WASHINGTON OFFICE ON LATIN AMERICA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

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JM&M
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Board of Directors
Washington Office on Latin America
Washington, DC

Opinion

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, 2022 and 2021, and the related statements of activities, 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 Washington Office on Latin America as of December 31, 2022 and 2021, 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 Washington Office on Latin America 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 Washington Office on Latin America'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 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 Washington Office on Latin America'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 Washington Office on Latin America'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.

Emphasis of Matter

As discussed in Note B to the financial statements, during the year ended December 31, 2022, Washington Office on Latin America adopted new accounting guidance: Accounting Standards Update 2016-02, *Leases*, and Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

JM & M

Columbia, MD
June 21, 2023

WASHINGTON OFFICE ON LATIN AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 1,959,859	$ 3,471,662
Grants receivable, current portion	721,106	465,270
Contributions receivable	44,803	16,385
Pledges receivable	7,680	5,000
Accounts receivable	71,745	1,025
Prepaid expenses	44,752	61,061
Employee advances	8,770	10,003
Total Current Assets	2,858,715	4,030,406
OTHER ASSETS		
Grants receivable, net of current portion and discount	764,000	1,370,500
Property and equipment, net	83,283	115,460
Investments	1,007,369	1,174,439
Right-of-use asset - operating lease	1,719,732	-
Right-of-use asset - finance lease	38,217	-
Security deposit	24,190	24,190
Total Other Assets	3,636,791	2,684,589
TOTAL ASSETS	$ 6,495,506	$ 6,714,995

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 62,967	$ 74,550
Accrued expenses	71,950	77,960
Lease liability - operating lease, current portion	188,728	-
Lease liability - finance lease, current portion	9,564	-
Deferred rent and lease incentive, current portion	-	56,162
Deferred revenue	144,001	305,752
Total Current Liabilities	477,210	514,424
LONG-TERM LIABILITIES		
Lease liability - operating lease, net of current portion	1,629,192	-
Lease liability - finance lease, net of current portion	28,653	-
Deferred rent and lease incentive, net of current portion	-	98,188
Total Long-Term Liabilities	1,657,845	98,188
Total Liabilities	2,135,055	612,612
NET ASSETS		
Without donor restrictions:		
Undesignated	1,450,117	319,665
Board designated - reserve	1,007,369	1,174,439
Total net assets without donor restrictions	2,457,486	1,494,104
With donor restrictions	1,902,965	4,608,279
Total Net Assets	4,360,451	6,102,383
TOTAL LIABILITIES AND NET ASSETS	$ 6,495,506	$ 6,714,995

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

WASHINGTON OFFICE ON LATIN AMERICA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	$ 980,684	$ 482,850	$ 1,463,534
Government grants	690,485	-	690,485
Special events	293,583	-	293,583
Pledges	51,100	-	51,100
Programs	2,600	-	2,600
Interest income	251	-	251
Investment loss, net	(169,061)	-	(169,061)
Net assets released from restrictions	3,188,164	(3,188,164)	-
Total Revenue and Support	5,037,806	(2,705,314)	2,332,492
EXPENSES			
Program Services	3,076,385	-	3,076,385
Support Services:			
General and administration	473,348	-	473,348
Fundraising	524,691	-	524,691
Total Support Services	998,039	-	998,039
Total Expenses	4,074,424	-	4,074,424
CHANGE IN NET ASSETS (DEFICIT)	963,382	(2,705,314)	(1,741,932)
NET ASSETS, beginning of year	1,494,104	4,608,279	6,102,383
NET ASSETS, end of year	$ 2,457,486	$ 1,902,965	$ 4,360,451

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

WASHINGTON OFFICE ON LATIN AMERICA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	$ 1,004,466	$ 4,923,318	$ 5,927,784
Government grants	381,525	-	381,525
Forgiveness of PPP loan	448,631	-	448,631
Special events	193,490	-	193,490
Pledges	175,150	-	175,150
Contract services revenue	9,500	-	9,500
In-kind donations	7,500	-	7,500
Programs	1,772	-	1,772
Interest income	264	-	264
Investment income, net	70,502	-	70,502
Other income	32,735	-	32,735
Net assets released from restrictions	1,328,441	(1,328,441)	-
Total Revenue and Support	3,653,976	3,594,877	7,248,853
EXPENSES			
Program Services	3,077,908	-	3,077,908
Support Services:			
General and administration	426,968	-	426,968
Fundraising	549,608	-	549,608
Total Support Services	976,576	-	976,576
Total Expenses	4,054,484	-	4,054,484
CHANGE IN NET ASSETS (DEFICIT)	(400,508)	3,594,877	3,194,369
NET ASSETS, beginning of year	1,894,612	1,013,402	2,908,014
NET ASSETS, end of year	$ 1,494,104	$ 4,608,279	$ 6,102,383

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

WASHINGTON OFFICE ON LATIN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

		Support Services			
	Program Services	General and Administration	Fundraising	Total Support Services	TOTAL
Personnel Expense:					
Salaries and related expenses	$ 1,493,097	$ 155,770	$ 212,709	$ 368,479	$ 1,861,576
Payroll taxes	127,149	11,583	18,001	29,584	156,733
Benefits and insurance	238,031	23,131	35,631	58,762	296,793
Retirement benefits	50,771	4,920	7,673	12,593	63,364
Subtotal Personnel Expense	1,909,048	195,404	274,014	469,418	2,378,466
Accounting and audit	-	29,096	-	29,096	29,096
Amorization of finance lease	-	9,433	-	9,433	9,433
Bad debt	-	6,057	-	6,057	6,057
Bank and credit card fees	-	4,987	-	4,987	4,987
Communications	15,689	575	22,215	22,790	38,479
Consultants	578,684	143,531	68,254	211,785	790,469
Depreciation and amortization	39,619	4,273	5,939	10,212	49,831
Dues, fees and licenses	1,252	1,446	6,451	7,897	9,149
Equipment rental and maintenance	23,854	1,523	14,231	15,754	39,608
Insurance	12,218	1,195	1,845	3,040	15,258
Interest	-	594	-	594	594
Meetings and conferences facilities	14,462	6,867	32,610	39,477	53,939
Occupancy	210,099	20,518	31,684	52,202	262,301
Office expenses	4,242	2,446	6,994	9,440	13,682
Postage	7	237	3,426	3,663	3,670
Printing	1,688	959	17,740	18,699	20,387
Recruitment	145	19,767	-	19,767	19,912
Staff development	919	8,842	2,987	11,829	12,748
Subscriptions and reference materials	41,686	2,496	5,530	8,026	49,712
Telephone and internet	41,639	3,974	6,125	10,099	51,738
Travel	181,134	9,128	24,646	33,774	214,908
Total Expenses	$ 3,076,385	$ 473,348	$ 524,691	$ 998,039	$ 4,074,424

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

WASHINGTON OFFICE ON LATIN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

		Support Services			
	Program Services	General and Administration	Fundraising	Total Support Services	TOTAL
Personnel Expense:					
Salaries and related expenses	$ 1,699,285	$ 138,242	$ 227,408	$ 365,650	$ 2,064,935
Payroll taxes	146,444	11,023	19,581	30,604	177,048
Benefits and insurance	240,803	18,614	33,263	51,877	292,680
Retirement benefits	59,314	4,609	8,205	12,814	72,128
Subtotal Personnel Expense	2,145,846	172,488	288,457	460,945	2,606,791
Accounting and audit	-	53,054	-	53,054	53,054
Bank and credit card fees	-	8,323	-	8,323	8,323
Communications	68,703	33,948	13,814	47,762	116,465
Consultants	434,071	92,053	142,879	234,932	669,003
Depreciation and amortization	38,310	2,977	5,281	8,258	46,568
Donated legal services	-	7,500	-	7,500	7,500
Dues, fees and licenses	5,072	3,102	1,800	4,902	9,974
Equipment rental and maintenance	18,787	4,987	1,420	6,407	25,194
Insurance	11,424	1,295	1,589	2,884	14,308
Meetings and conferences facilities	14,435	4,039	30,001	34,040	48,475
Occupancy	216,062	16,587	30,049	46,636	262,698
Office expenses	5,717	869	4,591	5,460	11,177
Postage	58	298	1,497	1,795	1,853
Printing	8,541	591	18,030	18,621	27,162
Recruitment	50	6,675	-	6,675	6,725
Staff development	1,406	8,082	64	8,146	9,552
Subscriptions and reference materials	31,670	4,760	3,273	8,033	39,703
Telephone and internet	43,797	3,394	6,078	9,472	53,269
Travel	33,959	1,946	785	2,731	36,690
Total Expenses	$ 3,077,908	$ 426,968	$ 549,608	$ 976,576	$ 4,054,484

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

WASHINGTON OFFICE ON LATIN AMERICA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,741,932)	$ 3,194,369
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	49,831	46,568
Right-of-use asset - operating lease, initial recognition	(1,719,732)	-
Right-of-use asset - finance lease, initial recognition	(47,650)	-
Lease liability - operating lease, initial recognition	1,817,920	-
Lease liability - finance lease, initial recognition	47,650	-
Amortization of right-of-use asset - finance lease	9,433	-
Loss on disposal of property and equipment	-	101
Loss on sales of donated securities	1,990	659
Investment loss (income)	167,071	(71,161)
Forgiveness of PPP loan	-	(448,631)
Discount on grants receivable	40,500	(76,500)
Decrease (increase) in assets:		
Grants receivable	310,164	(1,611,770)
Contributions receivable	(28,418)	71,899
Pledges receivable	(2,680)	-
Accounts receivable	(70,720)	2,595
Prepaid expenses	16,309	(84)
Employee advances	1,233	(1,131)
Increae (decrease) in liabilities:		
Accounts payable	(11,583)	14,202
Accrued expenses	(6,010)	7,505
Lease liability - finance lease	(9,433)	-
Deferred rent and lease incentive	(154,350)	(48,418)
Deferred revenue	(161,751)	148,452
Net Cash (Used for) Provided by Operating Activities	(1,492,158)	1,228,655
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(323,582)	(259,912)
Proceeds from sales of investments	321,591	274,366
Purchases of property and equipment	(17,654)	(4,256)
Net Cash (Used for) Provided by Investing Activities	(19,645)	10,198
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,511,803)	1,238,853
CASH AND CASH EQUIVALENTS, beginning of year	3,471,662	2,232,809
CASH AND CASH EQUIVALENTS, end of year	$ 1,959,859	$ 3,471,662

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

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAM SERVICES

Washington Office on Latin America ("WOLA" or the "Organization") was incorporated on July 27, 1981, as a District of Columbia nonprofit organization. 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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenue and related assets are recognized when earned, and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. In accordance with Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, the net assets of the Organization and changes therein, are classified and reported as follows:

> *Net Assets without Donor Restrictions* – Net assets not subject to donor-imposed restrictions or stipulations.
>
> *Net Assets with Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Organization and/or the passage of time, or that must be maintained in perpetuity by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Adoption of New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, ("Topic 842"), as amended. Topic 842 supersedes the lease requirements in FASB ASC 840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. WOLA adopted Topic 842, with an initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Adoption of New Accounting Pronouncements – continued

WOLA did not restate prior comparative periods as presented under Topic 842, and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of the adoption of Topic 842.

As part of the transition, WOLA implemented new controls and key system functionality to enable the preparation of financial information at the time of the adoption of ASC Topic 842 and elected to apply the following practical expedients:

a) No reassessment of whether any expired or existing contracts contain a lease.
b) No reassessment of initial direct costs for any existing leases as of the effective date.
c) In calculating the right-of-use asset and lease liability, WOLA has elected to combine lease and non-lease components.
d) As an accounting policy, WOLA has elected to apply the short-term lease exception to all leases having initial terms of 12 months or less, and recognize occupancy expense on a straight-line basis over the lease term.
e) As an accounting policy, WOLA has also elected to use a risk-free rate as the discount rate for all of its leases.

As of January 1, 2022, WOLA recognized (a) a finance lease liability totaling $47,650, which represents the present value of the remaining lease payments of $49,300 discounted using the practical expedient risk-free rate of 1.37% per annum, and (b) a finance lease right-of-use asset totaling $47,650. As described in Note L, WOLA entered into a new operating lease amendment on December 29, 2022, therefore the operating lease in place on January 1, 2022 was considered a short-term lease and the lease that was entered into on December 29, 2022, is being presented under Topic 842 as an operating lease asset and operating lease liability in the statement of financial position as of December 31, 2022. As of December 29, 2022, WOLA recognized (a) an operating lease liability totaling $1,817,920, which represents the present value of the remaining lease payments of $2,113,361 discounted using the practical expedient risk-free rate of 3.91% per annum, and (b) an operating lease right-of-use asset totaling $1,719,732.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires updated presentation and enhanced disclosure related to contributed nonfinancial assets received. This enhanced disclosure includes disaggregation of significant categories of contributed nonfinancial assets and additional qualitative information regarding the use of these contributed nonfinancial assets. ASU 2020-07 has been implemented in the accompanying financial statements on a retrospective basis, however, there is no effect on net assets in connection with the implementation of ASU 2020-07 as the update only increased presentation and disclosure requirements for the prior year and did not impact amounts recorded.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less and money market accounts,

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents - continued

to be cash equivalents. The Organization has certain bank accounts with financial institutions which, at times, may exceed the Federal Deposit Insurance Corporation's ("FDIC") insurance limit of $250,000 per institution. At times, balances in these accounts may exceed the FDIC insured limit. However, the Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants, Contributions and Accounts Receivable

Grants, contributions and accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved. As of December 31, 2022 and 2021, management has determined that all significant grants and contributions receivable are collectible; therefore, an allowance for doubtful accounts has not been established. Receivables that are expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate of 3% for each long-term amount to be received.

Pledges Receivable

Unconditional promises to give are recognized in the period received. Conditional promises to give are recognized only when the conditions on which the promises depend are substantially met, in which case, the promises become unconditional. As of December 31, 2022 and 2021, management has determined that all significant pledges receivable are collectible; therefore, an allowance for doubtful pledges has not been established.

Investments

Investments in marketable securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Dividends are recorded on the ex-dividend date. Interest is recognized when earned. Purchases and sales of investments are reflected on a trade-date basis. Investment income is recognized on the statements of activities in the period in which the changes occur, and are recorded net of investment fees incurred. Donated securities are recorded at fair value on the date of the gift.

Property and Equipment

Purchased property and equipment are capitalized at cost and are depreciated and amortized on a straight-line basis over their estimated useful lives, which range from three to fourteen years depending on the type of asset. Donated property and equipment are capitalized at fair value at the date of donation. Expenditures greater than $2,000, which increase the asset's useful life, are capitalized while repairs and maintenance are generally expensed.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Right-of-Use ("ROU") Assets and Lease Liabilities

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received). Operating lease payments are recognized on a straight-line basis over the lease term.

The Organization is a lessee in several noncancellable leases for building space and equipment. Leases for equipment were evaluated using the criteria outlined in ASC Topic 842 to determine whether the equipment leases were operating or finance leases.

As of December 31, 2022, all equipment leases were determined to be finance leases, and are recorded separately from the building lease on the statement of financial position as both a right-to-use ("ROU") asset and lease liability, calculated by discounting fixed lease payments over the lease term at the risk-free rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term.

For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recognized when incurred.

The Organization excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy and recognizes rent expense on a straight-line basis over the lease term. Beginning December 29, 2022, operating and finance lease ROU assets and related current and long-term portions of operating and capital lease liabilities have been presented in the statements of financial position.

Revenue Recognition Policies

Grants and Contributions – The Organization recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support. Cash received in excess of revenue recognized is recorded as deferred revenue on the statements of financial position.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition Policies – continued

Government Grants – Government grants are received primarily from foreign governments and are considered conditional in nature. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. As of the beginning of the year ended December 31, 2021, deferred revenue totaled $157,300.

Pledges – Pledges are earned from unconditional and conditional promises to give. Unconditional promises to give are recognized at a point in time when the pledge is made. Conditional promises to give are recognized at a point in time when the conditions on which the promises depend have been substantially met, in which case, the promises become unconditional.

Special Events – Special events revenue is received for fundraising events held by the Organization, and are recognized at a point in time when the event takes place.

Programs – Program revenue is primarily from honoraria and site trip reimbursements, and is recognized at a point in time when services are provided.

Contract Services Revenue – Contract services revenue is recognized over time in accordance with the terms of the contracts.

In-Kind Donations

In-kind donations are recorded at fair value at the date of donation. Donated services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. Such services are valued at the hourly rates of compensation for such personnel.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or support functions. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include salaries and related expenses, as well as occupancy costs, depreciation and amortization, office expenses and other general organizational costs, which are allocated on the basis of time and effort expended.

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 of revenue and expenses during the reporting periods and reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE C – INCOME TAXES

WOLA is a 501(c)(3) organization exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code. The Organization is, however, subject to tax on business income unrelated to the respective exempt purposes. The Internal Revenue Service ("IRS") has determined that the Organization is not a private foundation and files information returns as required.

The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There were no unrecognized tax benefits or liabilities that needed to be recorded.

The Organization's information returns are subject to examination by the IRS for a period of three years from the date they were filed, except under certain circumstances. The Organization's information returns for the years ended December 31, 2019 through 2021, are open for IRS examination, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization strives to maintain liquid financial assets sufficient to cover at least 25% of the annual budget for a given year. The Organization also operates with a budget plan and anticipates collecting sufficient revenue to cover general expenditures. Although the Organization does not intend to use funds from its board designated reserve (see Note I), funds could be made available through board resolution, if necessary, to meet cash flow needs within one year. In addition, $1,138,965 of net assets with donor restrictions as of December 31, 2022, are expected to be used within one year.

The following table reflects the Organization's financial assets as of December 31, 2022 and 2021, that are available to meet general expenditures within one year of the statements of the financial position date:

	2022	2021
Cash and cash equivalents	$ 1,959,859	$ 3,471,662
Grants receivable, current	721,106	465,270
Contributions receivable	44,803	16,385
Pledges receivable	7,680	5,000
Other receivables	71,745	1,025
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	$ 2,805,193	$ 3,959,342

NOTE E – GRANTS RECEIVABLE

Grants receivable consisted of the following as of December 31:

	2022	2021
Amounts due in:		
Less than one year	$ 721,106	$ 465,270
One to five years	800,000	1,447,000
Grants receivable	1,521,106	1,912,270
Less: discount at the rate of 3%	(36,000)	(76,500)
Grants Receivable, Net	$ 1,485,106	$ 1,835,770

NOTE F – PROPERTY AND EQUIPMENT

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

	2022	2021
Leasehold improvements	$ 199,952	$ 199,952
Furniture and equipment	55,462	47,747
Website	90,613	90,613
Total Property and Equipment	346,027	338,312
Less: accumulated depreciation and amortization	(262,744)	(222,852)
Property and Equipment, Net	$ 83,283	$ 115,460

During the years ended December 31, 2022 and 2021, the Organization disposed of fully depreciated property and equipment with a cost of $9,939 and $27,701, respectively. Depreciation and amortization expense for the years ended December 31, 2022 and 2021, was $49,831 and $46,568, respectively.

NOTE G – INVESTMENTS AND FAIR VALUE MEASUREMENT

FASB ASC Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

> *Level 1* – Inputs are based on unadjusted quoted prices for identical assets traded in an active market that WOLA has the ability to access.

NOTE G – INVESTMENTS AND FAIR VALUE MEASUREMENT – continued

Level 2 – Inputs are based on quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

Level 3 – Inputs are unobservable and significant to the overall fair value measurement.

All of the Organization's investments for the years ended December 31, 2022 and 2021, were in mutual funds. The Organization's investments in mutual funds are based on observable market quotations and are considered Level 1 items.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment securities are exposed to various risks, such as interest rate, 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 change could materially affect the amounts reported in the statements of financial position.

The following table presents the Organization's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 1,007,369	$ -	$ -	$ 1,007,369
Total	$ 1,007,369	$ -	$ -	$ 1,007,369

The following table presents the Organization's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2021:

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 1,174,439	$ -	$ -	$ 1,174,439
Total	$ 1,174,439	$ -	$ -	$ 1,174,439

NOTE H – PAYCHECK PROTECTION PROGRAM ("PPP") LOAN

On April 20, 2020, the Organization secured a $448,631 loan with TD Bank, N.A. (the "Lender") under the Small Business Administration's ("SBA") PPP loan program that authorized forgivable loans to small businesses. The loan could be used to cover certain expenses during the COVID-19 crisis. The loan amounts would be forgiven as long as the loan proceeds were used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan was made. If not used for the described purpose, the loan was due on April 20, 2022, along with interest calculated at a rate of 1% per annum. On May 11, 2021, the Organization was notified by the Lender that the loan had been formally fully forgiven, and the related loan forgiveness is reflected as revenue in the accompanying statement of activities for the year ended December 31, 2021.

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were designated by donors for the following purposes as of December 31:

	2022	2021
Net Assets with Donor Restrictions:		
Research and advocacy programs	$ 188,965	$ 455,779
Time restricted	1,714,000	4,152,500
Total Net Assets with Donor Restrictions	$ 1,902,965	$ 4,608,279

NOTE J – BOARD DESIGNATED RESERVE

The Board of Directors has designated the investments held by the Organization as a reserve, to help finance the Organization's operations in times of financial hardship as well as provide for some limited investment returns. The balance of the board designated reserve for the years ended December 31, 2022 and 2021, totaled $1,007,369 and $1,174,439, respectively.

NOTE K – IN-KIND CONTRIBUTIONS

The Organization received donated legal services in the amount of $0 and $7,500 for the years ended December 31, 2022 and 2021, respectively. Donated legal services are based on an estimated fair value of the hourly market rates for lawyers in the geographical region of the Organization, and were allocated to general and administrative on the statements of functional expenses. There were no donor-imposed restrictions on the donated legal services.

NOTE L – OPERATING LEASES

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 amended in April and November of 2017 and was set to expire on June 30, 2024, but was terminated on December 29, 2022. The extended lease agreement provided for:

- an annual increase in base rent of 2.5%;
- 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 abatement for the period July through November 2017;
- the landlord provided WOLA with an improvement allowance not to exceed $208,380 to be used for designing and constructing tenant improvements.

As of December 31, 2021, WOLA incurred $195,953 in tenant improvements, which qualify for the improvement allowance. This amount is recorded as property and equipment, net and deferred rent and 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, and the deferred rent and lease incentive was to be amortized against occupancy expense over the life of the lease on a straight-line basis. For each of the years ended December 31, 2022 and 2021, $27,993 was included as part of the total depreciation and amortization expense on the statements of functional expenses.

On December 29, 2022, WOLA amended its lease for office space effective January 1, 2023. The lease is now set to expire on July 31, 2030, with an option to extend the lease for an additional term of five years. Under the amendment, WOLA surrendered 1,861 square feet of previously leased office space, and has a remaining leased space of 5,575 square feet. The landlord also provided WOLA with an improvement allowance not to exceed $501,750 to be used for designing and constructing tenant improvements. WOLA has not incurred any costs related to tenant improvements under this amendment as of December 31, 2022.

As disclosed in Note B, WOLA adopted ASC 842 effective January 1, 2022. The operating lease that was terminated on December 29, 2022, was considered a short-term lease prior to the adoption date.

The present value of the lease payments is calculated using the Organization's risk-free rate as a practical expedient. The weighted average remaining lease term is 7.58 years, and the weighted average discount rate is 3.91% as of December 31, 2022.

The balance of the ROU asset for the operating lease as of December 31, 2022, is $1,719,732, which includes the build out allowance for $501,750. No amortization of the ROU asset for the operating lease has been recognized as of December 31, 2022. For the years ended December 31, 2022 and 2021, occupancy expenses totaled $262,301 and $262,698, respectively.

NOTE L – OPERATING LEASES – continued

A reconciliation of the undiscounted cash flows due on the Organization's lease liability to the operating lease liability recognized on the statement of financial position as of December 31, 2022, is as follows:

2023	$ 256,450
2024	262,861
2025	269,433
2026	276,169
2027	283,073
Thereafter	765,375
Total future undiscounted lease payments	$ 2,113,361
Less: discount	(295,441)
Total Lease Liability	$ 1,817,920

NOTE M – FINANCE LEASE

In October 2021, WOLA entered into a finance lease agreement for office equipment. The lease requires monthly payments of $836 through November 2026. All obligations under the finance lease have been recorded at the present value of future minimum lease payments, discounted at an interest rate of 1.37% per annum. The lease is secured by the equipment. The cost of equipment under the finance lease totaled $47,650, less accumulated amortization of $9,433 and $0 as of December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, amortization expense totaled $9,433 and $0, respectively. For the years ended December 31, 2022 and 2021, interest expense totaled $594 and $0, respectively.

The present value of the lease payments is calculated using the Organization's risk-free rate as a practical expedient. The weighted average remaining lease term is 3.92 years, and the weighted average discount rate is 1.37% as of December 31, 2022.

Future minimum lease payments are as follows for the years ending December 31:

2023	$ 10,027
2024	10,027
2025	10,027
2026	9,192
Subtotal	$ 39,273
Less: amount representing interest	(1,056)
Total obligation under finance lease	$ 38,217
Finance lease obligation, current	(9,564)
Finance lease obligation, noncurrent	$ 28,653

NOTE N – RETIREMENT PLAN

In January 2017, the Board of Directors authorized the establishment of the Washington Office on Latin America 403(b) Plan (the "Plan"). The Organization sponsors the Plan, and all permanent employees who work over 20 hours per week are eligible to make elective deferrals beginning on their hire date. In addition, employees are eligible to receive discretionary employer matching contributions of up to 5% of compensation after reaching age 21 and completing two years of consecutive service. The Organization matches 5% of employee deferrals provided that the employee deferrals equal or exceed 5% of employee compensation. Employer matching contributions to the Plan for the years ended December 31, 2022 and 2021, totaled $63,364 and $72,128, respectively.

NOTE O – CONCENTRATIONS

Four donors accounted for approximately 32% of total revenue recognized for the year ended December 31, 2022. One donor accounted for approximately 72% of the balance of the grants receivable outstanding as of December 31, 2022.

Three donors accounted for approximately 65% of total revenue recognized for the year ended December 31, 2021. Two donors accounted for approximately 99% of the balance of the grants receivable outstanding as of December 31, 2021.

WOLA typically receives large multi-year grants that get disbursed over multiple years. The receivable concentration reflects grants receivable for multiple years. Revenue concentration reflects the revenue recognized in the years under audit.

NOTE P – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 21, 2023, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure or recognition.