



World Cocoa Foundation

Financial Statements

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

and Report Thereon



WORLD COCOA FOUNDATION, INC.

TABLE OF CONTENTS
For the Year Ended December 31, 2016

	<i>Page</i>
Independent Auditor's 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



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the World Cocoa Foundation, Inc. (WCF), which comprise the statement of financial position as of December 31, 2016, 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, 2016, 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 2015 financial statements, and in our report dated May 4, 2016, 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, 2015, 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 11, 2017

WORLD COCOA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Summarized Financial Information as of December 31, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 7,413,969	\$ 9,017,287
Accounts receivable	975,245	961,107
Pledges and grants receivable, net	7,821,050	9,427,658
Prepaid expenses	83,582	59,413
Property and equipment, net	121,904	132,234
Investments for deferred compensation	250,196	309,011
Security deposit	16,291	16,291
	\$ 16,682,237	\$ 19,923,001
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 881,737	\$ 1,148,664
Deferred dues revenue	349,731	501,905
Deferred compensation	250,196	150,646
Deferred rent	23,989	31,432
	1,505,653	1,832,647
TOTAL LIABILITIES		
Net Assets		
Unrestricted	1,168,245	1,033,916
Temporary restricted	14,008,339	17,056,438
	15,176,584	18,090,354
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 16,682,237	\$ 19,923,001

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

WORLD COCOA FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
REVENUE AND SUPPORT				
Grants and contributions	\$ 63,229	\$ 3,443,227	\$ 3,506,456	\$ 3,595,979
Dues	2,023,230	-	2,023,230	2,024,187
Government grants	1,569,633	-	1,569,633	975,349
Registration fees and sponsorships	349,560	-	349,560	312,241
Fees for service	203,605	-	203,605	123,008
In-kind contributions	192,765	-	192,765	3,160,158
Investment income	15,716	-	15,716	12,753
Other income	2,228	-	2,228	125,506
Net asset released from restrictions:				
Satisfaction of purpose restrictions	<u>6,491,326</u>	<u>(6,491,326)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>10,911,292</u>	<u>(3,048,099)</u>	<u>7,863,193</u>	<u>10,329,181</u>
EXPENSES				
Program Services:				
West Africa	7,172,306	-	7,172,306	10,646,136
Climate smart cocoa, research and other programming	689,902	-	689,902	278,551
Partnership meeting	333,171	-	333,171	289,443
Southeast Asia and Latin America	<u>293,840</u>	<u>-</u>	<u>293,840</u>	<u>334,527</u>
Total Program Services	<u>8,489,219</u>	<u>-</u>	<u>8,489,219</u>	<u>11,548,657</u>
Supporting Service:				
Management and general	<u>2,287,744</u>	<u>-</u>	<u>2,287,744</u>	<u>2,358,106</u>
Total Supporting Service	<u>2,287,744</u>	<u>-</u>	<u>2,287,744</u>	<u>2,358,106</u>
TOTAL EXPENSES	<u>10,776,963</u>	<u>-</u>	<u>10,776,963</u>	<u>13,906,763</u>
CHANGE IN NET ASSETS	134,329	(3,048,099)	(2,913,770)	(3,577,582)
NET ASSETS, BEGINNING OF YEAR	<u>1,033,916</u>	<u>17,056,438</u>	<u>18,090,354</u>	<u>21,667,936</u>
NET ASSETS, END OF YEAR	<u>\$ 1,168,245</u>	<u>\$ 14,008,339</u>	<u>\$ 15,176,584</u>	<u>\$ 18,090,354</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, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

	Program Services				Total Program Services	Supporting Service	2016 Total	2015 Total
	West Africa	Climate Smart Cocoa, Research and Other Programming	Partnership Meeting	Southeast Asia and Latin America		Management and General		
Salaries	\$ 1,495,198	\$ 103,992	\$ 84,321	\$ 101,199	\$ 1,784,710	\$ 1,093,023	\$ 2,877,733	\$ 2,426,786
Grants awarded	2,540,044	276,376	-	56,000	2,872,420	-	2,872,420	3,535,357
Consultants and contracted services	1,409,066	38,357	64,637	48,198	1,560,258	296,872	1,857,130	1,913,104
Travel	363,953	230,598	38,662	35,039	668,252	68,390	736,642	669,086
Employee benefits and payroll taxes	426,862	26,292	17,012	25,738	495,904	228,035	723,939	632,886
Occupancy	120,925	1,358	5,553	10,740	138,576	207,163	345,739	345,033
Legal fees	189,314	-	-	9,647	198,961	86,498	285,459	251,672
In-kind program support	174,765	-	18,000	-	192,765	-	192,765	3,160,158
Bad debt	126,344	-	2,000	-	128,344	16,275	144,619	21,175
Telecommunication and information technology	48,746	836	377	1,316	51,275	81,107	132,382	196,529
Meeting facility costs	40,475	9,413	74,362	2,484	126,734	1,096	127,830	227,299
Accounting and auditing fees	5,384	-	-	-	5,384	102,872	108,256	160,898
Publications and subscriptions	30,167	-	-	3,000	33,167	44,658	77,825	37,819
Bank fees and foreign exchange	35,531	542	15,808	314	52,195	20,668	72,863	68,013
Depreciation, amortization and loss on disposals	60,286	-	-	-	60,286	9,983	70,269	47,054
Supplies and materials	40,035	614	3,018	165	43,832	5,027	48,859	125,345
Equipment	42,342	-	-	-	42,342	2,023	44,365	45,901
Insurance	11,392	-	9,421	-	20,813	13,957	34,770	17,912
Sponsorships and contributions	4,882	-	-	-	4,882	9,735	14,617	20,502
Taxes and regulatory fees	5,388	1,524	-	-	6,912	362	7,274	4,234
Advertising	1,207	-	-	-	1,207	-	1,207	-
TOTAL EXPENSES	\$ 7,172,306	\$ 689,902	\$ 333,171	\$ 293,840	\$ 8,489,219	\$ 2,287,744	\$ 10,776,963	\$ 13,906,763

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, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,913,770)	\$ (3,577,582)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation, amortization and loss on disposals	70,269	47,054
Unrealized and realized (gains) losses, net	(19,550)	46,724
Changes in allowance for doubtful accounts	(21,175)	21,175
Changes in discount on pledges and grants receivable	(74,937)	(305,704)
Changes in assets and liabilities		
Accounts receivable	7,037	936,403
Pledges and grants receivable	1,681,545	5,634,744
Prepaid expenses	(24,169)	(22,109)
Security deposit	-	(7,501)
Accounts payable and accrued expenses	(266,927)	66,282
Deferred dues revenue	(152,174)	30,818
Refundable advances	-	(61,334)
Funds held on behalf of others	-	(105,742)
Deferred compensation	99,550	(30,595)
Deferred rent	(7,443)	(2,479)
	<u>(1,621,744)</u>	<u>2,670,154</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>(1,621,744)</u>	<u>2,670,154</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(80,000)	(130,000)
Forfeiture in 457(f) plan assets	158,365	-
Purchase of furniture and equipment	(59,939)	(61,760)
	<u>18,426</u>	<u>(191,760)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
	<u>18,426</u>	<u>(191,760)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,603,318)</u>	<u>2,478,394</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,017,287</u>	<u>6,538,893</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,413,969</u>	<u>\$ 9,017,287</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, 2016**

1. Organization and Summary of Significant Accounting Policies

Organization

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 non-profit whose 100+ members from Africa, Asia, Europe, and the Americas make up over 80 percent of the global chocolate and cocoa sector. These activities are funded primarily through contributions from WCF's members, foundations, government grants and dues.

Basis of Accounting

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Pledges and Grants Receivable

Pledges receivable consist of unconditional promises to give that are expected to be collected in future years and grants classified as conditional promises to the extent that the conditions have been met but reimbursement from the grantor has not been received. Pledges and grants receivable are recorded as 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.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

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

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 may 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 Measurement

In accordance with the accounting standards for fair value measurement 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 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.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

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

Fair Value Measurement (continued)

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 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.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

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

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 West Africa and Partnership Meeting 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).

2. Accounts Receivable

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

3. Pledges and Grants Receivable

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

Due in less than one year	\$ 3,349,168
Due in one to five years	<u>4,658,216</u>
Total Pledges and Grants Receivable	8,007,384
Less: Discount on Multiyear Pledges (3.25%)	<u>(186,334)</u>
Pledges and Grants Receivable, Net	<u>\$ 7,821,050</u>

Continued

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

4. Property and Equipment and Related Depreciation and Amortization

WCF's property and equipment consisted of the following at December 31, 2016:

Software	\$ 118,829
Furniture and equipment	50,848
Vehicles	42,221
Leasehold improvements	<u>34,999</u>
Total Property and Equipment	246,897
Less: Accumulated Depreciation and Amortization	<u>(124,993)</u>
Property and Equipment, Net	<u>\$ 121,904</u>

Depreciation and amortization expense was \$60,867 for the year ended December 31, 2016 and is included in depreciation, amortization and loss on disposals in the accompanying statement of functional expenses.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of December 31, 2016:

Cocoa Livelihood Program II	\$ 11,361,954
CocoaAction	1,450,697
Climate Smart Cocoa	518,413
Africa Cocoa Initiative	423,388
ECHOES Program	150,401
Cocoa Community Development Fund	<u>103,486</u>
Total Temporarily Restricted Net Assets	<u>\$ 14,008,339</u>

Temporarily restricted assets do not include the amounts approved by the WCF Board of Directors for calendar year 2017 related to anticipated contributions from participating members to fund CocoaAction up to approximately \$2,540,000. 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.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

6. Fair Value Measurement

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, 2016:

	Total Fair Value	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	\$ 153,104	\$ 153,104	\$ -	\$ -
Small blend	16,462	16,462	-	-
Large value	11,144	11,144	-	-
Mid-cap growth	9,361	9,361	-	-
International equity	8,424	8,424	-	-
Large growth-foreign	7,690	7,690	-	-
Mid-cap value	4,515	4,515	-	-
Large growth	4,759	4,759	-	-
Fixed-income mutual funds:				
High-yield bonds	20,003	20,003	-	-
Intermediate-term bonds	14,734	14,734	-	-
Total Investments For Deferred Compensation	<u>\$ 250,196</u>	<u>\$ 250,196</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, 2016, WCF had balances in excess of the FDIC insured limits totaling \$7,139,643. 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, 2016, cash held in foreign institutions was \$21,290.

WORLD COCOA FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

7. Risks and Commitments (continued)

Concentration of Revenue

A substantial portion of WCF's grants related revenue is derived from WCF's members and the federal government. For the year ended December 31, 2016, total grant related revenue attributable to WCF's members totaled approximately \$3,328,000 and represents approximately 66% of WCF's total grant related revenue. WCF's federal grant revenue totaled approximately \$1,570,000 and represents approximately 31% of WCF's grant related revenue.

Foreign Operations

WCF has operations in Ghana, Cote d'Ivoire and Indonesia during 2016. 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, 2016, assets in these countries totaled approximately \$88,000.

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, 2016, 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, 2016, 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; Abidjan, Cote d'Ivoire; and Makassar, Indonesia. The non-cancelable 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 \$278,819 for the year ended December 31, 2016, 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, 2016

7. Risks and Commitments (continued)

Operating Lease (continued)

As of December 31, 2016, total future minimum lease payments required under these operating leases are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2017	\$ 232,212
2018	<u>174,591</u>
Total	<u>\$ 406,803</u>

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, 2016, was \$229,951.

Deferred Compensation Plans

WCF has a 457(b) deferred compensation plan (the 457(b) Plan) with one key 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 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 payments as the payments become 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. The plan was terminated in February 2017 with all individual participant account balances deemed fully vested and due. Final liquidation of the plan assets and distributions occurred in February 2017.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

9. In-Kind Donations

During the year, WCF received donated professional services in support of its West African programs from World Education, which comprised of preschool construction and increased access to health education to improve maternal and child health and education outcomes and in support of its Partnership Meeting from South Africa Airways, which comprised of donated and discounted air travel from Washington, DC to Accra, Ghana. The donated professional services and air travel of \$174,765 and \$18,000, respectively, represent the fair value of the use of these services, and 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, 2016.

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, 2016, no provision for income taxes was made for WCF as WCF had no net unrelated business income. For the year ended December 31, 2016, no provision for excise taxes was made for WCF, as WCF had no net investment income.

WCF evaluated its uncertainty in income taxes for the year ended December 31, 2016, 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, 2016, the statute of limitations for the years ended December 31, 2013, through December 31, 2015, 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 uncertainty in income taxes, 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, 2015, from which the summarized information was derived.

12. Reclassification

Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

13. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 11, 2017, the date the financial statements were available to be issued. Except for the event disclosed in Note 8 related to the termination of the 457(f) plan, there were no subsequent events that require recognition or disclosure in these financial statements.