



World Cocoa Foundation

Financial Statements

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

and Report Thereon



WORLD COCOA FOUNDATION, INC.

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For the Year Ended December 31, 2015

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Certified Public Accountants

INDEPENDENT AUDITOR'S 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, 2015, 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the World Cocoa Foundation, Inc. as of December 31, 2015, 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.

Continued

Report on Summarized Comparative Information

We have previously audited WCF's 2014 financial statements, and in our report dated June 24, 2015, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
May 4, 2016

WORLD COCOA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With Summarized Financial Information as of December 31, 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 9,017,287	\$ 6,538,893
Accounts receivable	948,183	1,905,761
Pledges and grants receivable, net	9,427,658	14,756,698
Prepaid expenses	72,337	50,228
Property and equipment, net	132,234	117,528
Investments for deferred compensation	309,011	225,735
Security deposit	16,291	8,790
TOTAL ASSETS	\$ 19,923,001	\$ 23,603,633
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,148,664	\$ 1,082,382
Deferred dues revenue	501,905	471,087
Refundable advances	-	61,334
Funds held on behalf of others	-	105,742
Deferred compensation	150,646	181,241
Deferred rent	31,432	33,911
TOTAL LIABILITIES	1,832,647	1,935,697
Net Assets		
Unrestricted	1,033,916	976,504
Temporary restricted	17,056,438	20,691,432
TOTAL NET ASSETS	18,090,354	21,667,936
TOTAL LIABILITIES AND NET ASSETS	\$ 19,923,001	\$ 23,603,633

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

WORLD COCOA FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
REVENUE AND SUPPORT				
Grants and contributions	\$ 16,295	\$ 3,579,684	\$ 3,595,979	\$ 22,045,199
In-kind contributions	3,160,158	-	3,160,158	2,092,404
Dues	2,024,187	-	2,024,187	1,964,064
Government grants	975,349	-	975,349	2,000,368
Registration fees and sponsorships	312,241	-	312,241	217,579
Other income	125,506	-	125,506	21,726
Fees for service	123,008	-	123,008	-
Investment income	12,753	-	12,753	9,855
Net asset released from restrictions:				
Satisfaction of purpose restrictions	<u>7,214,678</u>	<u>(7,214,678)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>13,964,175</u>	<u>(3,634,994)</u>	<u>10,329,181</u>	<u>28,351,195</u>
EXPENSES				
Program Services:				
CocoaAction-West Africa	10,646,136	-	10,646,136	12,022,254
Southeast Asia and Latin America	334,527	-	334,527	328,814
Partnership meeting and other program events	289,443	-	289,443	337,217
Research and other programming	<u>278,551</u>	<u>-</u>	<u>278,551</u>	<u>308,626</u>
Total Program Services	<u>11,548,657</u>	<u>-</u>	<u>11,548,657</u>	<u>12,996,911</u>
Supporting Service:				
Management and general	<u>2,358,106</u>	<u>-</u>	<u>2,358,106</u>	<u>1,815,834</u>
Total Supporting Service	<u>2,358,106</u>	<u>-</u>	<u>2,358,106</u>	<u>1,815,834</u>
TOTAL EXPENSES	<u>13,906,763</u>	<u>-</u>	<u>13,906,763</u>	<u>14,812,745</u>
CHANGE IN NET ASSETS	57,412	(3,634,994)	(3,577,582)	13,538,450
NET ASSETS, BEGINNING OF YEAR	<u>976,504</u>	<u>20,691,432</u>	<u>21,667,936</u>	<u>8,129,486</u>
NET ASSETS, END OF YEAR	<u>\$ 1,033,916</u>	<u>\$ 17,056,438</u>	<u>\$ 18,090,354</u>	<u>\$ 21,667,936</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, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Program Services							
	CocoaAction- West Africa	Southeast Asia and Latin America	Partnership Meeting and Other Program Events	Research and Other Programming	Total Program Services	Management and General	2015 Total	2014 Total
Grants awarded	\$ 3,237,996	\$ 175,000	\$ -	\$ 122,361	\$ 3,535,357	\$ -	\$ 3,535,357	\$ 5,371,525
In-kind program support	3,160,158	-	-	-	3,160,158	-	3,160,158	2,092,404
Salaries	1,065,562	95,415	35,972	46,915	1,243,864	1,182,922	2,426,786	1,615,864
Consultants and contracted services	1,683,566	14,990	49,293	-	1,747,849	137,487	1,885,336	3,287,889
Travel	461,704	27,530	16,227	82,663	588,124	80,962	669,086	923,680
Employee benefits and payroll taxes	390,203	20,103	9,234	12,449	431,989	193,333	625,322	383,607
Occupancy	93,976	427	-	11,248	105,651	202,600	308,251	278,011
Legal fees	153,699	676	-	-	154,375	97,297	251,672	207,774
Meeting facility costs	53,117	-	164,174	-	217,291	10,008	227,299	127,326
Supplies and materials	148,652	227	10,820	1,612	161,311	36,148	197,459	136,163
Telecommunication and information technology	57,376	8	3,545	161	61,090	135,439	196,529	145,234
Accounting and auditing fees	8,845	-	-	-	8,845	152,053	160,898	83,251
Bank fees	39,962	151	178	142	40,433	27,580	68,013	23,814
Depreciation and amortization	34,261	-	-	-	34,261	12,793	47,054	27,513
Equipment	41,871	-	-	-	41,871	4,030	45,901	5,139
Publications and subscriptions	5,526	-	-	-	5,526	32,293	37,819	46,660
Bad debt	-	-	-	-	-	21,175	21,175	-
Sponsorships and contributions	1	-	-	1,000	1,001	19,501	20,502	36,086
Insurance	6,992	-	-	-	6,992	10,920	17,912	15,370
Taxes and regulatory fees	2,669	-	-	-	2,669	1,565	4,234	1,000
Advertising	-	-	-	-	-	-	-	4,435
TOTAL EXPENSES	\$ 10,646,136	\$ 334,527	\$ 289,443	\$ 278,551	\$ 11,548,657	\$ 2,358,106	\$ 13,906,763	\$ 14,812,745

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, 2015

(With Summarized Financial Information as of December 31, 2014)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,577,582)	\$ 13,538,450
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,054	27,513
Unrealized and realized (gains) losses, net	46,724	(13,770)
Changes in allowance for doubtful accounts	21,175	-
Changes in discount on pledges and grants receivable	(305,704)	536,129
Changes in assets and liabilities		
Accounts receivable	936,403	388,086
Pledges and grants receivable	5,634,744	(11,907,674)
Prepaid expenses	(22,109)	19,861
Security deposit	(7,501)	-
Accounts payable and accrued expenses	66,282	(26,805)
Deferred dues revenue	30,818	(353,627)
Refundable advances	(61,334)	(356,955)
Funds held on behalf of others	(105,742)	105,742
Deferred compensation	(30,595)	82,494
Deferred rent	(2,479)	2,349
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,670,154</u>	<u>2,041,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(130,000)	(113,218)
Purchase of furniture and equipment	(61,760)	(83,248)
NET CASH USED IN INVESTING ACTIVITIES	<u>(191,760)</u>	<u>(196,466)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,478,394	1,845,327
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,538,893</u>	<u>4,693,566</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,017,287</u>	<u>\$ 6,538,893</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, 2015**

1. Organization and Summary of Significant Accounting Policies

Organization

The World Cocoa Foundation (WCF) promotes a sustainable cocoa economy through economic and social development and environmental stewardship in cocoa-growing communities. WCF is a membership-based nonprofit whose more than 105 company members from Africa, Asia, Europe and the Americas make up over 80% of the global chocolate and cocoa sector. By building partnerships with cocoa farmers, origin governments, international donors and environmental/social organizations, WCF supports and applies research, training and education that improve crop yield and quality along with the well-being of cocoa farming families. These activities are funded primarily through contributions from WCF's members and foundations, government grants and dues.

WCF is dedicated to a shared future with shared benefits throughout the cocoa supply chain by:

- Ensuring a sustainable supply of quality cocoa that benefits both growers and users.
- Empowering farmers to make choices that help develop strong, prosperous cocoa communities.
- Promoting sustainable production practices that maintain and increase biodiversity and crop diversification.

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 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

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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

Pledges and Grants Receivable (continued)

grants receivable are recorded as temporarily restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear that the donor intended it 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 collectability, 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 are stated at cost, or if donated, at the approximate fair value at date of donation. WCF capitalizes all expenditures for property and equipment in excess of \$1,000. 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 monitoring and evaluation systems 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.

Investments for Deferred Compensation Plan

Investments for the deferred compensation plan are recorded at fair value. These investments represent WCF's contributions to the plan as required under the agreement with the individuals participating in the plan plus the accumulated investment earnings. The investments also include forfeitures that are still held in the plan assets that will be used to offset future contributions. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurements

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, WCF has categorized its applicable financial instruments into the required fair value hierarchy. The fair value hierarchy

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

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

Fair Value Measurements (continued)

gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Values that are based on unadjusted quoted prices for identical assets or liabilities in active markets that are accessible. Investments valued using Level 1 inputs include those investments that are traded on active exchanges, such as the New York Stock Exchange.

Level 2 – Values that are based on quoted prices in the market that are not active or that are not based on information that is observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Values that are based on unobservable information for the asset or liability, including the reporting entity's own assumptions, in determining the fair value measurement.

Classification of Net Assets

The net assets of WCF are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of WCF's operations.
- Temporarily restricted net assets 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 period received or when an unconditional promise to give is made. Contributions are considered available for unrestricted use, 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 temporarily restricted revenue and support in the accompanying statement of activities. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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

Revenue Recognition (continued)

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 period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred dues revenue in the accompanying statement of financial position.

Revenue from government grants is treated as an exchange contract and 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.

In-Kind Contributions

In-kind contributions represent the value of donated services. Donations are recorded based on their estimated fair value at the date of donation and are included in in-kind contributions in the accompanying statement of activities. These in-kind donations benefit the CocoaAction-West Africa programs.

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, square footage or funds flow (project revenue).

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

2. Accounts Receivable

Accounts receivable are primarily from member dues, program fees and government agencies. Management has created an allowance for potentially uncollectible amounts of \$21,175 for the year ended December 31, 2015.

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	\$ 3,885,562
Due in one to five years	<u>5,803,367</u>
Total Pledges and Grants Receivable	9,688,929
Less: Discount on Multiyear Pledges (3.25%)	<u>(261,271)</u>
Pledges and Grants Receivable, Net	<u>\$ 9,427,658</u>

4. Property and Equipment and Related Depreciation and Amortization

WCF's property and equipment consisted of the following at December 31, 2015:

Furniture and equipment	\$ 123,693
Software	67,555
Vehicles	36,057
Leasehold improvements	<u>34,999</u>
Total Property and Equipment	262,304
Less: Accumulated Depreciation and Amortization	<u>(130,070)</u>
Property and Equipment, Net	<u>\$ 132,234</u>

Depreciation and amortization expense was \$47,054 for the year ended December 31, 2015.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of December 31, 2015:

Cocoa Livelihood Program II	\$ 13,853,311
CocoaAction	1,616,327
Africa Cocoa Initiative	923,232
ECHOES Program	398,322
Cocoa Community Development Fund	192,765
Indonesian Research Program	61,500
Pro Planteurs	<u>10,981</u>
Total Temporarily Restricted Net Assets	<u>\$ 17,056,438</u>

Temporarily restricted assets do not include the amounts approved by the WCF Board of Directors for calendar year 2016 related to anticipated contributions from participating members to fund CocoaAction up to approximately \$2,700,000. 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.

6. Fair Value Measurements

The following table summarizes WCF's assets measured at fair value on a recurring basis, aggregated by the fair value hierarchy with which those measurements were made, as of December 31, 2015:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds:				
Large blend	\$ 149,515	\$ 149,515	\$ -	\$ -
Large growth-foreign	31,282	31,282	-	-
Diversified emerging markets	13,033	13,033	-	-
Mid cap value	12,977	12,977	-	-
Small blend	11,411	11,411	-	-
Small value	8,049	8,049	-	-
Large growth	7,075	7,075	-	-
Large value	6,429	6,429	-	-
Mid cap growth	6,019	6,019	-	-
World stock	4,352	4,352	-	-

Continued

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

6. Fair Value Measurements (continued)

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed-income mutual funds:				
Intermediate-term bonds	\$ 32,817	\$ 32,817	\$ -	\$ -
Balanced/asset allocation	21,221	21,221	-	-
High-yield bonds	<u>4,831</u>	<u>4,831</u>	-	-
Total Investments For Deferred Compensation	<u>\$ 309,011</u>	<u>\$ 309,011</u>	<u>\$ -</u>	<u>\$ -</u>

Mutual funds – Value derived from the net asset value of shares held at year-end and based on quoted market prices in active markets.

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, 2015, WCF had balances in excess of the FDIC insured limits totaling approximately \$8,727,000. 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, 2015, cash held in foreign institutions was approximately \$36,000.

Concentration of Revenue

A substantial portion of WCF's grants related revenue is derived from WCF's members. For the year ended December 31, 2015, total grant related revenue attributable to WCF's members totaled \$3,347,663 and represents approximately 73% of WCF's total grant related revenue.

Foreign Operations

WCF has operations in Ghana, Cote d'Ivoire and Indonesia. 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, 2015, assets in these countries totaled approximately \$117,522.

Continued

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

7. Risks and Commitments (continued)

Office of Management and Budget Uniform Guidance

WCF has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2015, in compliance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports will not have a material effect on WCF's financial position as of December 31, 2015, or its results of operations for the year then ended.

Operating Lease

WCF has entered into various noncancelable lease agreements for office space in Washington, DC; Accra, Ghana; Abidjan, Cote d'Ivoire; and Makassar, Indonesia. The operating lease agreements have various expiration dates through October 2018. 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.

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 \$237,939 for the year ended December 31, 2015, and is included in occupancy in the accompanying statement of functional expenses.

As of December 31, 2015, total future minimum lease payments required under these operating leases are as follows:

<u>For the Year Ending December 31,</u>	
2016	\$ 279,156
2017	222,861
2018	<u>174,591</u>
Total	<u>\$ 676,608</u>

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

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, 2015, was \$161,540.

Deferred Compensation Plans

WCF has a 457(b) deferred compensation plan (the 457(b) Plan) covering one key executive. 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 executive. 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.

WCF also has a 457(f) deferred compensation plan (the 457(f) Plan) covering several key employees as approved by the Board of Directors. Participants are vested after five years, which for one executive in the plan begins on December 31, 2017. WCF has made contributions to the 457(f) Plan to fund the vested payment as it becomes due. The assets and liability related to the 457(f) Plan are included in investments for deferred compensation and deferred compensation liability, respectively, in the accompanying statement of financial position and represent the cumulative amount of contributions to the 457(f) Plan, as well as accumulated earnings and losses since the 457(f) Plan's inception.

9. In-Kind Donations

During the year, WCF received donated professional services in support of its CocoaAction-West Africa Initiative program from IDH Sustainable Trade Initiative, which comprised of training on good agricultural practices and certification enhancement to farmers. The donated professional services of \$3,160,158, representing the fair value of the use of these services, have been recorded as in-kind contributions revenue and in-kind program support expense in the accompanying statements of activities and functional expenses, respectively, for the year ended December 31, 2015.

10. 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, 2015, no provision for income taxes was made for WCF as WCF had no net unrelated business income. For the year ended December 31, 2015, no provision for excise taxes was made for WCF, as WCF had no net investment income.

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10. Income Taxes (continued)

WCF performed an evaluation of uncertain tax positions for the year ended December 31, 2015, 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, 2015, the statute of limitations for the years ended December 31, 2012, through December 31, 2014, remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which WCF files tax returns. It is WCF policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

11. 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, 2014, from which the summarized information was derived.

12. Reclassification

Certain 2014 amounts have been reclassified to conform to the 2015 financial statement presentation.

13. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 4, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.