



World Cocoa
Foundation

Financial Statements and Supplementary Information

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)



**and
Report Thereon**

WORLD COCOA FOUNDATION, INC.

TABLE OF CONTENTS
For the Year Ended December 31, 2022

	<i>Page</i>
Independent Auditors' Report.....	1-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8-15
Supplementary Information	
Department for International Development Grant:	
Cocoa and Forest Initiative (CFI) Phase II and III under P4F Grant	
Schedule of Expenses	16

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinion

We have audited the financial statements of the World Cocoa Foundation, Inc. (WCF), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WCF as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WCF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WCF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 WCF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WCF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 and Phase III 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Matter

Report on Summarized Comparative Information

We have previously audited WCF's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
August 30, 2023

WORLD COCOA FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022

(With Summarized Financial Information as of December 31, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 7,282,358	\$ 6,520,488
Grants and contributions receivable	719,920	832,477
Other receivables	8,698	20,941
Prepaid expenses	98,352	105,293
Operating right-of-use asset	783,338	-
Property and equipment, net	234,138	86,106
Security deposits	34,592	34,592
TOTAL ASSETS	\$ 9,161,396	\$ 7,599,897
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 576,121	\$ 707,884
Deferred revenue	1,238,182	792,653
Operating lease liability	923,491	-
Deferred rent	-	146,043
TOTAL LIABILITIES	2,737,794	1,646,580
Net Assets		
Without donor restrictions	5,621,583	4,963,677
With donor restrictions:		
Cocoa Action Brazil	702,019	949,133
Africa Cocoa Initiative	-	40,507
VSLA	100,000	-
Total With Donor Restrictions	802,019	989,640
TOTAL NET ASSETS	6,423,602	5,953,317
TOTAL LIABILITIES AND NET ASSETS	\$ 9,161,396	\$ 7,599,897

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

WORLD COCOA FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 2,900,106	\$ 982,349	\$ 3,882,455	\$ 3,377,994
Member dues	2,420,854	-	2,420,854	2,384,271
Registration fees and sponsorships	371,997	-	371,997	158,254
Fees for service	68,694	-	68,694	88,030
Government grants	50,479	-	50,479	1,014,023
Interest income	44,232	-	44,232	14,207
Other income	1,296	-	1,296	3,702
Net asset released from restrictions:				
Satisfaction of purpose restrictions	1,169,970	(1,169,970)	-	-
TOTAL REVENUE AND SUPPORT	7,027,628	(187,621)	6,840,007	7,040,481
EXPENSES				
Program Services:				
West Africa	4,335,352	-	4,335,352	4,528,011
South America	489,318	-	489,318	409,273
Partnership meeting	289,114	-	289,114	64,151
Total Program Services	5,113,784	-	5,113,784	5,001,435
Supporting Service:				
Management and general	1,255,938	-	1,255,938	1,506,386
TOTAL EXPENSES	6,369,722	-	6,369,722	6,507,821
CHANGE IN NET ASSETS	657,906	(187,621)	470,285	532,660
NET ASSETS, BEGINNING OF YEAR	4,963,677	989,640	5,953,317	5,420,657
NET ASSETS, END OF YEAR	\$ 5,621,583	\$ 802,019	\$ 6,423,602	\$ 5,953,317

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, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	Program Services				Supporting Service		
	West Africa	South America	Partnership Meeting	Total Program Services	Management and General	2022 Total	2021 Total
Salaries	\$ 1,757,064	\$ 18,835	\$ -	\$ 1,775,899	\$ 703,331	\$ 2,479,230	\$ 2,524,887
Consultants and contracted services	1,059,574	418,564	138,002	1,616,140	53,283	1,669,423	2,222,100
Employee benefits and payroll taxes	447,544	5,996	-	453,540	166,034	619,574	712,054
Meeting facility costs	229,688	-	132,118	361,806	-	361,806	198
Travel	276,709	414	18,183	295,306	45,196	340,502	171,910
Occupancy	135,764	956	-	136,720	110,893	247,613	246,810
Legal fees	137,679	5,609	-	143,288	22,380	165,668	192,778
Publications and subscriptions	31,535	38,033	-	69,568	62,843	132,411	121,360
Telecommunication and information technology	43,870	200	-	44,070	23,212	67,282	61,303
Equipment, repairs and maintenance	48,496	79	123	48,698	9,197	57,895	43,581
Bank fees and foreign exchange	43,746	229	144	44,119	12,676	56,795	63,750
Supplies and materials	46,262	19	544	46,825	2,151	48,976	11,232
Insurance	22,541	136	-	22,677	15,815	38,492	42,418
Accounting and auditing fees	17,218	173	-	17,391	20,126	37,517	47,818
Grants awarded	16,088	-	-	16,088	-	16,088	18,170
Depreciation and amortization	7,080	71	-	7,151	8,276	15,427	15,427
Sponsorships and contributions	11,216	-	-	11,216	-	11,216	8,259
Taxes and regulatory fees	3,259	4	-	3,263	503	3,766	1,528
Advertising	19	-	-	19	22	41	2,238
TOTAL EXPENSES	\$ 4,335,352	\$ 489,318	\$ 289,114	\$ 5,113,784	\$ 1,255,938	\$ 6,369,722	\$ 6,507,821

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, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 470,285	\$ 532,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,427	15,427
Amortization of right-of-use asset	154,105	-
Changes in assets and liabilities		
Grants and contributions receivable	112,557	11,570
Other receivables	12,243	(20,941)
Prepaid expenses	6,941	(23,120)
Operating right-of-use asset	(937,443)	-
Accounts payable and accrued expenses	(131,763)	153,139
Deferred revenue	445,529	95,759
Operating lease liability	923,491	-
Deferred rent	<u>(146,043)</u>	<u>9,340</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>925,329</u>	<u>773,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(163,459)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(163,459)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	761,870	773,834
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,520,488</u>	<u>5,746,654</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 7,282,358</u></u>	<u><u>\$ 6,520,488</u></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, 2022

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 93 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 and foundations, government grants and annual membership 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, money market accounts and a certificate of deposit with an initial maturity date 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

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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

Property and Equipment and Related Depreciation and Amortization (continued)

the assets, which range from five to seven 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.

Right of Use Asset and Lease Liability

WCF determines if an arrangement is or contains a lease at inception. Leases, excluding those with terms of one year or less, are included in operating right-of-use (ROU) assets and operating lease liability in the statement of financial position. The ROU asset and operating lease liability are recognized at the commencement date of the lease agreements based on the present value of lease payments over the lease term using WCF's estimated incremental borrowing rate or implicit rate, when readily determinable. The ROU asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying statement of functional expenses. The operating lease liability is reduced as cash payments are made under the terms of the leases.

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

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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

Revenue Recognition (continued)

Grants and Contributions (continued)

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.

Government grants are conditioned upon certain performance requirements and are recognized as the conditions are met. 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 and related mandatory membership fees paid in advance of the membership period are reported as deferred revenue in the accompanying statement of financial position. The deferred revenue is 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 deferred revenue.

Fees for Service

Fees for service revenue primarily relates to amounts earned under a fixed-price contract with an Intergovernmental Agency for certain consulting services. Revenue is recognized as expenses are incurred as this best represents the satisfaction of the performance obligations delivered during the term of the agreement.

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, 2022

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 other receivables. The guidance is effective for WCF's fiscal year beginning January 1, 2023. WCF is in the process of evaluating the impact this ASU will have on its financial statements.

Recently Adopted Accounting Pronouncements

Effective January 1, 2022, WCF adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). WCF determines if an arrangement contains a lease at inception based on whether WCF has the right to control the asset during the contract period and other facts and circumstances. WCF elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. WCF elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, WCF will not recognize right-of-use assets or lease liabilities on the statement of financial position. WCF's only lease at the time of adoption that required recognition on the statement of financial position was the Washington, DC office space lease as described in Note 6. WCF used the implicit rate included in the lease of 4% when discounting future non-cancellable lease payments.

The adoption of ASC 842 resulted in the recognition of an operating right-of-use asset of \$937,443 and operating lease liability of \$1,083,486 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with WCF's historical accounting treatment. The adoption of ASC 842 did not have a material impact on WCF's result of operations and cash flows. See Note 6.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

2. Grants and Contributions Receivable

Grants and contributions receivable include contributions from foundations and members to fund various initiatives of WCF. As of December 31, 2022 WCF's grants and contributions receivable was \$719,920. All amounts are due within one year and are considered to be fully collectible.

As of December 31, 2022, contributions of \$167,546 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met.

3. Property and Equipment and Related Depreciation and Amortization

WCF's property and equipment consisted of the following as of December 31, 2022:

Furniture and equipment	\$ 116,960
Vehicles	<u>199,515</u>
Total Property and Equipment	316,475
Less: Accumulated Depreciation and Amortization	<u>(82,337)</u>
Property and Equipment, Net	<u>\$ 234,138</u>

Depreciation and amortization expense was \$15,427 for the year ended December 31, 2022, and is included in depreciation and amortization in the accompanying statement of functional expenses.

4. Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions, which represent funds that are specifically restricted by donors for use on programs in 2023, were restricted for the following programs:

Cocoa Action Brazil	\$ 702,019
VSLA	<u>100,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 802,019</u>

5. Liquidity and Availability

WCF's working capital and cash flows mainly come from its membership dues, as well as, revenue from contributions from members. 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, 2022

5. Liquidity and Availability (continued)

The following table reflects WCF's financial assets as of December 31, 2022, 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. There were \$802,019 in net assets with donor restrictions on December 31, 2022, which will be spent within the next fiscal year (FY 2023) and as a result WCF considers these assets available to meet general operating needs.

Financial Assets:	
Cash and cash equivalents	\$ 7,282,358
Grants and contribution receivable	719,920
Other receivables	<u>8,698</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 8,010,976</u>

6. Risks and Commitments

Concentration of Credit Risk

WCF maintains its cash and cash equivalents in bank deposit and money market savings accounts and a certificate of deposit at Citibank which, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2022, WCF had balances in excess of the FDIC insured limits totaling \$6,955,483. 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, 2022, cash held in foreign institutions was \$76,338.

Concentration of Revenue

A substantial portion of WCF's revenue is derived from WCF's members in the form of membership dues and grants and contributions. For the year ended December 31, 2022, membership dues and grants and contributions from WCF's members totaled \$5,453,820 and represented 80% of WCF's total revenue and support. WCF's next largest donor is Palladium International Limited. During the year ended December 31, 2022, grant revenue from Palladium International Limited totaled \$727,255 and represented 11% of WCF's total revenue and support. During the year ended December 31, 2022, WCF's members and Palladium International Limited accounted for 91% of WCF's total revenue and support.

Foreign Operations

WCF has country offices and operations in Ghana and Cote d'Ivoire and maintains cash accounts and property and equipment in each country. The future of these operations 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, 2022, assets in these countries totaled approximately \$240,000.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

6. Risks and Commitments (continued)

Operating Lease

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 31, 2027. The lease agreement required a security deposit of \$30,512, provided a tenant relocation allowance of \$20,570 and included seven months of rent abatement as long as WCF was current on lease payments prior to the expiration of the abatement period. At the conclusion of the initial seven month rent abatement period, WCF had an option to convert one month of additional 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 have a term of one year and are scheduled to expire on September 30, 2023 and November 30, 2023, respectively.

As described in Note 1, effective January 1, 2022, WCF adopted *Leases*, ASC 842, which requires lessees to recognize operating leases on the statement of financial position. WCF has recorded an operating right-of-use asset, net of prepaid lease payments and lease incentives, and a lease obligation equal to the present value of the future lease payments due under the terms of the lease, discounted at the fixed escalation rate for annual rent increases of 4%, which represents the implicit rate within the lease. As of December 31, 2022, WCF's operating right-of-use asset, net of accumulated amortization of \$154,105, was \$783,338, and WCF's operating lease liability was \$923,491. The operating right-of-use asset is being amortized on a straight-line basis over the lease term. As of December 31, 2022, WCF had no other significant leasing activities other than the short-term leases in Accra, Ghana; and Abidjan, Cote d'Ivoire as described above.

Operating lease costs totaled \$240,052 for the year ended December 31, 2022 and is included in occupancy in the accompanying statement of functional expenses. Cash paid for operating leases for the year end December 31, 2022 totaled \$245,942. There were no noncash investing and financing transactions relating to leasing other than the entry described in Note 1 related to the adoption of the new standard.

As of December 31, 2022, future minimum lease payments under the Washington, DC lease are as follows:

For the Year Ending December 31,	
2023	\$ 205,932
2024	214,164
2025	222,732
2026	231,648
2027	<u>140,532</u>
Total	1,015,008
Less: Present value discount	<u>(91,517)</u>
Lease Liability	<u><u>\$ 923,491</u></u>

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

7. Pension 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, 2022, was \$149,739.

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, 2022, no provision for income taxes was made for WCF, as WCF had no significant net unrelated business income. For the year ended December 31, 2022, no provision for excise taxes was made for WCF, as WCF had no significant investment income.

WCF evaluated its uncertainty in income taxes for the year ended December 31, 2022, 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, 2022, 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, 2021, 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 August 30, 2023, 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 and III under P4F Grant
For the Year Ended December 31, 2022**

	P4F Phase 2 Extension	P4F Phase 3	Total
EXPENSES			
Consultants and contracted services	\$ 26,747	\$ 310,534	\$ 337,281
Publications and subscriptions	112,076	60,208	172,284
International travel	50,330	13,649	63,979
Indirect cost recovery	56,837	6,902	63,739
Domestic travel	25,403	26,047	51,450
Loss due to exchange rates	8,029	26,072	34,101
Supplies and materials	29,724	879	30,603
Salaries	-	16,841	16,841
Employee benefits and payroll taxes	-	6,031	6,031
Telecommunication and information technology	341	827	1,168
Bank and Financial Services Fees	33	9	42
TOTAL EXPENSES	<u>\$ 309,520</u>	<u>\$ 467,999</u>	<u>\$ 777,519</u>

See independent auditors' report on supplementary information.