

**WASHINGTON OFFICE ON LATIN AMERICA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

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

## WASHINGTON OFFICE ON LATIN AMERICA

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**WASHINGTON OFFICE ON LATIN AMERICA**

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

We conducted our audit 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 audit provides 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, 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.

The 2008 financial statements of WOLA were audited by other auditors, Berry Group, CPA's, whose report dated August 6, 2009, expressed an unqualified opinion on those statements.

Bell & Frech, LLC  
Brookeville, MD  
April 2, 2010

*Bell & Frech, LLC*

WASHINGTON OFFICE ON LATIN AMERICA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

ASSETS

	<u>2009</u>	<u>2008</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,360,666	\$ 759,159
Grants and contracts receivable	465,099	699,000
Contributions receivable	19,740	21,765
Other receivable	37,944	10,720
Prepaid expenses and other	53,441	43,857
<b>Total Current Assets</b>	<u>2,936,890</u>	<u>1,534,501</u>
<b>Other Assets</b>		
Property and equipment, net	220,696	250,149
Security deposits	27,056	27,056
<b>Total Other Assets</b>	<u>247,752</u>	<u>277,205</u>
<b>Total Assets</b>	<u>\$ 3,184,642</u>	<u>\$ 1,811,706</u>

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

## LIABILITIES AND NET ASSETS

### Current Liabilities

Accounts payable and accrued expenses	\$ 73,931	\$ 52,127
Deferred rent	<u>16,990</u>	<u>16,990</u>
<b>Total Current Liabilities</b>	<u>90,921</u>	<u>69,117</u>

### Long-term Liabilities

Deferred rent	<u>189,366</u>	<u>169,614</u>
<b>Total Long-term Liabilities</b>	<u>189,366</u>	<u>169,614</u>

### Total Liabilities

	<u><u>280,287</u></u>	<u><u>238,731</u></u>
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### Net Assets

Unrestricted		
Board-designated	1,356,964	154,091
Undesignated	<u>1,224,484</u>	<u>245,337</u>

Total unrestricted net assets	2,581,448	399,428
Temporarily restricted net assets	<u>322,907</u>	<u>1,173,547</u>

### Total Net Assets

	<u>2,904,355</u>	<u>1,572,975</u>
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### Total Net Assets and Liabilities

	<u><u>\$ 3,184,642</u></u>	<u><u>\$ 1,811,706</u></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>2009</u>	<u>2008</u>
<b>Unrestricted net assets</b>		
Unrestricted revenues and gains		
Contributions	\$ 365,188	\$ 410,490
Rent income	-	86,697
Grants and contracts	1,963,836	60,000
Investment income	4,957	7,298
Publications and special events	434	1,026
Net assets released from restrictions	<u>1,608,675</u>	<u>651,329</u>
 <b>Total Unrestricted Revenues and Gains</b>	 <u>3,943,090</u>	 <u>1,216,840</u>
 <b>Expenses</b>		
Program services	<u>1,409,293</u>	<u>1,361,357</u>
 <b>Total program services</b>	 <u>1,409,293</u>	 <u>1,361,357</u>
Support services		
General and administrative	114,577	128,131
Fundraising	<u>237,200</u>	<u>270,247</u>
 <b>Total supporting services</b>	 <u>351,777</u>	 <u>398,378</u>
 <b>Total expenses</b>	 <u>1,761,070</u>	 <u>1,759,735</u>
 <b>Change in unrestricted net assets</b>	 <u>2,182,020</u>	 <u>(542,895)</u>
 <b>Temporarily restricted net assets</b>		
Grants and contributions	758,035	1,273,500
Net assets released from restrictions	<u>(1,608,675)</u>	<u>(651,329)</u>
 <b>Change in temporarily restricted net assets</b>	 <u>(850,640)</u>	 <u>622,171</u>
 <b>Change in net assets</b>	 1,331,380	 79,276
 <b>Net assets, beginning of year</b>	 <u>1,572,975</u>	 <u>1,493,699</u>
 <b>Net assets, end of year</b>	 <u>\$ 2,904,355</u>	 <u>\$ 1,572,975</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
		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

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Expenses	Supporting Services		Total Supporting Supporting Services	Total
		General and Administrative	Fundraising		
Expenses					
Salaries	\$ 668,511	\$ 62,704	\$ 131,208	\$ 193,912	\$ 862,423
Employee benefits and payroll taxes	138,973	13,439	27,113	40,552	179,525
Occupancy	231,579	21,771	44,612	66,383	297,962
Travel	88,976	3,643	7,532	11,175	100,151
Consultants	77,296	11,897	1,500	13,397	90,693
Meetings and receptions	36,990	4,799	43,019	47,818	84,808
Printing and publications	43,149	7,143	1,873	9,016	52,165
Depreciation and amortization	6,851	10,191	1,219	11,410	18,261
Professional services	11,897	988	2,188	3,176	15,073
Telephone	9,411	655	1,248	1,903	11,314
Equipment rental/purchase	8,112	876	1,525	2,401	10,513
Office supplies	5,311	1,391	2,342	3,733	9,044
Taxes and insurance	5,523	527	1,080	1,607	7,130
Subscriptions/reference materials	4,305	488	743	1,231	5,536
Postage	1,999	331	1,834	2,165	4,164
Repairs and maintenance	1,974	207	406	613	2,587
Bank fees	-	2,535	-	2,535	2,535
Dues/fees/licenses	1,000	516	805	1,321	2,321
Staff development	-	2,129	-	2,129	2,129
Recruitment	-	1,401	-	1,401	1,401
Administrative fees	19,500	(19,500)	-	(19,500)	-
	<u>\$ 1,361,357</u>	<u>\$ 128,131</u>	<u>\$ 270,247</u>	<u>\$ 398,378</u>	<u>\$ 1,759,735</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>2009</b>	<b>2008</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,368,121	\$ 79,276
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	30,908	18,261
Increase in inventory	(284)	-
(Increase) decrease in:		
Grants and contracts receivable	233,901	14,000
Contributions receivable	2,025	4,719
Other receivable	(27,224)	(9,465)
Prepaid expenses and other	(9,301)	(32,990)
Security deposits	-	(16,258)
(Increase) decrease in:		
Accounts payable and accrued expenses	21,803	1,962
Deferred rent	(16,989)	186,604
	<b>1,602,960</b>	<b>246,109</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of furniture and equipment	(1,453)	(31,011)
Leasehold improvements	-	(228,713)
	<b>(1,453)</b>	<b>(259,724)</b>
<b>Net Increase in Cash</b>	<b>1,601,507</b>	<b>(13,615)</b>
Cash, Beginning of year	759,159	772,774
<b>Cash, End of Year</b>	<b>\$ 2,360,666</b>	<b>\$ 759,159</b>

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

# WASHINGTON OFFICE ON LATIN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

### 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, 2009 AND 2008

Summary of Significant Accounting Policies, continued

*Income taxes*

WOLA has been granted tax-exempt status by the Internal Revenue Service under Code Section 501(c) (3). Accordingly, no provision for income taxes has been made in these financial statements. The Organization is not classified as a private foundation. Donations made to the Organization are tax-deductible by the donor.

*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.

*Property and Equipment and Leasehold Improvements*

Property and equipment and leasehold improvements are 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 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.

*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

DECEMBER 31, 2009 AND 2008

Summary of Significant Accounting Policies, continued

*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.

*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. Rental income has been netted with rental expense in the current year; it was reported separately in the prior year. See Note 6.

3. Concentrations

*Cash*

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

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

4. Line of credit

During 2008, WOLA had a line of credit with a financial institution which allowed for borrowing up to \$125,000. The line bore interest at 5% and was due on demand. The line of credit expired in 2008 and was not renewed.

5. 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, 2009 and 2008 was \$27,950, and \$24,404, respectively.

6. 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 fifth anniversary date where 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. The future minimum lease payments on an annual basis are as follows.

Year ending December 31,	<u>Amount</u>
2010	\$ 336,952
2011	345,376
2012	354,010
2013	364,962
2014	374,086
Thereafter	<u>1,393,095</u>
Total	<u>\$ 3,168,481</u>

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

Lease Commitments, continued

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>
2010	\$ 146,918
2011	146,217
2012	145,498
2013	<u>73,647</u>
Total	\$ <u>512,280</u>

Net occupancy expense for the years ending December 31, 2009 and 2008 was \$173,322, and \$297,962, respectively.

7. 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 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 increased or decreased by changes to rent expense over the lease-term on a straight-line basis. At December 31, 2009 the deferred rent liability balance was \$206,356.

8. Board-designated Reserve

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

Reserve	\$ 656,964
Operations – 2010	350,000
Operations – 2011	<u>350,000</u>
Total	<u>\$1,356,964</u>

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

9. Temporarily Restricted Net Assets

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

	<u>2008</u>	<u>Additions</u>	<u>Releases</u>	<u>2009</u>
Andes Drug Policy	\$ 156,056	\$ 320,090	\$ 320,208	\$ 155,938
Cuba	71,070	162,875	169,015	64,930
Colombia	-	225	225	-
Police	63,750	-	63,750	-
Mexico	-	108,400	86,867	21,534
Gangs	64,252	100,000	147,291	16,961
General Human Rights & Sally Yudelman	25,000	18,945	33,945	10,000
Rights & Development	43,419	2,500	28,717	17,201
Strategic plan	-	18,000	1,657	16,343
KAL program		27,000	7,000	20,000
Time restricted- General support	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>-</u>
Total	<u>\$1,173,547</u>	<u>\$ 758,035</u>	<u>\$1,608,675</u>	<u>\$ 322,907</u>