

Audited Consolidated Financial Statements

COUNCIL FOR A LIVABLE WORLD & AFFILIATE

December 31, 2018

Council for a Livable World & Affiliate

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A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor’s Report on the Consolidated Financial Statements

To the Board of Directors
Council for a Livable World & Affiliate

We have audited the accompanying consolidated financial statements of Council for a Livable World & Affiliate (the Organization) which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statement of activities, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 of 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 auditor’s 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 auditor considers 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Council for a Livable World & Affiliate as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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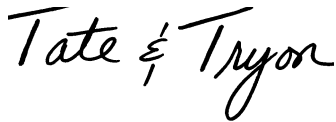
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Adoption of New Accounting Standards

As described in Note A to the consolidated financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, the Organization adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Organization's previously reported change in net assets as a result of the adoption of the standard. Our opinion is not modified with respect to this matter.



Washington, DC
September 11, 2019

Council for a Livable World & Affiliate
Consolidated Statement of Financial Position
December 31, 2018

Assets	
Cash and cash equivalents	\$ 75,839
Cash and cash equivalents - Political Action Committee	108,423
Prepaid expenses	4,624
Receivables	7,890
Furniture and equipment, net	4,441
Total assets	\$ 201,217
Liabilities and net assets	
Accounts payable and accrued expenses	\$ 39,000
Due to CACNP	15,768
Total liabilities	54,768
Net assets	
Without donor restrictions	62,386
With donor restrictions	84,063
Total net assets	146,449
Total liabilities and net assets	\$ 201,217

Council for a Livable World & Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2018

Activities without donor restrictions

Revenue	
Contributions	\$ 271,965
Grant income	54,750
Bequest	18,613
Special events	1,550
Other income and interest	1,299
Net assets released from restrictions	142,610
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Total revenue without donor restrictions	490,787
Expenses	
Salaries and benefits	348,994
Consultant and professional fees	50,610
Advertising and promotion	50,557
Rent	28,673
Office and other expense	23,618
Bank and credit card fees	5,208
Dues and subscriptions	3,658
Depreciation	3,140
Travel, entertainment and special events	1,347
Postage and delivery	88
Office supplies	31
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Total expenses	515,924
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Change in net assets before Candidate Fund activities	(25,137)
Candidate Fund contributions revenue	92,609
Candidate Fund contributions and administrative expenses	(32,221)
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Change in net assets without donor restrictions	35,251
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Activities with donor restrictions	
Contributions	125,000
Net assets released from restrictions	(142,610)
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Change in net assets with donor restrictions	(17,610)
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Change in net assets	17,641
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Net assets, January 1, 2018	128,808
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Net assets, December 31, 2018	\$ 146,449

See notes to the consolidated financial statements.

Council for a Livable World & Affiliate
Consolidated Statement of Functional Expense
Year Ended December 31, 2018

	Education and Advocacy Programs	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 198,786	\$ 104,096	\$ 46,112	\$ 348,994
Advertising and promotion	17,441	13,538	51,799	82,778
Consultant and professional fees	50,610	-	-	50,610
Rent	28,673	-	-	28,673
Office and other expense	11,464	11,693	461	23,618
Bank and credit card fees	-	5,207	1	5,208
Dues and subscriptions	3,658	-	-	3,658
Depreciation	3,140	-	-	3,140
Travel, entertainment and special events	932	-	415	1,347
Postage and delivery	88	-	-	88
Office supplies	31	-	-	31
Total	\$ 314,823	\$ 134,534	\$ 98,788	\$ 548,145

Council for a Livable World & Affiliate

Consolidated Statement of Cash Flows

Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 17,641
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,140
Changes in assets and liabilities:	
Prepaid expenses	254
Receivables	19,842
Accounts payable and accrued expenses	19,142
Due to CACNP	(28,136)
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Total adjustments	14,242
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Net increase in cash and cash equivalents	31,883
Cash and cash equivalents, January 1, 2018	152,380
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Cash and cash equivalents, December 31, 2018	\$ 184,262

Council for a Livable World & Affiliate

Notes to the Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Council for a Livable World (CLW) is a voluntary, non-profit organization. CLW promotes policies to reduce and eventually eliminate nuclear weapons and to minimize the risk of war through lobbying and by helping elect and support Members of Congress who share its goals.

During 2003, CLW established the Council for a Livable World Candidate Fund (the Fund). The Fund was established as a political action committee, under Section 527 of the Internal Revenue Code. Contributions to the Fund totaled \$92,609 for the year ended December 31, 2018.

Principles of consolidation: The consolidated financial statements include the accounts of CLW and the Fund. Significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of accounting: The consolidated financial statements are prepared on the accrual basis of accounting. As such, revenue is recognized when earned and expenses are recognized when the underlying obligations are incurred.

Income tax status: CLW is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code. The Fund is exempt from Federal income taxes on its exempt activities under Section 527 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

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 the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, CLW and the Fund consider all cash and other highly liquid investments with a maturity of three months or less to be cash equivalents.

Furniture and equipment: Furniture and equipment are recorded at cost and depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Net assets: Net assets without donor restrictions include revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of CLW and the Fund. CLW also holds net assets with donor restrictions that consist of unexpended contributions of \$34,063 for the Pentagon Budget Campaign project and \$50,000 of time-restricted funds to be used in 2019.

Contributions and grants: Contributions and grants are recorded as revenue in the year notification is received from the donor.

Council for a Livable World & Affiliate

Notes to the Consolidated Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Political candidate campaign contributions: The Fund's activities generate campaign contributions from individuals that are made out directly to specific candidates' campaign committees. The Fund receives the campaign contributions (via credit cards and checks) and transmits them to the candidates on behalf of the donors. As the Fund merely acts as a financial agent for these campaign contributions, they are not included within the Fund's revenue or expense. During the year ended December 31, 2018, the Fund received \$1,044,143 of candidate campaign contributions which were then remitted to the specified campaigns.

Allocation of functional expenses: The costs of various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, costs such as salaries, benefits, and candidate fund administrative expenses have been allocated among the program and supporting services benefited based on estimated level of effort.

New accounting principle: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* (ASU 2016-14). CLW adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, the disclosure regarding liquidity and the availability of resources was added.

Subsequent events: Subsequent events have been evaluated through September 11, 2019, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: CLW and the Fund maintain demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss.

C. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are comprised of the following as of December 31, 2018:

Cash and cash equivalents	\$ 184,262
Receivables	7,890
Subtotal financial assets	<u>192,152</u>
Amounts not available within one year	
Less: Cash held for PAC activities	(108,423)
Less: Net assets restricted for Pentagon Budget Campaign	<u>(34,063)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 49,666</u>

CLW manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

Council for a Livable World & Affiliate

Notes to the Consolidated Financial Statements

D. RELATED PARTY

CLW and the Center for Arms Control and Non-Proliferation (the Center) shared one common Board member until March 2018. In addition, the Center and CLW utilize the shared services of certain employees. As such, the Center provides CLW with personnel and other general and administrative expenses. As of December 31, 2018, CLW owed the Center a net amount of \$15,768 for various expense reimbursements.

During 2018, the Center entered into an agreement with CLW to provide a grant to CLW to support Council's lobbying efforts on issues concerning disarmament and peace and security consistent with the organizations' shared objectives.