



World Cocoa Foundation

Financial Statements and Supplementary Information

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

**and
Report Thereon**



WORLD COCOA FOUNDATION, INC.

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For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
World Cocoa Foundation, Inc.

We have audited the accompanying financial statements of the World Cocoa Foundation, Inc. (WCF), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

Continued

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Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of the World Cocoa Foundation, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

WCF's 2017 financial statements, were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose audit report dated May 9, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of expenses of the Cocoa and Forest Initiative (CFI) Phase II under the P4F Grant is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Marcum LLP

Washington, DC
April 25, 2018

WORLD COCOA FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Summarized Financial Information as of December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 7,025,394	\$ 7,338,085
Accounts receivable and other	1,193,441	1,234,706
Pledges and grants receivable, net	3,489,828	5,335,742
Prepaid expenses	121,216	110,494
Property and equipment, net	45,155	90,311
Security deposit	15,936	15,936
	<u>11,890,970</u>	<u>14,125,274</u>
TOTAL ASSETS	\$ 11,890,970	\$ 14,125,274
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,038,441	\$ 898,091
Deferred income	869,052	852,572
Deferred rent	9,629	13,315
	<u>1,917,122</u>	<u>1,763,978</u>
TOTAL LIABILITIES	1,917,122	1,763,978
Net Assets		
Without donor restrictions	2,082,982	1,703,252
With donor restrictions	7,890,866	10,658,044
	<u>9,973,848</u>	<u>12,361,296</u>
TOTAL NET ASSETS	9,973,848	12,361,296
TOTAL LIABILITIES AND NET ASSETS	\$ 11,890,970	\$ 14,125,274

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

WORLD COCOA FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 1,000	\$ 2,949,997	\$ 2,950,997	\$ 2,741,933
Dues	2,271,142	-	2,271,142	2,296,652
Government grants	1,408,001	-	1,408,001	1,264,850
Registration fees and sponsorships	337,198	-	337,198	314,605
Fees for service	81,028	-	81,028	178,961
Interest income	22,362	-	22,362	5,709
Other income	951	-	951	10,112
Net asset released from restrictions:				
Satisfaction of purpose restrictions	<u>5,697,191</u>	<u>(5,697,191)</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE AND SUPPORT	 <u>9,818,873</u>	 <u>(2,747,194)</u>	 <u>7,071,679</u>	 <u>6,812,822</u>
 EXPENSES				
Program Services:				
West Africa	5,689,593	-	5,689,593	6,208,433
Climate smart cocoa, research and other programming	639,117	-	639,117	658,404
Partnership meeting	406,295	-	406,295	362,937
Southeast Asia and Latin America	<u>237,499</u>	<u>-</u>	<u>237,499</u>	<u>253,310</u>
Total Program Services	<u>6,972,504</u>	<u>-</u>	<u>6,972,504</u>	<u>7,483,084</u>
Supporting Service:				
Management and general	<u>2,466,639</u>	<u>-</u>	<u>2,466,639</u>	<u>2,145,026</u>
Total Supporting Service	<u>2,466,639</u>	<u>-</u>	<u>2,466,639</u>	<u>2,145,026</u>
 TOTAL EXPENSES	 <u>9,439,143</u>	 <u>-</u>	 <u>9,439,143</u>	 <u>9,628,110</u>
 Change in net assets before return of grant funds	379,730	(2,747,194)	(2,367,464)	(2,815,288)
 Return of grant funds	<u>-</u>	<u>(19,984)</u>	<u>(19,984)</u>	<u>-</u>
 CHANGE IN NET ASSETS	 379,730	 (2,767,178)	 (2,387,448)	 (2,815,288)
 NET ASSETS, BEGINNING OF YEAR	 <u>1,703,252</u>	 <u>10,658,044</u>	 <u>12,361,296</u>	 <u>15,176,584</u>
 NET ASSETS, END OF YEAR	 <u>\$ 2,082,982</u>	 <u>\$ 7,890,866</u>	 <u>\$ 9,973,848</u>	 <u>\$ 12,361,296</u>

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

WORLD COCOA FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Program Services				Total Program Services	Supporting Service	2018 Total	2017 Total
	West Africa	Climate Smart Cocoa, Research and Other Programming	Partnership Meeting	Southeast Asia and Latin America		Management and General		
Salaries	\$ 1,581,776	\$ 53,016	\$ 74,641	\$ 633	\$ 1,710,066	\$ 1,182,884	\$ 2,892,950	\$ 2,850,661
Consultants and contracted services	1,384,918	305,721	127,665	206,878	2,025,182	325,640	2,350,822	2,683,511
Grants awarded	1,239,498	155,356	-	-	1,394,854	-	1,394,854	1,230,211
Travel	457,020	82,874	51,476	26,048	617,418	122,857	740,275	663,186
Employee benefits and payroll taxes	423,076	14,728	18,769	376	456,949	258,470	715,419	723,801
Occupancy	65,830	3,753	-	-	69,583	215,899	285,482	274,622
Legal fees	175,772	46	816	-	176,634	61,108	237,742	209,015
Meeting facility costs	50,952	7,965	81,314	-	140,231	23,927	164,158	179,149
Equipment, repairs and maintenance	101,084	2,323	25,458	-	128,865	15,972	144,837	102,249
Telecommunication and information technology	48,905	3,111	180	165	52,361	65,738	118,099	125,105
Publications and subscriptions	17,321	2,510	5	3,000	22,836	63,833	86,669	69,760
Bank fees and foreign exchange	54,983	6,183	6,961	212	68,339	14,939	83,278	34,088
Depreciation and amortization	36,260	-	-	-	36,260	8,896	45,156	57,311
Accounting and auditing fees	8,025	-	-	-	8,025	33,898	41,923	64,199
Supplies and materials	24,171	1,382	2,240	107	27,900	10,538	38,438	68,423
Bad debt	-	-	-	-	-	31,631	31,631	239,819
Insurance	9,365	86	2,401	-	11,852	17,439	29,291	22,762
Taxes and regulatory fees	1,613	63	14,369	80	16,125	3,418	19,543	19,987
Advertising	2,028	-	-	-	2,028	9,552	11,580	-
Sponsorships and contributions	6,996	-	-	-	6,996	-	6,996	10,251
TOTAL EXPENSES	\$ 5,689,593	\$ 639,117	\$ 406,295	\$ 237,499	\$ 6,972,504	\$ 2,466,639	\$ 9,439,143	\$ 9,628,110

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

WORLD COCOA FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,387,448)	\$ (2,815,288)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	45,156	57,311
Changes in discount on pledges and grants receivable	(73,823)	(110,047)
Changes in assets and liabilities		
Accounts receivable and other	41,265	(259,461)
Pledges and grants receivable	1,919,737	2,595,355
Prepaid expenses	(10,722)	(26,912)
Security deposit	-	355
Accounts payable and accrued expenses	140,350	16,354
Deferred income	16,480	502,841
Deferred compensation	-	(250,196)
Deferred rent	(3,686)	(10,674)
	(312,691)	(300,362)
NET CASH USED IN OPERATING ACTIVITIES		
	(312,691)	(300,362)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from 457(f) plan termination	-	250,196
Purchase of furniture and equipment	-	(25,718)
	-	224,478
NET CASH PROVIDED BY INVESTING ACTIVITIES		
	-	224,478
NET DECREASE IN CASH AND CASH EQUIVALENTS	(312,691)	(75,884)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,338,085	7,413,969
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,025,394	\$ 7,338,085

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

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies

Organization

The World Cocoa Foundation, Inc. (WCF) is an international membership organization that catalyzes public-private action to accelerate cocoa sustainability. WCF champions multi-stakeholder partnerships, aligned public and private investment, policy dialogue, and joint learning and knowledge sharing to achieve transformative change in the cocoa supply chain. WCF is a nonprofit whose 100+ members from Africa, Asia, Europe and the Americas make up over 80% of the global chocolate and cocoa sector. These activities are funded primarily through contributions from WCF's members, foundations, government grants and dues.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market accounts and all highly liquid investments with initial maturities of three months or less.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Pledges and Grants Receivable

Pledges and grants receivable consist of unconditional promises to give that are expected to be collected in future years and grants classified as conditional promises to the extent that the conditions have been met but reimbursement from the grantor has not been received. Pledges and grants receivable are recorded as net assets with donor restrictions and restricted for future periods unless explicit donor stipulations or circumstances surrounding the pledge make clear that the donor intended them to be used to support activities of the current period.

Pledges receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Pledges receivable are reviewed for collectibility, and a provision for doubtful pledges receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Property and Equipment and Related Depreciation and Amortization

Property and equipment with a cost in excess of \$1,000 and an estimated useful life of more than a year are stated at cost or, if donated, at the approximate fair value at date of donation.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization (continued)

Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. WCF recognizes costs incurred in the development of software in accordance with the provisions of the accounting standards for internally developed software. Accordingly, costs incurred for the planning phase and operating phase of the systems and applications are expensed, whereas costs incurred in developing the applications and infrastructure are capitalized and amortized on a straight-line basis over an estimated useful life of three years. Leasehold improvements are amortized over their estimated useful life or the remaining life of the lease. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for major repairs that materially extend the useful life of assets are capitalized. Upon retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the accounts and the resulting gain or loss is included in revenue or expense, as appropriate.

Classification of Net Assets

The net assets of WCF are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of WCF's operations.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or future periods.

Revenue Recognition

Grants and contributions are recognized as revenue in the accounting period in which they are received or when an unconditional promise to give is made. Contributions are considered available for general expenditure unless specifically restricted by a donor. Amounts that are designated for future periods or restricted by the donor for a specific purpose are reported as grants and contributions with donor restrictions in the accompanying statement of activities. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and released from restriction. Grants and contributions that have been committed to WCF, but have not been received as of year-end, are reflected as pledges and grants receivable in the accompanying statement of financial position. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at their present value using appropriate discount rates. Amortization of the discount is recorded as additional contribution or grant revenue and is used in accordance with donor-imposed restrictions, if any, on the contributions or grants. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Income from membership dues is deferred and recognized over the membership period to which the dues relate. Income from conference registrations is deferred and recognized in the period in which the conference occurs. Accordingly, dues paid by members in advance of the membership period and registrations paid in advance of the conference are reported as deferred income in the accompanying statement of financial position.

Continued

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue from government grants is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and contracts for which billings have not been presented to or collected from the awarding agency is included in accounts receivable in the accompanying statement of financial position.

Grant Expense Recognition

Unconditional grants are expensed in the year in which the grant commitment is made to the partner organizations. Grant amounts not transferred immediately to the partner organizations in the year the grant commitments were made are included in accounts payable in the accompanying statement of financial position. Conditional grants are not included as expenses until such time as the conditions are substantially met.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct labor. Labor is allocated based on time sheets maintained by the employees. Costs that are allocated primarily include employee benefits and payroll taxes, rent, utilities, supplies and materials, insurance, repairs and maintenance, telecommunication and information technology.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information presented about expenses and investment return. WCF has adjusted the presentation of these statements accordingly. The major changes of the ASU affecting WCF include (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of qualitative and quantitative information regarding the liquidity and availability of resources; and (c) incorporating the statement of functional expenses into the basic financial statements, when it had previously been presented as supplementary information. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended December 31, 2017.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

2. Accounts Receivable

Accounts receivable are primarily from member dues, program fees and government agencies. All accounts receivable are deemed fully collectible and due within a year.

3. Pledges and Grants Receivable

Pledges and grants receivable include contributions from foundations and multiyear pledges from WCF's members to fund various initiatives of WCF. All pledges receivable are deemed fully collectible and are due as follows:

Due in less than one year	\$ 3,457,292
Due in one to five years	<u>35,000</u>
Total Pledges and Grants Receivable	3,492,292
Less: Discount on Multiyear Pledges (3.25%)	<u>(2,464)</u>
Pledges and Grants Receivable, Net	<u>\$ 3,489,828</u>

4. Property and Equipment and Related Depreciation and Amortization

WCF's property and equipment consisted of the following at December 31, 2018:

Software	\$ 143,359
Furniture and equipment	52,036
Vehicles	42,221
Leasehold improvements	<u>34,999</u>
Total Property and Equipment	272,615
Less: Accumulated Depreciation and Amortization	<u>(227,460)</u>
Property and Equipment, Net	<u>\$ 45,155</u>

Depreciation and amortization expense was \$45,156 for the year ended December 31, 2018, and is included in depreciation and amortization in the accompanying statement of functional expenses.

5. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2018:

Cocoa Livelihood Program II	\$ 5,850,863
CocoaAction	1,523,947
Climate Smart Cocoa	327,588
Africa Cocoa Initiative	153,468
UNCDF-Better than Cash Alliance	<u>35,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 7,890,866</u>

Continued

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

5. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions do not include the amounts approved by the WCF Board of Directors for calendar year 2018 related to anticipated contributions from participating members to fund CocoaAction up to approximately \$1,800,000. Prospective program contributions from WCF members participating in CocoaAction are considered conditional contributions until invoiced, since the amount of individual member allocation is contingent upon the determination of the total amount of project cost incurred each quarter.

Between 2007 and 2015, WCF operated a program, funded by its members, called Empowering Cocoa Households with Opportunities and Education Solutions (ECHOES). While the program ended in 2015, there were still net assets restricted for its purpose up until 2018. In 2018, the final member with a balance remaining in net assets with donor restrictions requested a return of the remaining grant funds, resulting in a reduction in net assets with donor restrictions of \$19,984, which is reported in the accompanying statement of activities.

6. Liquidity and Availability

WCF's working capital and cash flows mainly come from its membership dues, as well as, revenue from significant contributions and promises to give restricted by members. WCF considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. WCF manages its liquidity and reserves following these guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves in cash and cash equivalents to provide reasonable assurance that its obligations will be discharged. Annual cash receipts have been fairly consistent year to year and would usually be affected by the timing of collections of pledges and accounts receivable.

The following table reflects WCF's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were \$7,890,866 in net assets with donor restrictions at December 31, 2018, which will be spent within the next year, but WCF does not consider these assets available to meet general operating needs.

Financial Assets:	
Cash and cash equivalents	\$ 7,025,394
Accounts receivable	1,193,411
Pledges receivable within one year	<u>3,457,292</u>
Total Financial Assets Available	11,676,097
Less: Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	<u>(7,890,866)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 3,785,231</u>

Continued

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

7. Risks and Commitments

Concentration of Credit Risk

WCF maintains its cash and cash equivalents in bank deposit and money market savings accounts which, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2018, WCF had balances in excess of the FDIC insured limits totaling \$6,739,489. WCF has not experienced any losses in such accounts. In addition, WCF also holds cash in bank accounts in foreign countries. As of December 31, 2018, cash held in foreign institutions was \$35,905.

Concentration of Revenue

A substantial portion of WCF's grant-related revenue is derived from WCF's members and the federal government. For the year ended December 31, 2018, total grant-related revenue attributable to WCF's members totaled approximately \$2,850,292 and represented approximately 65% of WCF's total grant-related revenue. WCF's federal grant revenue totaled approximately \$1,408,001 and represented approximately 32% of WCF's grant-related revenue.

Foreign Operations

WCF had operations in Ghana and Cote d'Ivoire during 2018. The West African foreign operations maintain cash accounts and fixed assets. The future of these programs may be adversely affected by a number of potential factors, such as currency devaluations, terrorist activity or changes in the political climate. As of December 31, 2018, assets in these countries totaled approximately \$51,591.

Compliance Audit

WCF has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although WCF expects such amounts, if any, to be insignificant. WCF's management believes that any matters arising from the reviews will not have any material effect on WCF's financial position as of December 31, 2018, or its results of operations for the year then ended.

Operating Lease

WCF has entered into various lease agreements for office space in Washington, DC; Accra, Ghana; and Abidjan, Cote d'Ivoire. The noncancelable operating lease agreements have various expiration dates through December 2019. Some of the leases contain a fixed escalation clause for increases in the annual minimum rent as well as WCF's proportionate share of real estate taxes and operating and maintenance costs of the landlord.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

7. Risks and Commitments (continued)

Operating Lease (continued)

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

Rent expense under these leases totaled \$269,125 for the year ended December 31, 2018, and is included in occupancy in the accompanying statement of functional expenses.

As of December 31, 2018, total future minimum lease payments required under these operating leases were \$216,461 for the year ending December 31, 2019.

8. Pension Plans

Defined Contribution Plan

WCF maintains a defined contribution plan (the Plan) covering all U.S. employees at least 21 years of age with at least six months of service. Eligible employees may elect to defer and contribute to the Plan a portion of their compensation in amounts up to the maximum permitted by law. WCF currently matches elective employee contributions to the Plan each year up to 4% of the participant's compensation. In addition, WCF makes a profit-sharing contribution of 10% of all eligible employees' compensation on a five-year graded vesting schedule. Total expense for the Plan for the year ended December 31, 2018, was \$231,795.

Deferred Compensation Plans

WCF has a 457(b) deferred compensation plan (the 457(b) Plan) with two executives participating. The 457(b) Plan is funded by voluntary employee salary deferrals in accordance with regulations established under Section 457(b) of the Internal Revenue Code (the IRC). The funds for the 457(b) Plan are held in trust in a separate account and are invested by the executives. The assets related to the 457(b) Plan are not included in the accompanying statement of financial position, as WCF has no ongoing control over these assets.

9. Income Taxes

The Internal Revenue Service has determined that WCF is exempt from federal income tax under Section 501(c)(3) of the IRC. As a qualifying domestic private foundation under Section 509(a) of the IRC, WCF may be subject to excise tax on its net investment income. For the year ended December 31, 2018, no provision for income taxes was made for WCF, as WCF had no significant net unrelated business income. For the year ended December 31, 2018, no provision for excise taxes was made for WCF, as WCF had no significant investment income.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

9. Income Taxes (continued)

WCF evaluated its uncertainty in income taxes for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for the years ended December 31, 2015, through December 31, 2017, remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which WCF files tax returns; however, there are currently no examinations in progress. It is WCF's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

10. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with WCF's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

11. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions, for potential recognition or disclosure, through April 25, 2019, the date the financial statements were available to be issued. There were no subsequent events that were required to be disclosed.

SUPPLEMENTARY INFORMATION

WORLD COCOA FOUNDATION, INC.

SCHEDULE OF EXPENSES

**Department for International Development Grant:
Cocoa and Forest Initiative (CFI) Phase II under P4F Grant
For the Year Ended December 31, 2018**

EXPENSES

Consultants and contracted services

\$ 984

TOTAL EXPENSES

\$ 984

See independent auditors' report on supplementary information.