

WORLD ENVIRONMENT CENTER, INC.

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED JUNE 30, 2011

WORLD ENVIRONMENT CENTER, INC.

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FINANCIAL STATEMENTS

WORLD ENVIRONMENT CENTER, INC.

**FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010**

WORLD ENVIRONMENT CENTER, INC.

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
World Environment Center, Inc.
Washington, D.C.

We have audited the accompanying statements of financial position of the World Environment Center, Inc. (WEC) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of WEC's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WEC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WEC as of June 30, 2011 and 2010, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of World Environment Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

December 5, 2011

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WORLD ENVIRONMENT CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 495,530	\$ 461,905
Contributions and other receivables	255,575	181,628
Prepaid expenses and other assets	<u>64,515</u>	<u>59,984</u>
Total current assets	<u>815,620</u>	<u>703,517</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	3,220	3,220
Computers and equipment	26,372	24,633
Software/website	<u>34,232</u>	<u>27,347</u>
	63,824	55,200
Less: Accumulated depreciation and amortization	<u>(45,028)</u>	<u>(37,918)</u>
Net property and equipment	<u>18,796</u>	<u>17,282</u>
NONCURRENT ASSETS		
Cash and cash equivalents - noncurrent (Note 6)	27,853	-
Investments - noncurrent (Notes 2, 6 and 7)	<u>529,085</u>	<u>518,469</u>
Total noncurrent assets	<u>556,938</u>	<u>518,469</u>
TOTAL ASSETS	<u>\$ 1,391,354</u>	<u>\$ 1,239,268</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 88,705	\$ 57,024
Deferred dues	<u>210,000</u>	<u>216,000</u>
Total current liabilities	<u>298,705</u>	<u>273,024</u>

NET ASSETS

Unrestricted:		
Undesignated	494,589	405,318
Board designated - Endowment Fund (Note 6)	444,342	415,914
Board designated - Reserve Fund (Note 6)	<u>153,718</u>	<u>145,012</u>
Total net assets	<u>1,092,649</u>	<u>966,244</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,391,354</u>	<u>\$ 1,239,268</u>

See accompanying notes to financial statements.

WORLD ENVIRONMENT CENTER, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Unrestricted</u>	
	<u>2011</u>	<u>2010</u>
REVENUE		
Contributions	\$ 481,000	\$ 439,000
U.S. Government grants (Note 4)	556,326	387,977
Interest and investment income (Note 2)	37,107	34,281
In-kind contributions	1,239	1,433
Special event	393,500	252,250
Program service fees	200,266	180,943
Other revenue	<u>525</u>	<u>1,331</u>
Total revenue	<u>1,669,963</u>	<u>1,297,215</u>
EXPENSES		
Program Services:		
Member Initiatives	183,418	123,281
Capacity Building	<u>572,137</u>	<u>453,239</u>
Total program services	<u>755,555</u>	<u>576,520</u>
Supporting Services:		
Management and General	475,833	465,969
Fundraising	<u>312,170</u>	<u>246,181</u>
Total supporting services	<u>788,003</u>	<u>712,150</u>
Total expenses	<u>1,543,558</u>	<u>1,288,670</u>
Changes in net assets	126,405	8,545
Net assets at beginning of year	<u>966,244</u>	<u>957,699</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,092,649</u>	<u>\$ 966,244</u>

WORLD ENVIRONMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services			Supporting Services			Total Expenses
	Member Initiatives	Capacity Building	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related benefits (Note 5)	\$ 85,161	\$ 71,837	\$ 156,998	\$ 281,770	\$ 54,714	\$ 336,484	\$ 493,482
Printing and production	424	374	798	695	6,613	7,308	8,106
Occupancy (Note 3)	9,014	4,175	13,189	54,180	7,911	62,091	75,280
Accounting	2,168	1,004	3,172	13,035	1,903	14,938	18,110
Insurance	-	-	-	5,534	-	5,534	5,534
Depreciation and amortization	-	-	-	7,110	-	7,110	7,110
Telephone	2,584	4,021	6,605	11,737	1,569	13,306	19,911
Travel and entertainment	26,099	19,336	45,435	4,974	49,627	54,601	100,036
Consulting fees	2,766	1,633	4,399	10,420	1,520	11,940	16,339
Postage and delivery	52	94	146	376	278	654	800
Supplies	-	452	452	1,255	-	1,255	1,707
Subscriptions and publications	461	171	632	2,120	323	2,443	3,075
Meetings and conventions	11,589	1,208	12,797	-	(20)	(20)	12,777
Advertising and promotion	-	-	-	315	-	315	315
Bank fees	40	-	40	4,031	126	4,157	4,197
Equipment rental and maintenance	-	395	395	-	-	-	395
Subcontracts	-	377,860	377,860	18,697	-	18,697	396,557
Gold Medal Award	-	-	-	-	150,706	150,706	150,706
Program facilities and meals	21,414	2,582	23,996	-	19,552	19,552	43,548
Local country coordinator fees	21,646	86,995	108,641	55,337	8,822	64,159	172,800
Other	-	-	-	4,247	8,526	12,773	12,773
TOTAL	\$ 183,418	\$ 572,137	\$ 755,555	\$ 475,833	\$ 312,170	\$ 788,003	\$ 1,543,558

See accompanying notes to financial statements.

WORLD ENVIRONMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services			Supporting Services			Total Expenses
	Member Initiatives	Capacity Building	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related benefits (Note 5)	\$ 39,243	\$ 106,147	\$ 145,390	\$ 232,319	\$ 48,583	\$ 280,902	\$ 426,292
Printing and production	125	860	985	3,862	10,036	13,898	14,883
Occupancy (Note 3)	7,502	4,093	11,595	59,144	6,641	65,785	77,380
Accounting	-	-	-	17,232	-	17,232	17,232
Insurance	-	-	-	5,703	-	5,703	5,703
Depreciation and amortization	-	-	-	10,457	-	10,457	10,457
Telephone	2,103	3,717	5,820	7,748	1,834	9,582	15,402
Travel and entertainment	23,306	7,434	30,740	33,567	25,358	58,925	89,665
Consulting fees	2,521	1,121	3,642	5,267	1,820	7,087	10,729
Postage and delivery	42	-	42	585	127	712	754
Supplies	-	536	536	1,142	-	1,142	1,678
Subscriptions and publications	-	-	-	782	-	782	782
Meetings and conventions	6,314	103	6,417	112	-	112	6,529
Advertising and promotion	-	-	-	1,372	-	1,372	1,372
Bank fees	-	-	-	3,113	20	3,133	3,133
Equipment rental and maintenance	-	1,012	1,012	-	-	-	1,012
Subcontracts	-	264,559	264,559	14,130	-	14,130	278,689
Gold Medal Award	-	-	-	-	135,982	135,982	135,982
Program facilities and meals	12,504	3,091	15,595	-	12,176	12,176	27,771
Local country coordinator fees	29,401	60,120	89,521	64,988	2,304	67,292	156,813
Other	220	446	666	4,446	1,300	5,746	6,412
TOTAL	\$ 123,281	\$ 453,239	\$ 576,520	\$ 465,969	\$ 246,181	\$ 712,150	\$ 1,288,670

See accompanying notes to financial statements.

WORLD ENVIRONMENT CENTER, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 126,405	\$ 8,545
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,110	10,457
Unrealized loss (gain) on investments	22,462	(11,408)
Realized gain on sales of investments	(26,362)	-
(Increase) decrease in:		
Contributions and other receivables	(73,947)	78,693
Prepaid expenses and other assets	(4,531)	(6,442)
Increase (decrease) in:		
Accounts payable and accrued liabilities	31,681	13,913
Deferred dues	<u>(6,000)</u>	<u>12,000</u>
Net cash provided by operating activities	<u>76,818</u>	<u>105,758</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computers and equipment	(1,739)	(1,433)
Purchase of software and payments for website development	(6,885)	(9,651)
Purchase of investments	(440,646)	(442,372)
Proceeds from sales of investments	<u>433,930</u>	<u>-</u>
Net cash used by investing activities	<u>(15,340)</u>	<u>(453,456)</u>
Net increase (decrease) in cash and cash equivalents	61,478	(347,698)
Cash and cash equivalents at beginning of year	<u>461,905</u>	<u>809,603</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (INCLUDES \$27,853 and \$0 OF NONCURRENT CASH EQUIVALENTS AS OF JUNE 30, 2011 and 2010, RESPECTIVELY)	\$ <u>523,383</u>	\$ <u>461,905</u>

See accompanying notes to financial statements.

WORLD ENVIRONMENT CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The World Environment Center, Inc. (WEC), founded in 1974, is an independent, not-for-profit, non-advocacy organization. Working with government, the private sector, international organizations, non-governmental organizations and academia, WEC promotes sustainable development by encouraging environmental leadership, improving health and safety practices worldwide, and fostering the efficient use of natural resources to protect the global environment.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

WEC considers all cash and other highly liquid investments with initial maturities of one year or less to be cash equivalents.

At times during the year, WEC maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Contributions and other receivables -

Contributions and other receivables consist primarily of member dues, Gold Medal Award (GMA) payments and amounts due for contract services. All receivables are anticipated to be collected within one year. Management periodically reviews each receivable balance for collectability based on its knowledge of the customer or grantor. All receivables are stated at the amount management expects to collect from outstanding balances. No allowance for doubtful accounts has been recorded as management anticipates substantially all balances to be collectible.

Property and equipment -

Property and equipment with an acquisition value in excess of \$1,000 are stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Deferred dues -

Amounts collected as dues from member companies are recognized as revenues in the period earned. Accordingly, amounts received but not yet earned are presented as deferred dues in the accompanying Statements of Financial Position.

WORLD ENVIRONMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Income taxes -

WEC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. WEC is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended June 30, 2011 and 2010, WEC has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of WEC and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of WEC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

WEC receives funding under grants and contracts from the U.S. government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

WORLD ENVIRONMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Allocation of expenses -

There are four functional categories of WEC's expenses: 1) Member Initiatives, 2) Capacity Building, 3) Fundraising, and 4) Management and General. Employee staff time is tracked according to the programs and projects that are incorporated into these categories:

Member Initiatives: This functional area incorporates the services that WEC provides to all members in general, including international membership roundtables and sustainability forums. These services provide senior level HSE, CSR and sustainable development executives in multinational corporations with an exchange of information, expertise, and a worldwide network of contacts to promote the shared mission of WEC and member companies.

Capacity Building: This functional area contributes to sustainable development by providing cooperative projects, training and technology solutions that enhance the ability of industry, government, and environmental organizations to protect and improve the environment and communities within which they are based. These programs are often funded through government grants and/or WEC's corporate members. This category includes all WEC supply chain projects.

Fundraising: This category incorporates WEC activities and expenses that are conducted with the express purpose of raising revenue for WEC, including, but not limited to, membership development, and pursuing new business and grant opportunities. Fundraising also houses the largest source of revenue for the organization, the annual Gold Medal Awards Dinner.

Management and General: This functional area includes activities related to the communication of WEC's brand, web site enhancements and updates, press releases, reports of results to membership, planning activities with members and WEC's key external stakeholders, preparation of Board of Directors materials and other aspects of WEC governance, financial management, and travel related to these activities.

Use of estimates -

The preparation of the 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 of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Risks and uncertainties -

WEC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 changes could materially affect the amounts reported in the accompanying financial statements.

WORLD ENVIRONMENT CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Fair value measurements -

WEC adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

WEC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at June 30, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Corporate and Municipal Bonds	<u>\$ 536,697</u>	<u>\$ 529,085</u>	<u>\$ 503,619</u>	<u>\$ 518,469</u>

Included in interest and investment income are the following:

	2011	2010
Interest and dividends	\$ 33,207	\$ 22,873
Realized gain on sales of investments	26,362	-
Unrealized (loss) gain on investments	<u>(22,462)</u>	<u>11,408</u>
TOTAL INTEREST AND INVESTMENT INCOME	<u>\$ 37,107</u>	<u>\$ 34,281</u>

3. LEASE COMMITMENT

WEC leases its principal office space under an agreement which currently expires on June 30, 2013. Future minimum payments under the lease are as follows:

<u>Year Ended June 30,</u>	
2012	\$ 76,891
2013	<u>79,198</u>
	<u>\$ 156,089</u>

Occupancy expense for the years ended June 30, 2011 and 2010 totaled \$75,280 and \$77,380, respectively.

WORLD ENVIRONMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

4. CONTINGENCY

World Environment Center, Inc. receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Fiscal year 2011 is the first year that an audit under the provisions of OMB Circular A-133 is required. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

5. RETIREMENT PLAN

All employees of WEC are eligible for participation in a defined contribution plan, to which WEC contributes a fixed percentage of salary, based upon the individual's length of service. Contributions are forwarded to the Teachers Insurance Annuity Association-Common Retirement Equity Fund ("TIAA-CREF"), an independent entity that issues individual retirement annuity contracts to each participant. Contributions by WEC totaled \$32,777 and \$28,215 during the years ended June 30, 2011 and 2010, respectively.

All employees are also eligible to participate in a salary deferral 403(b) plan.

6. BOARD DESIGNATED ENDOWMENT AND RESERVE FUNDS

The Board Designated Endowment and Reserve Funds were established as an operating reserve fund to provide financial stability and to be used as a contingency fund for unanticipated events as authorized by the Board of Directors. In 2003, the Board of Directors authorized transfers totaling \$140,000 from the Board Designated Reserve Fund to the General Fund. The Board intends to return the \$140,000 to the Reserve Fund and will determine the amount to be replenished on an annual basis.

At June 30, 2011 and 2010, the balance in the "Endowment Fund" aggregated \$444,342 (including \$24,544 of current cash, \$23,874 of noncurrent cash and \$395,924 of noncurrent investments) and \$415,914 (including \$23,270 of current cash and \$392,644 of noncurrent investments), respectively.

At June 30, 2011 and 2010, the balance in the "Reserve Fund" aggregated \$153,718 (including \$16,578 of current cash, \$3,979 of noncurrent cash and \$133,161 of noncurrent investments) and \$145,012 (including \$19,187 of current cash and \$125,825 of noncurrent investments), respectively.

7. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, WEC 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 instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

WORLD ENVIRONMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

7. FAIR VALUE MEASUREMENTS (Continued)

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 WEC 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 of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

The table below summarizes, by level within the fair value hierarchy, WEC's investments as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2011</u>
Asset Category - Investments:				
Noncurrent Corporate and Municipal Bonds	\$ <u>-</u>	\$ <u>529,085</u>	\$ <u>-</u>	\$ <u>529,085</u>

The table below summarizes, by level within the fair value hierarchy, WEC's investments as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2010</u>
Asset Category - Investments:				
Noncurrent Corporate and Municipal Bonds	\$ <u>-</u>	\$ <u>518,469</u>	\$ <u>-</u>	\$ <u>518,469</u>

8. SUBSEQUENT EVENTS

In preparing these financial statements, WEC has evaluated events and transactions for potential recognition or disclosure through December 5, 2011, the date the financial statements were issued.



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL
FINANCIAL INFORMATION**

To the Board of Directors
World Environment Center, Inc.
Washington, D.C.

Our report on our audit of the basic financial statements appears on page I-3. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of expenditures of federal awards and findings and questioned costs are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gelman Rosenberg & Freedman

December 5, 2011

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WORLD ENVIRONMENT CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Granting Agency and Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of State-Partnerships for the Advancement of Cleaner Production: Chile/Morocco	19.017	\$ 128,779
U.S. Department of State-Cleaner Production Private Sector Partnerships: Nicaragua/Costa Rica	19.017	276,897
U.S. Department of State-Cleaner Production Private Sector Partnerships: El Salvador/Guatemala	19.017	<u>150,650</u>
Subtotal, CFDA 19.017, U.S. Department of State Environmental and Scientific Partnerships and Programs		<u>556,326</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>556,326</u>

Note: The accompanying Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

WORLD ENVIRONMENT CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

- 1). Type of auditor's report issued: **Unqualified**
- 2). Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 3). Noncompliance material to financial statements noted? Yes No

Federal Awards

- 4). Internal control over major programs:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 5). Type of auditor's report issued on compliance for major programs: **Unqualified**
- 6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
CFDA 19.017, U.S. Department of State Environmental and Scientific Partnerships and Programs	19.017	\$ 556,326

- 8). Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- 9). Auditee qualified as a low-risk auditee? Yes No

WORLD ENVIRONMENT CENTER, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)

There were no reportable findings.

Section IV - Prior Year Findings

There were no prior year audit findings.



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Board of Directors
World Environment Center, Inc.
Washington, D.C.

We have audited the financial statements of the World Environment Center, Inc. (WEC) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of WEC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered WEC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WEC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WEC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether WEC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of WEC in a separate letter dated December 5, 2011.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 5, 2011



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
World Environment Center, Inc.
Washington, D.C.

Compliance

We have audited World Environment Center, Inc.'s (WEC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the WEC's major federal programs for the year ended June 30, 2011. WEC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of WEC's management. Our responsibility is to express an opinion on WEC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on WEC's compliance with those requirements.

In our opinion, WEC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

Management of WEC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered WEC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WEC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gelman Rosenberg & Freedman

December 5, 2011