



World Cocoa
Foundation

Financial Statements and Supplementary Information

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

**and
Report Thereon**



WORLD COCOA FOUNDATION, INC.

TABLE OF CONTENTS
For the Year Ended December 31, 2019

	<i>Page</i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-16
Supplementary Information	
Department for International Development Grant: Cocoa and Forest Initiative (CFI) Phase II under P4F Grant Schedule of Expenses	17

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2019, 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

- 1 -

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of the World Cocoa Foundation, Inc. as of December 31, 2019, 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

We have previously audited WCF's 2018 financial statements, and in our report dated April 25, 2019, 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, 2018, 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
May 11, 2020

WORLD COCOA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Summarized Financial Information as of December 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 6,302,895	\$ 7,025,394
Grants and contributions receivable, net	1,506,917	4,659,074
Prepaid expenses and other	170,005	145,411
Property and equipment, net	122,803	45,155
Security deposit	50,529	15,936
	\$ 8,153,149	\$ 11,890,970
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 682,200	\$ 1,038,441
Contract liabilities	1,558,102	869,052
Deferred rent	-	9,629
	2,240,302	1,917,122
Net Assets		
Without donor restrictions	2,784,193	2,082,982
With donor restrictions	3,128,654	7,890,866
	5,912,847	9,973,848
	\$ 8,153,149	\$ 11,890,970

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

WORLD COCOA FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 170,915	\$ 3,012,950	\$ 3,183,865	\$ 2,950,997
Member dues	2,286,481	-	2,286,481	2,271,142
Government grants	1,698,834	-	1,698,834	1,408,001
Registration fees and sponsorships	384,643	-	384,643	337,198
Interest income	105,619	-	105,619	22,362
Other income	8,127	-	8,127	951
Fees for service	1,500	-	1,500	81,028
Net asset released from restrictions:				
Satisfaction of purpose restrictions	<u>6,555,225</u>	<u>(6,555,225)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>11,211,344</u>	<u>(3,542,275)</u>	<u>7,669,069</u>	<u>7,071,679</u>
EXPENSES				
Program Services:				
West Africa	6,765,646	-	6,765,646	5,689,593
Climate smart cocoa, research and other programming	548,501	-	548,501	639,117
Partnership meeting	358,327	-	358,327	406,295
Southeast Asia and Latin America	<u>327,899</u>	<u>-</u>	<u>327,899</u>	<u>237,499</u>
Total Program Services	<u>8,000,373</u>	<u>-</u>	<u>8,000,373</u>	<u>6,972,504</u>
Supporting Service:				
Management and general	<u>2,509,760</u>	<u>-</u>	<u>2,509,760</u>	<u>2,466,639</u>
Total Supporting Service	<u>2,509,760</u>	<u>-</u>	<u>2,509,760</u>	<u>2,466,639</u>
TOTAL EXPENSES	<u>10,510,133</u>	<u>-</u>	<u>10,510,133</u>	<u>9,439,143</u>
Change in net assets before loss on grants and contribution receivable and return of funds	701,211	(3,542,275)	(2,841,064)	(2,367,464)
Loss on grants and contributions receivable	-	(1,219,937)	(1,219,937)	-
Return of grant funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,984)</u>
CHANGE IN NET ASSETS	701,211	(4,762,212)	(4,061,001)	(2,387,448)
NET ASSETS, BEGINNING OF YEAR	<u>2,082,982</u>	<u>7,890,866</u>	<u>9,973,848</u>	<u>12,361,296</u>
NET ASSETS, END OF YEAR	<u>\$ 2,784,193</u>	<u>\$ 3,128,654</u>	<u>\$ 5,912,847</u>	<u>\$ 9,973,848</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, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Program Services				Total Program Services	Supporting Service	2019 Total	2018 Total
	West Africa	Climate Smart Cocoa, Research and Other Programming	Partnership Meeting	Southeast Asia and Latin America		Management and General		
Salaries	\$ 1,534,040	\$ 145,236	\$ 62,463	\$ 3,841	\$ 1,745,580	\$ 1,259,509	\$ 3,005,089	\$ 2,892,950
Consultants and contracted services	1,802,575	267,886	139,009	308,825	2,518,295	236,589	2,754,884	2,350,822
Grants awarded	2,054,045	3,267	-	-	2,057,312	-	2,057,312	1,394,854
Employee benefits and payroll taxes	411,734	45,375	16,544	1,161	474,814	327,815	802,629	715,419
Travel	397,324	73,480	33,955	7,363	512,122	131,559	643,681	740,275
Occupancy	66,760	1,819	-	-	68,579	208,277	276,856	285,482
Legal fees	220,804	16	-	6,221	227,041	14,521	241,562	237,742
Meeting facility costs	39,859	5,411	86,908	269	132,447	5,107	137,554	164,158
Telecommunication and information technology	49,418	2,097	1,278	-	52,793	57,284	110,077	118,099
Publications and subscriptions	18,757	891	-	-	19,648	78,092	97,740	86,669
Equipment, repairs and maintenance	40,558	337	2,104	-	42,999	41,097	84,096	144,837
Bank fees and foreign exchange	32,589	763	10,118	103	43,573	24,990	68,563	83,278
Insurance	20,154	613	2,060	8	22,835	22,143	44,978	29,291
Bad debt	10,000	-	-	-	10,000	33,055	43,055	31,631
Depreciation and amortization	31,473	-	-	-	31,473	7,839	39,312	45,156
Accounting and auditing fees	-	-	-	-	-	37,262	37,262	41,923
Supplies and materials	12,939	991	3,888	108	17,926	6,336	24,262	38,438
Taxes and regulatory fees	8,401	121	-	-	8,522	15,168	23,690	19,543
Sponsorships and contributions	13,341	198	-	-	13,539	3,117	16,656	6,996
Advertising	875	-	-	-	875	-	875	11,580
TOTAL EXPENSES	\$ 6,765,646	\$ 548,501	\$ 358,327	\$ 327,899	\$ 8,000,373	\$ 2,509,760	\$ 10,510,133	\$ 9,439,143

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, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,061,001)	\$ (2,387,448)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loss on grants and contributions receivable of donor restricted funds	1,219,937	-
Bad debt	43,055	31,631
Depreciation and amortization	39,312	45,156
Changes in discount on grants and contributions receivable	(1,549)	(73,823)
Changes in assets and liabilities		
Contract assets	-	41,265
Grants and contributions receivable	1,890,714	1,888,106
Prepaid expenses and other	(24,594)	(10,722)
Security deposit	(34,593)	-
Accounts payable and accrued expenses	(356,241)	140,350
Contract liabilities	689,050	16,480
Deferred rent	(9,629)	(3,686)
NET CASH USED IN OPERATING ACTIVITIES	<u>(605,539)</u>	<u>(312,691)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(116,960)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(116,960)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(722,499)	(312,691)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,025,394</u>	<u>7,338,085</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,302,895</u>	<u>\$ 7,025,394</u>

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, 2019**

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.

Grants and Contributions Receivable

Grants and contributions 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. Grants and contributions 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.

Contribution 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. Contributions receivable are reviewed for collectibility, and a provision for doubtful contribution receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Grants 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 grants and contribution receivable.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

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

Property and Equipment and Related Depreciation and Amortization

Property and equipment with a cost in excess of \$5,000 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. 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

Unconditional grants and contributions are recognized as revenue and support in the accounting period in which they are received or when an unconditional promise to give is made. 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 met. 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 grants and contributions 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.

Continued

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

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

Revenue Recognition (continued)

Grants and Contributions (continued)

Government grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses and are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on government grants for which billings have not been presented to or collected from the awarding agency is included in grants and contributions receivable in the accompanying statement of financial position. The expenditures under these grants are subject to review by the granting authority.

Conditional grants that are received and spent in the same year are included as grants and contributions without donor restrictions in the accompanying statement of activities. To the extent, if any, that such a grantor review reduces expenditures allowable under these contracts, WCF will record such disallowance at the time the final assessment is made.

Member Dues

Membership dues are on a calendar year basis and are recognized ratably over the membership period since there are no distinct performance obligations and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Dues paid in advance of the membership period are reported as contract liabilities in the accompanying statement of financial position. The contract liabilities are all short-term in nature and will be recognized as revenue within the next year.

Registration Fees and Sponsorship

Conference registration and sponsorship revenue are recognized at a point in time which is when the conference is held. Amounts received in advance are recorded as contract liabilities.

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.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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

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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. WCF adopted ASU 2014-09 and related amendments on January 1, 2019 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. WCF adopted ASU 2018-08 as of January 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for WCF grants and contributions.

2. Grants and Contributions Receivable

Grants and contributions receivable include contributions from foundations, multiyear contributions and grants from WCF's members to fund various initiatives of WCF and government agencies and were composed of the following as of December 31:

Federal grants receivable	\$ 835,483
Grants and contributions receivable	<u>671,434</u>
Grants and Contributions Receivable, Net	<u>\$ 1,506,917</u>

Continued

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

2. Grants and Contributions Receivable (continued)

Grants and contributions receivable were due as follows as of December 31:

Due in less than one year	\$ 1,497,832
Due in one to five years	<u>10,000</u>
Total Grants and Contribution Receivable	1,507,832
Less: Discount on Multiyear Contributions (3.25%)	<u>(915)</u>
Grants and Contributions Receivable, Net	<u>\$ 1,506,917</u>

All amounts were deemed fully collectible as of December 31, 2019.

As of December 31, 2019, contributions of \$6,136,396, have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. Of these conditional contributions, \$25,000 is due from a private foundation and is conditioned upon meeting certain performance obligations included in the grant, \$3,911,396 relates to cost-reimbursable grants that have not been recognized at December 31, 2019, because qualifying expenditures have not yet been incurred, and approximately \$2,300,000 of anticipated contributions from participating members to fund CocoaAction as the amount of individual member allocation is contingent upon the determination of the total amount of project costs incurred each quarter.

In 2014, WCF received a grant from a foundation to support the Cocoa Livelihoods Program (CLP II). Certain aspects of the program formally ended on December 31, 2019, but there were specific targets of the projects that were not attained that were part of the grant. As a result, a portion of the pledged grant recognized in prior years from the foundation that remained in grants and contribution receivable was no longer owed to WCF and needed to be written off. Accordingly, a loss on grants and contributions receivable was recorded in the net assets with donor restrictions category in the accompanying statement of activities.

3. Property and Equipment and Related Depreciation and Amortization

WCF's property and equipment consisted of the following at December 31, 2019:

Furniture and equipment	\$ 116,960
Vehicles	<u>42,221</u>
Total Property and Equipment	159,181
Less: Accumulated Depreciation and Amortization	<u>(36,378)</u>
Property and Equipment, Net	<u>\$ 122,803</u>

Depreciation and amortization expense was \$39,312 for the year ended December 31, 2019, and is included in depreciation and amortization in the accompanying statement of functional expenses.

Continued

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2019:

CocoaAction	\$ 1,981,856
Cocoa Livelihood Program II	889,027
Climate Smart Cocoa	189,588
Africa Cocoa Initiative	47,960
UNCDF-Better than Cash Alliance	19,557
Collaboration with International Centre for Research in Agroforestry	<u>666</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,128,654</u>

5. 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 grants and contribution receivable.

The following table reflects WCF's financial assets as of December 31, 2019, 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 \$3,128,654 in net assets with donor restrictions at December 31, 2019, 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	\$ 6,302,895
Grants and contribution receivable	<u>1,506,917</u>
Total Financial Assets Available as of December 31, 2019	7,809,812
Less: Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	<u>(3,128,654)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,681,156</u>

Continued

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

6. 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, 2019, WCF had balances in excess of the FDIC insured limits totaling \$6,012,591. 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, 2019, cash held in foreign institutions was \$40,304.

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, 2019, total grant-related revenue attributable to WCF's members totaled approximately \$2,904,746 and represented approximately 59% of WCF's total grant-related revenue. WCF's federal grant revenue totaled approximately \$1,698,834 and represented approximately 35% of WCF's grant-related revenue.

Foreign Operations

WCF had operations in Ghana and Cote d'Ivoire during 2019. 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, 2019, assets in these countries totaled approximately \$46,147.

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, 2019, 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, 2019

6. Risks and Commitments (continued)

Operating Lease (continued)

In June 2019, WCF entered into a new agreement for office space for a different building in Washington, DC. The lease term is seven years and seven months with a commencement date of January 1, 2020, at which point WCF would have received constructive right of access and control of the space. The lease agreement requires a security deposit of \$30,512 and includes seven months of rent abatement as long as WCF was current on lease payments prior to the expiration of the abatement period. At that point, WCF has an option to convert the one month of abated rent in the amount of \$15,526. WCF exercised this option subsequent to year end and therefore has a total lease incentive of \$35,826.

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 \$269,079 for the year ended December 31, 2019, and is included in occupancy in the accompanying statement of functional expenses.

As of December 31, 2019, the future minimum lease payments owed by WCF are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	<u>Rental</u> <u>Payments</u>
2020	\$ 91,536
2021	190,396
2022	198,012
2023	205,932
2024	214,170
Thereafter	<u>594,914</u>
	<u>\$ 1,494,960</u>

7. 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, 2019, was \$255,547.

Continued

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

7. Pension Plans (continued)

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.

8. 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, 2019, no provision for income taxes was made for WCF, as WCF had no significant net unrelated business income. For the year ended December 31, 2019, no provision for excise taxes was made for WCF, as WCF had no significant investment income. WCF evaluated its uncertainty in income taxes for the year ended December 31, 2019, 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, 2019, the statute of limitations 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.

9. 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, 2018, from which the summarized information was derived.

10. Reclassification

Certain reclassifications to the prior year financial statements have been made to conform to the current year presentation.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

11. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions, for potential recognition or disclosure, through May 11, 2020, the date the financial statements were available to be issued. Except as described below, there were no subsequent events that were required to be disclosed.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. WCF has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact WCF's financial condition or results of operations is uncertain and being evaluated by management and the Board.

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, 2019**

EXPENSES

Consultants and contracted services	\$ 147,687
International travel	8,609
Indirect cost recovery	8,139
Domestic travel	5,265
Meeting facilities costs	743
Publications and subscriptions	278
Telecommunication and information technology	220
Supplies and materials	161
Bank and financial services	51
Loss due to exchange rates	(237)
	<hr/>
TOTAL EXPENSES	<u>\$ 170,916</u>

See independent auditors' report on supplementary information.