cash flows from investing activities		
Purchase of furniture and equipment	(31,011)	(9,937)
Leasehold improvements	(228,713)	-
Net cash (used in) investing activities	(259,724)	(9,937)
Net (decrease) increase in cash and cash equivalents	(13,615)	71,508
Cash and cash equivalents, beginning of year	772,774	701,266
Cash and cash equivalents, end of year	\$ 759,159	\$ 772,774

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Office on Latin America

Notes to Financial Statements

1. **Organization and nature of activities** **The Washington Office on Latin America (WOLA)** was incorporated as a non-stock and not-for-profit organization on July 27, 1981 under the laws of the District of Columbia.

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. 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** **Basis of Accounting:** WOLA's financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, WOLA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. WOLA has no permanently restricted net assets.

Cash and Cash Equivalents: Cash and cash equivalents for the statement of cash flows includes cash on hand, cash held in checking accounts, money market funds, and all highly liquid investments with maturity of three months or less.

Property and Equipment: Property and equipment is carried at cost, or if donated, at the approximate fair market value at the date of donation. 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.

Contributions and Grants: Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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.

Washington Office on Latin America

Notes to Financial Statements

2. Summary of significant accounting policies (continued)

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program, fundraising, and supporting services benefited.

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 and disclosures. Accordingly, actual results could differ from those estimates

Income Taxes: WOLA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except for unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Prior year summarized information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the WOLA's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Reclassification: Certain amounts from the prior year have been reclassified to conform to the current year financial statement presentation.

3. Concentration of credit risk

WOLA maintains its cash in bank deposit 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.

4. Cash and cash equivalents

Cash and cash equivalents at December 31, 2008 and 2007, consisted of the following:

	<u>2008</u>	<u>2007</u>
Checking	<u>\$ 759,159</u>	<u>\$ 772,774</u>

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Notes to Financial Statements

- 5. Property and equipment** Depreciation expense was \$18,261 and \$4,252 for December 31, 2008 and 2007, respectively. A summary of property and equipment follows:

	<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Furniture and equipment	\$ 49,733	\$ 31,011	\$ 29,900	\$ 50,844
Leasehold improvements	-	228,713	-	228,713
Less: accumulated depreciation/amort.	<u>(41,047)</u>	<u>(18,261)</u>	<u>(29,900)</u>	<u>(29,408)</u>
Property and equipment, net	<u>\$ 8,686</u>	<u>\$ 241,463</u>	<u>\$ -</u>	<u>\$ 250,149</u>

- 6. Line of credit** WOLA has a line of credit with a financial institution which allows for borrowing up to \$125,000. The line bears interest at 5% and is due on demand. In 2008, the line of credit expired and was not renewed. As of December 31, 2007, there was no outstanding balance on the line of credit.

- 7. 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 employee's salaries. Retirement expense for the year ended December 31, 2008 and 2007 was \$24,404 and \$20,098, respectively.

- 8. Lease commitments** WOLA signed a lease for office space on December 2007, with a commencement date of July 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 5th anniversary date where the basic rent shall increase by one dollar and fifty cents per square foot. The agreement also provides for a five year option to extend the lease. The future minimum lease payments on an annual basis are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 328,733
2010	336,952
2011	345,376
2012	354,010
2013	364,962
Thereafter	<u>1,767,181</u>
Total	<u>\$ 3,497,214</u>

Washington Office on Latin America

Notes to Financial Statements

- 8. Lease commitments (continued)** Total occupancy expense for the years ending December 31, 2008 and 2007 was \$297,962 and \$206,073, respectively.

Rental income from office space sublease to other organizations for the year ended December 31, 2008 and 2007 was \$86,384 and \$33,240, respectively. A new sublease for the new office was signed in December 2007 to commence on the commencement date of the lease through June 30, 2013.

- 9. Deferred rent** On December 2007, WOLA entered into an operating lease for office space with a commencement date of July 2008. Under this lease, WOLA is responsible for certain annual increases, and also received certain incentives for leasehold improvements totaling \$169,899. WOLA recognized the effect for 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 decreased by charges to rent expense over the lease-term on a straight-line basis. At December 31, 2008, the deferred rent liability balance was \$186,604.

- 10. Temporarily restricted net assets** Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2007</u>	<u>Additions</u>	<u>Releases</u>	<u>2008</u>
Andes Drug Policy	\$ 26,010	\$ 248,000	\$ 117,954	\$ 156,056
Cuba	6,923	155,000	90,853	71,070
Guatemala	55,052	40,000	95,052	-
Organized Crime	37,436	-	37,436	-
Police	172,749	-	108,999	63,750
Mexico	3,014	-	3,014	-
Gangs	190,989	-	126,737	64,252
General Human Rights	23,053	25,000	23,053	25,000
Rights & Development	36,150	55,500	48,231	43,419
Time restricted general support	-	750,000	-	750,000
Total	<u>\$ 551,376</u>	<u>\$ 1,273,500</u>	<u>\$ 651,329</u>	<u>\$1,173,547</u>