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**WASHINGTON OFFICE ON LATIN AMERICA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2018 AND 2017**

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

WASHINGTON OFFICE ON LATIN AMERICA

TABLE OF CONTENTS

DECEMBER 31, 2018 AND 2017

	Pages
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-15



MATTHEWS, CARTER & BOYCE
CPAs • ADVISORS

Independent Auditors' Report

Board of Directors
Washington Office on Latin America
Washington, DC

We have audited the accompanying financial statements of Washington Office on Latin America (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Office on Latin America as of December 31, 2018 and 2017, 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.

Fairfax, VA
May 3, 2019

WASHINGTON OFFICE ON LATIN AMERICA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 842,818	\$ 3,079,983	\$ 3,922,801	\$ 595,585	\$ 1,596,824	\$ 2,192,409
Contract services revenue	50,734	-	50,734	45,062	-	45,062
Special event - gala	505,434	-	505,434	304,375	-	304,375
Less cost of direct benefit to gala donors	(44,730)	-	(44,730)	(55,687)	-	(55,687)
Pledges	-	-	-	-	80,500	80,500
Investment income (loss)	(18,734)	-	(18,734)	72,605	-	72,605
Programs and publications	4,787	-	4,787	8,300	-	8,300
Donated services	1,375	-	1,375	3,000	-	3,000
Net assets released from restrictions	2,538,751	(2,538,751)	-	2,273,782	(2,273,782)	-
Total Revenue and Support	\$ 3,880,435	\$ 541,232	\$ 4,421,667	\$ 3,247,022	\$ (596,458)	\$ 2,650,564
EXPENSES						
Program services	\$ 2,833,863	\$ -	\$ 2,833,863	\$ 2,628,173	\$ -	\$ 2,628,173
Supporting services						
General and administrative	\$ 322,981	\$ -	\$ 322,981	\$ 381,588	\$ -	\$ 381,588
Fundraising	452,604	-	452,604	412,991	-	412,991
Total Supporting Services	\$ 775,585	\$ -	\$ 775,585	\$ 794,579	\$ -	\$ 794,579
Total Expenses	3,609,448	-	3,609,448	3,422,752	-	3,422,752
CHANGE IN NET ASSETS	\$ 270,987	\$ 541,232	\$ 812,219	\$ (175,730)	\$ (596,458)	\$ (772,188)
NET ASSETS, BEGINNING OF YEAR	777,488	2,030,363	2,807,851	953,218	2,626,821	3,580,039
NET ASSETS, END OF YEAR	\$ 1,048,475	\$ 2,571,595	\$ 3,620,070	\$ 777,488	\$ 2,030,363	\$ 2,807,851

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

WASHINGTON OFFICE ON LATIN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

Expenses	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		General and Administrative	Fundraising		
Salaries	\$ 1,558,942	\$ 193,695	\$ 223,265	\$ 416,960	\$ 1,975,902
Employee benefits and payroll taxes	322,976	40,178	46,073	86,251	409,227
Occupancy	212,490	26,318	30,332	56,650	269,140
Travel	271,780	12,890	25,438	38,328	310,108
Consultants	300,192	2,645	30,519	33,164	333,356
Meetings and receptions	13,742	3,340	51,513	54,853	68,595
Communications	15,598	413	8,792	9,205	24,803
Printing and publications	11,342	517	15,949	16,466	27,808
Depreciation and amortization	34,827	4,327	4,987	9,314	44,141
Professional services	20,648	3,551	2,980	6,531	27,179
Telephone	34,381	4,874	5,082	9,956	44,337
Equipment rental/purchase	3,402	361	452	813	4,215
Office supplies	7,089	850	1,207	2,057	9,146
Taxes and insurance	10,333	3,283	1,545	4,828	15,161
Subscriptions/reference materials	15,058	1,093	1,430	2,523	17,581
Postage	48	112	3,040	3,152	3,200
Recruitment	-	1,280	-	1,280	1,280
Bank and credit card fees	-	10,588	-	10,588	10,588
Dues/fees/licenses	1,015	3,022	-	3,022	4,037
Staff development	-	9,644	-	9,644	9,644
Total Expenses	\$ 2,833,863	\$ 322,981	\$ 452,604	\$ 775,585	\$ 3,609,448

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

WASHINGTON OFFICE ON LATIN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

Expenses	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		General and Administrative	Fundraising		
Salaries	\$ 1,435,437	\$ 214,642	\$ 206,141	\$ 420,783	\$ 1,856,220
Employee benefits and payroll taxes	295,513	49,453	42,937	92,390	387,903
Occupancy	166,529	27,240	22,525	49,765	216,294
Travel	277,757	17,371	31,842	49,213	326,970
Consultants	198,515	6,294	29,550	35,844	234,359
Meetings and receptions	37,225	8,257	26,563	34,820	72,045
Communications	56,055	1,262	19,478	20,740	76,795
Printing and publications	23,423	986	12,565	13,551	36,974
Depreciation and amortization	51,697	7,731	7,424	15,155	66,852
Professional services	13,983	5,500	1,687	7,187	21,170
Telephone	33,716	6,296	4,803	11,099	44,815
Equipment rental/purchase	2,226	506	338	844	3,070
Office supplies	6,720	2,312	1,009	3,321	10,041
Taxes and insurance	8,067	1,339	1,171	2,510	10,577
Subscriptions/reference materials	11,931	2,040	1,143	3,183	15,114
Postage	-	254	3,144	3,398	3,398
Recruitment	-	1,343	-	1,343	1,343
Repairs and maintenance	1,456	243	206	449	1,905
Bank and credit card fees	-	7,287	-	7,287	7,287
Dues/fees/licenses	1,233	4,405	95	4,500	5,733
Staff development	6,690	16,827	370	17,197	23,887
Total Expenses	\$ 2,628,173	\$ 381,588	\$ 412,991	\$ 794,579	\$ 3,422,752

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

WASHINGTON OFFICE ON LATIN AMERICA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 812,219	\$ (772,188)
Adjustments to reconcile change in net assets to net cash - operating activities:		
Depreciation and amortization	44,141	66,852
Unrealized (gains) on investments	40,663	(53,480)
Discount on grants receivable	12,000	-
(Increase) decrease in:		
Grants and contracts receivable	(212,683)	354,185
Pledges receivable	68,500	(7,500)
Contributions receivable	6,969	(68,419)
Other receivables	15,057	(8,455)
Prepaid expenses and other	12,606	4,621
Security deposit	-	2,866
Increase (decrease) in:		
Accounts payable and accrued expenses	(16,744)	20,827
Deferred revenue	125,846	24,401
Deferred rent and lease incentive	(26,226)	215,848
	\$ 882,348	\$ (220,442)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments - reinvested dividends and earnings	\$ (21,066)	\$ (18,801)
Purchase of property and equipment	-	(204,295)
	\$ (21,066)	\$ (223,096)
NET CHANGE IN CASH	\$ 861,282	\$ (443,538)
CASH, BEGINNING OF YEAR	431,080	874,618
CASH, END OF YEAR	\$ 1,292,362	\$ 431,080
Supplemental Disclosure of Cash Flow Information:		
Federal taxes paid related to taxable transportation fringe benefits	\$ 2,033	\$ -

There was no non-cash investing or financing activity during the years ended December 31, 2018 or 2017.

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

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1. Organization

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

WOLA is a leading research and advocacy organization advancing human rights in the Americas. The Organization envisions a future where public policies protect human rights and recognize human dignity, and where justice overcomes violence. WOLA tackles problems that transcend borders and demand cross-border solutions. The Organization creates strategic partnerships with courageous people making social change – advocacy organizations, academics, religious and business leaders, artists, and government officials. Together, WOLA and its partners advocate for more just societies in the Americas.

Note 2. Summary of Significant Accounting Policies

This summary of WOLA's significant accounting policies is presented to assist in understanding the financial statements.

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

Financial Statement Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Presentation of Financial Statements for Not-for-Profit Entities. Under FASB ASC 958-205, WOLA is required to report information regarding its financial positions and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in pursuing the objectives of the organization. These net assets may be used at the discretion of Washington Office on Latin America's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Washington Office on Latin America or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. WOLA does not have funds with perpetual restriction.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are classified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities and Changes in Net Assets.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Internal Revenue Service has determined that WOLA 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. WOLA did not have any unrelated business income during the years ended December 31, 2018 or 2017. However, WOLA did incur a tax liability of \$2,033, for the year ended December 31, 2018, related to taxable transportation fringe benefits which are taxable for 2018 as a result of the Tax Cuts and Jobs Act enacted December 22, 2017.

Income tax benefits and liabilities 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. WOLA has analyzed the tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. WOLA believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on WOLA's financial condition, results of operations or cash flows. Accordingly, WOLA has not recorded any reserves, or related accruals for interest or penalties for uncertain income tax positions at December 31, 2018 or 2017.

Cash and Cash Equivalents

For financial statement purposes, WOLA considers all interest bearing deposits, except for cash and money market funds held in professionally managed investment accounts, to be cash equivalents.

Financial Instruments and Credit Risk

WOLA maintains its cash and cash equivalents with a commercial financial institution in which the aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. WOLA has never experienced, nor does management anticipate, any losses on its funds.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates.

Investments are monitored by the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, WOLA believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Fair Value

The carrying amounts reflected in the financial statements for cash and cash equivalents accounts approximate the respective fair values due to the short maturities of those instruments. Investments are reported at cost, if purchased, or fair value, if donated. Thereafter, investments are reported at their fair values in the Statements of Financial Position, and changes in fair value are reported as investment income in the Statements of Activities and Changes in Net Assets.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value (Concluded)

In accordance with the ASC, WOLA 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 instrument fall within different levels of the 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 that WOLA has the ability to access.
- Level 2. These are investments where values are based on quoted prices in markets that are not active, or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.
- Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions by management about what market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Property and Equipment, Leasehold Improvements, Depreciation and Amortization

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 acquired. 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 seven 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 when WOLA would have otherwise had to purchase the goods or services. During 2018 and 2017, WOLA received donated services valued at \$1,375 and \$3,000, respectively. These services are included in professional services in the Statements of Functional Expenses.

WOLA generally pays for services requiring specific expertise. While many individuals volunteer their time and perform a variety of tasks that assist WOLA in its work, these services do not meet the criteria for recognition as contributed services.

Grants, Contributions, Pledges and Other Receivables

Grants, contributions and pledges received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2. Summary of Significant Accounting Policies (Continued)

Grants, Contributions, Pledges and Other Receivables (Concluded)

Other accounts receivable are recorded at the lower of cost or fair value. The risk of loss on the receivables is the balance due at the time of default. All receivables are unsecured.

WOLA uses the allowance method to determine uncollectible grants, contributions, pledges and other receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined that no allowance is necessary as of December 31, 2018 or 2017.

WOLA's revenue stream varies from year to year due to the fact that WOLA has throughout its history received large grants in a particular year that are then disbursed over a period of one to five years. This revenue stream results in WOLA reflecting income in one year, generally followed by one to five years of losses as WOLA disburses the funds to comply with grant requirements.

Deferred Revenue

Deferred revenue represents payments received for services that have not yet been performed.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon timesheets and management's best estimates of the proportion of these costs applicable to each program. Other allocable costs have been allocated to program expenses and supporting services based upon management's best estimates.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. Additionally, ASU 2016-14 increases the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. WOLA adopted ASU 2016-14 for the year ended December 31, 2018. The ASU has been applied retrospectively to all periods presented.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note.3 Liquidity and Availability

Financial assets available for general unrestricted expenditure within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,292,362
Grants and contracts receivable, current	1,230,998
Contributions receivable	95,115
Pledges receivable	25,000
Other receivables	<u>1,405</u>
	\$ 2,644,880

Less amounts not available to be used within one year:	
Net assets with donor restrictions to be used within one year	<u>(2,133,595)</u>

Financial assets available to meet general expenditures over the next twelve months	<u>\$ 511,285</u>
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Our investment account totaling \$867,265 has been set aside as a reserve by the Board of Directors. Although we do not intend to spend from this board-designated account, these amounts could be made available to meets cash flow needs, if necessary.

Note 4. Investments

WOLA invests in professionally managed portfolios. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Investment securities are carried at fair value based on quoted prices in active markets (all Level 1 inputs) and consist of the following at December 31:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity funds	\$ 214,596	\$ 308,807	\$ 208,390	\$ 325,646
Bond funds	536,293	517,965	523,412	518,161
REIT funds	<u>32,892</u>	<u>40,493</u>	<u>31,544</u>	<u>43,055</u>
	<u>\$ 783,781</u>	<u>\$ 867,265</u>	<u>\$ 763,346</u>	<u>\$ 886,862</u>

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4. Investments (Concluded)

Return on investments and interest income on bank accounts consists of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 21,746	\$ 18,805
Capital gains	183	320
Net unrealized (loss) gains	<u>(40,663)</u>	<u>53,480</u>
Total Return	<u>\$ (18,734)</u>	<u>\$ 72,605</u>

The investment account represents the amount that has been set aside by the Board of Directors as a reserve. Recent market conditions have resulted in an unusually high degree of volatility which could impact the value of the investments after the date of these financial statements.

Note 5. Grants, Contracts and Pledges Receivable

Grants and contracts receivable consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 1,230,998	\$ 1,418,315
One to five years	<u>400,000</u>	<u>-</u>
Grants and contracts receivable	\$ 1,630,998	\$ 1,418,315
Less discount	<u>(12,000)</u>	<u>-</u>
Grants and contracts receivable, net	<u>\$ 1,618,998</u>	<u>\$ 1,418,315</u>

Pledges receivable consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 25,000	\$ 78,500
One to five years	<u>-</u>	<u>15,000</u>
	<u>\$ 25,000</u>	<u>\$ 93,500</u>

Note 6. Property and Equipment

Property and equipment consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 199,952	\$ 199,952
Furniture and equipment	57,617	57,617
Website	<u>43,190</u>	<u>43,190</u>
	\$ 300,759	\$ 300,759
Less, accumulated depreciation and amortization	<u>(132,813)</u>	<u>(88,672)</u>
Net Property and Equipment	<u>\$ 167,946</u>	<u>\$ 212,087</u>

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 6. Property and Equipment (Concluded)

Depreciation and amortization expense totaled \$44,141 and \$66,852 for years ended December 31, 2018 and 2017, respectively.

Note 7. Tax Shelter Annuity Plan

WOLA sponsors 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 a five percent matching contribution of eligible employees' salaries. Retirement plan expense for the years ended December 31, 2018 and 2017 was \$44,375 and \$45,558 respectively.

Note 8. Lease Commitments, Deferred Rent and Deferred Lease Incentive

WOLA signed a lease for office space in December 2007, with a commencement date of July 1, 2008 and an expiration date of June 30, 2018. The lease agreement was renegotiated and extended in December 2016 with amendments in April and November of 2017. The lease extension commenced on July 1, 2017 and expires on June 30, 2024. The extended lease agreement provides for:

- a decrease in the square footage that is being rented,
- an annual increase of 2.5% to the base rent,
- an option to extend the lease for an additional five-year term,
- additional rent for the increase in real estate taxes and operating costs over the base year costs for WOLA's proportionate share of such costs,
- rent was abated for the period July through November 2017,
- the security deposit was decreased from \$27,056 to \$24,190, and
- the landlord provided WOLA with an improvement allowance not to exceed \$208,380 to be used for designing and constructing tenant improvements.

Rent expense under this lease will be recognized over the life of the lease on a straight-line basis. Straight-line rent expense over the life of the lease will be \$290,131 for each of the years 2018 through 2023 and \$145,066 for the year ending December 31, 2024. During 2018 the variance between the straight-line rent expense and the rent paid/abated was recorded as deferred rent in the amount of \$1,768.

As of December 31, 2017, WOLA had incurred \$199,952 of tenant improvements which qualify for the improvement allowance. This amount is recorded as leasehold improvements and deferred lease incentive in the statements of financial position. The leasehold improvements will be amortized over the life of the lease on a straight-line basis. The deferred lease incentive will be amortized against rent expense over the life of the lease on a straight-line basis. For the year ended December 31, 2018, \$27,993 has been recorded as amortization of this deferred lease incentive to reduce rent expense.

WOLA leases office equipment under an agreement, which expires in September 2021. The monthly payment under this lease is \$556. Annual payments are \$6,669.

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8. Lease Commitments, Deferred Rent and Deferred Lease Incentive (Concluded)

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 302,256
2020	309,653
2021	315,557
2022	318,300
2023	326,254
Thereafter	<u>165,141</u>
Total	<u>\$ 1,737,161</u>

In March 2016, WOLA entered into a sublease agreement for a portion of the office space for a lease term commencing on April 1, 2016 and expiring on September 30, 2017. The rental income is reported as a reduction of occupancy expense. There is no future minimum rental income from subleases.

Note 9. Concentrations

Donors

Two donors accounted for approximately 60% of total revenue recognized in 2018. These were one time payments for multi-year grants that run through 2020, which distorts their actual impact on any one year's operating budget. The same two donors accounted for approximately 72% of grants and contracts receivable at December 31, 2018.

Two donors accounted for approximately 37% of total revenue in 2017. Three donors accounted for approximately 78% of grants and contracts receivable at December 31, 2017.

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2017</u>	<u>Additions</u>	<u>Releases</u>	<u>2018</u>
Program Activities	\$ 1,169,589	\$ 767,618	\$ 1,204,057	\$ 733,150
Time Restricted	752,274	2,312,365	1,251,194	1,825,445
Pledges	<u>108,500</u>	<u>-</u>	<u>83,500</u>	<u>25,000</u>
Total	<u>\$ 2,030,363</u>	<u>\$ 3,079,983</u>	<u>\$ 2,538,751</u>	<u>\$ 2,571,595</u>
	<u>2016</u>	<u>Additions</u>	<u>Releases</u>	<u>2017</u>
Program Activities	\$ 975,850	\$ 1,596,824	\$ 1,403,085	\$ 1,169,589
Time Restricted	1,544,971	-	792,697	752,274
Pledges	<u>106,000</u>	<u>80,500</u>	<u>78,000</u>	<u>108,500</u>
Total	<u>\$ 2,626,821</u>	<u>\$ 1,677,324</u>	<u>\$ 2,273,782</u>	<u>\$ 2,030,363</u>

WASHINGTON OFFICE ON LATIN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 11. Subsequent Events

Management has evaluated subsequent events through May 3, 2019, the date on which the financial statements were available to be issued. Management determined that no subsequent event has occurred that requires recognition or disclosure in the financial statements.