



World Cocoa
Foundation

Financial Statements and Supplementary Information

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

**and
Report Thereon**



WORLD COCOA FOUNDATION, INC.

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For the Year Ended December 31, 2020

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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, 2020, 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.

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of the World Cocoa Foundation, Inc. as of December 31, 2020, 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 2019 financial statements, and in our report dated May 11, 2020, 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, 2019, 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 29, 2021

WORLD COCOA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 5,746,654	\$ 6,302,895
Grants and contributions receivable, net	844,047	1,506,917
Prepaid expenses and other	82,173	170,005
Property and equipment, net	101,533	122,803
Security deposit	34,592	50,529
	\$ 6,808,999	\$ 8,153,149
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 554,745	\$ 682,200
Contract liabilities	696,894	1,558,102
Deferred rent	136,703	-
	1,388,342	2,240,302
Net Assets		
Without donor restrictions	4,707,597	2,784,193
With donor restrictions	713,060	3,128,654
	5,420,657	5,912,847
TOTAL NET ASSETS		
	\$ 6,808,999	\$ 8,153,149
TOTAL LIABILITIES AND NET ASSETS		
	\$ 6,808,999	\$ 8,153,149

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

WORLD COCOA FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 1,556,371	\$ 1,851,338	\$ 3,407,709	\$ 3,183,865
Member dues	2,302,716	-	2,302,716	2,286,481
Government grants	1,285,896	-	1,285,896	1,698,834
Registration fees and sponsorships	148,989	-	148,989	384,643
Interest income	23,507	-	23,507	105,619
Other income	200,600	-	200,600	8,127
Fees for service	2,500	-	2,500	1,500
Net asset released from restrictions:				
Satisfaction of purpose restrictions	4,176,932	(4,176,932)	-	-
TOTAL REVENUE AND SUPPORT	9,697,511	(2,325,594)	7,371,917	7,669,069
EXPENSES				
Program Services:				
West Africa	4,130,196	-	4,130,196	6,765,646
Climate smart cocoa, research and other programming	616,139	-	616,139	548,501
Southeast Asia and Latin America	350,913	-	350,913	327,899
Partnership meeting	86,931	-	86,931	358,327
Total Program Services	5,184,179	-	5,184,179	8,000,373
Supporting Service:				
Management and general	2,592,525	-	2,592,525	2,509,760
TOTAL EXPENSES	7,776,704	-	7,776,704	10,510,133
Change in net assets before loss on grants and contribution receivable and return of funds	1,920,807	(2,325,594)	(404,787)	(2,841,064)
Gain (loss) on grants and contributions receivable	2,597	-	2,597	(1,219,937)
Return of grant funds	-	(90,000)	(90,000)	-
CHANGE IN NET ASSETS	1,923,404	(2,415,594)	(492,190)	(4,061,001)
NET ASSETS, BEGINNING OF YEAR	2,784,193	3,128,654	5,912,847	9,973,848
NET ASSETS, END OF YEAR	\$ 4,707,597	\$ 713,060	\$ 5,420,657	\$ 5,912,847

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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	Program Services				Total Program Services	Supporting Service	2020 Total	2019 Total
	West Africa	Climate Smart Cocoa, Research and Other Programming	Southeast Asia and Latin America	Partnership Meeting		Management and General		
Salaries	\$ 1,237,397	\$ 230,210	\$ -	\$ -	\$ 1,467,607	\$ 1,311,354	\$ 2,778,961	\$ 3,005,089
Consultants and contracted services	1,475,435	313,574	261,302	77,203	2,127,514	445,641	2,573,155	2,754,884
Grants awarded	706,245	-	85,000	-	791,245	-	791,245	2,057,312
Employee benefits and payroll taxes	304,177	67,234	-	-	371,411	346,744	718,155	802,629
Occupancy	50,516	870	-	-	51,386	208,331	259,717	276,856
Legal fees	179,324	-	4,516	-	183,840	7,102	190,942	241,562
Publications and subscriptions	22,548	7	-	-	22,555	84,287	106,842	97,740
Telecommunication and information technology	31,370	2,037	-	-	33,407	41,409	74,816	110,077
Travel	46,755	584	-	57	47,396	14,969	62,365	643,681
Accounting and auditing fees	-	-	-	-	-	52,169	52,169	37,262
Equipment, repairs and maintenance	36,065	592	-	469	37,126	14,475	51,601	84,096
Insurance	15,270	894	-	-	16,164	23,839	40,003	44,978
Bank fees and foreign exchange	900	55	95	10	1,060	21,518	22,578	68,563
Depreciation and amortization	4,614	-	-	-	4,614	16,656	21,270	39,312
Supplies and materials	11,163	67	-	-	11,230	2,506	13,736	24,262
Meeting facility costs	2,417	-	-	9,192	11,609	-	11,609	137,554
Sponsorships and contributions	5,225	-	-	-	5,225	-	5,225	16,656
Advertising	-	-	-	-	-	3,264	3,264	875
Bad debt	-	-	-	-	-	-	-	43,055
Taxes and regulatory fees	775	15	-	-	790	(1,739)	(949)	23,690
TOTAL EXPENSES	\$ 4,130,196	\$ 616,139	\$ 350,913	\$ 86,931	\$ 5,184,179	\$ 2,592,525	\$ 7,776,704	\$ 10,510,133

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, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (492,190)	\$ (4,061,001)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loss (gain) on grants and contributions receivable of donor restricted funds	(2,597)	1,219,937
Bad debt	-	43,055
Depreciation and amortization	21,270	39,312
Changes in discount on grants and contributions receivable	(915)	(1,549)
Changes in assets and liabilities		
Grants and contributions receivable	666,382	1,890,714
Prepaid expenses and other	87,832	(24,594)
Security deposit	15,937	(34,593)
Accounts payable and accrued expenses	(127,455)	(356,241)
Contract liabilities	(861,208)	689,050
Deferred rent	136,703	(9,629)
	<u>(556,241)</u>	<u>(605,539)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(116,960)
	<u>-</u>	<u>(116,960)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(556,241)	(722,499)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,302,895</u>	<u>7,025,394</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,746,654</u>	<u>\$ 6,302,895</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, 2020**

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 92 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. Contributions 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 contributions 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 contributions receivable.

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

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Property and Equipment and Related Depreciation and Amortization (continued)

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. Unconditional 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. Unconditional 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.

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.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

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

Revenue Recognition (continued)

Grants and Contributions (continued)

Government grants are conditioned upon certain recommended performance requirements and are recognized as the conditions are met. 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 the conference is held. Amounts received in advance are recorded as contract liabilities.

Other Income

Other income consists of revenue from the return and reimbursement of unspent grant funds awarded by WCF in prior years and is recognized as revenue at the point in time when the grant and project period has ended.

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, 2020

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 Pronouncements to be Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses – (Topic 326)*. This ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance applies to loans, accounts receivable, trade receivables and other financial assets measured at amortized costs, loan commitments, debt securities and beneficial interests in securitized financial assets, but the effect on WCF is projected to be limited to accounts and pledges receivable. The guidance will be effective for the fiscal year beginning after December 15, 2022, including interim periods within that year. WCF will evaluate the impact this ASU will have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to put most leases on their statement of financial position. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The new standard is effective for the fiscal years beginning after December 15, 2021, and early adoption is permitted. WCF expects the impact of this new guidance to be material to its financial statements, which will be assessed prior to the adoption of the standard.

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 grants from government agencies and was composed of the following as of December 31:

Federal grants receivable	\$ 418,652
Grants and contributions receivable	<u>425,395</u>
Grants and Contributions Receivable, Net	<u>\$ 844,047</u>

All amounts are due within one year and are considered to be fully collectible.

As of December 31, 2020, contributions of \$2,438,208, have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. These contributions will be recognized when certain milestones are met.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

3. Property and Equipment and Related Depreciation and Amortization

WCF's property and equipment consisted of the following at December 31, 2020:

Furniture and equipment	\$ 116,960
Vehicles	<u>42,221</u>
Total Property and Equipment	159,181
Less: Accumulated Depreciation and Amortization	<u>(57,648)</u>
Property and Equipment, Net	<u>\$ 101,533</u>

Depreciation and amortization expense was \$21,270 for the year ended December 31, 2020, and is included in depreciation and amortization in the accompanying statement of functional expenses.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2020:

CocoaAction	\$ 656,245
Africa Cocoa Initiative	49,000
Research Partnership with Bioversity under NOW/WOTRO	<u>7,815</u>
Total Net Assets With Donor Restrictions	<u>\$ 713,060</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.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

5. Liquidity and Availability (continued)

The following table reflects WCF's financial assets as of December 31, 2020, 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 \$713,060 in net assets with donor restrictions at December 31, 2020, 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	\$ 5,746,654
Grants and contribution receivable	<u>844,047</u>
Total Financial Assets Available as of December 31, 2020	6,590,701
Less: Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	<u>(713,060)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,877,641</u>

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, 2020, WCF had balances in excess of the FDIC insured limits totaling \$193,478. 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, 2020, cash held in foreign institutions was \$14,815.

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, 2020, total grant-related revenue attributable to WCF's members totaled approximately \$3,050,329 and represented approximately 65% of WCF's total grant-related revenue. WCF's federal grant revenue totaled approximately \$1,285,896 and represented approximately 27% of WCF's grant related revenue.

Foreign Operations

WCF had operations in Ghana and Cote d'Ivoire during 2020. 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, 2020, assets in these countries totaled approximately \$14,992.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

6. Risks and Commitments (continued)

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, 2020, or its results of operations for the year then ended.

Risks and Uncertainties – Global Pandemic

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.

Operating Lease

WCF has entered into various noncancelable operating lease agreements for office space in Washington, DC; Accra, Ghana; and Abidjan, Cote d'Ivoire. 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.

In June 2019, WCF entered into an agreement for office space located in Washington, DC. The lease term is seven years and seven months with a commencement date of January 1, 2020 and expiration date of July 2027. The lease agreement requires a security deposit of \$30,512, provides a tenant relocation allowance of \$20,570 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 \$15,256 to a tenant allowance. WCF exercised this option and recorded a total allowance and lease incentive of \$35,826.

The office space lease agreements for Accra, Ghana; and Abidjan, Cote d'Ivoire has a term of two years and are scheduled to expire September 30, 2021 and November 30, 2021, respectively.

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 \$248,209 for the year ended December 31, 2020 and is included in occupancy in the accompanying statement of functional expenses.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

6. Risks and Commitments (continued)

Operating Lease (continued)

As of December 31, 2020 the future minimum lease payments owed by WCF are as follows:

<u>For the Year Ending December 31,</u>	<u>Rental Payments</u>
2021	\$ 233,080
2022	198,012
2023	205,932
2024	214,170
2025	222,740
Thereafter	<u>372,174</u>
	<u>\$ 1,446,108</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, 2020, was \$234,005.

Deferred Compensation Plans

WCF has a 457(b) deferred compensation plan (the 457(b) Plan) with one executive 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, 2020, no provision for income taxes was made for WCF, as WCF had no significant net unrelated business income. For the year ended December 31, 2020, 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, 2020

8. Income Taxes (continued)

WCF evaluated its uncertainty in income taxes for the year ended December 31, 2020, 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, 2020, 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 pending or 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, 2019, from which the summarized information was derived.

10. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions, for potential recognition or disclosure, through April 29, 2021, the date the financial statements were available to be issued. There were no subsequent events that were required to be recognized in the financial statements or 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, 2020**

EXPENSES

Consultants and contracted services	\$ 214,158
Indirect cost recovery	10,901
Domestic travel	5,629
Telecommunication and information technology	937
Supplies and materials	579
Loss due to exchange rates	<u>(3,285)</u>
TOTAL EXPENSES	<u>\$ 228,919</u>

See independent auditors' report on supplementary information.