

**FINANCIAL STATEMENTS**

**WORLD COCOA FOUNDATION, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2023  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2022**

# WORLD COCOA FOUNDATION, INC.

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2023, with Summarized Financial Information for 2022	4
EXHIBIT B - Statement of Activities and Changes in Net Assets, for the Year Ended December 31, 2023, with Summarized Financial Information for 2022	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2023, with Summarized Financial Information for 2022	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2023, with Summarized Financial Information for 2022	7
NOTES TO FINANCIAL STATEMENTS	8 - 15
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of International Grant Expense, for the Year Ended December 31, 2023	16



## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
World Cocoa Foundation, Inc.  
Washington, D.C.

#### Opinion

We have audited the accompanying financial statements of World Cocoa Foundation, Inc. (WCF), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WCF as of December 31, 2023, 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. Our responsibilities under those standards are further described in the Auditor's 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.

#### Auditor's 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 auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists.

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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, including omissions, 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 generally accepted auditing standards, 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.

### **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from WCF's 2022 financial statements, which were audited by other auditors and, in their report dated August 30, 2023, they expressed an unmodified opinion on those statements.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of International Grant Expense on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



August 16, 2024

**WORLD COCOA FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2023**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

**ASSETS**

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,763,411	\$ 7,282,358
Contributions receivable	289,488	719,920
Accounts receivable	265,107	8,698
Prepaid expenses	211,919	98,352
Property and equipment, net	186,019	234,138
Security deposits	34,592	34,592
Right-of-use asset, net	<u>626,267</u>	<u>783,338</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,376,803</u></b>	<b><u>\$ 9,161,396</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 1,085,007	\$ 576,121
Deferred revenue	75,000	1,238,182
Operating lease liability	<u>751,366</u>	<u>923,491</u>
Total liabilities	<u>1,911,373</u>	<u>2,737,794</u>

**NET ASSETS**

Without donor restrictions	5,551,891	5,621,583
With donor restrictions	<u>913,539</u>	<u>802,019</u>
Total net assets	<u>6,465,430</u>	<u>6,423,602</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,376,803</u></b>	<b><u>\$ 9,161,396</u></b>

## WORLD COCOA FOUNDATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 2,654,380	\$ 1,091,510	\$ 3,745,890	\$ 3,882,455
Membership	2,696,466	-	2,696,466	2,420,854
Interest income	294,297	-	294,297	44,232
Other income	3,737	-	3,737	1,296
Registrations and sponsorships	-	-	-	371,997
Fees for services	-	-	-	68,694
Government grant	-	-	-	50,479
Net assets released from donor restrictions	<u>979,990</u>	<u>(979,990)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,628,870</u>	<u>111,520</u>	<u>6,740,390</u>	<u>6,840,007</u>
<b>EXPENSES</b>				
Program Services:				
West Africa	2,467,159	-	2,467,159	4,335,352
South America	963,940	-	963,940	489,318
Partnership Meeting	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,114</u>
Total program services	<u>3,431,099</u>	<u>-</u>	<u>3,431,099</u>	<u>5,113,784</u>
Supporting Services:				
Management and General	2,525,680	-	2,525,680	1,255,938
Corporate Affairs	<u>741,783</u>	<u>-</u>	<u>741,783</u>	<u>-</u>
Total supporting services	<u>3,267,463</u>	<u>-</u>	<u>3,267,463</u>	<u>1,255,938</u>
Total expenses	<u>6,698,562</u>	<u>-</u>	<u>6,698,562</u>	<u>6,369,722</u>
Changes in net assets	(69,692)	111,520	41,828	470,285
Net assets at beginning of year	<u>5,621,583</u>	<u>802,019</u>	<u>6,423,602</u>	<u>5,953,317</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 5,551,891</u></b>	<b><u>\$ 913,539</u></b>	<b><u>\$ 6,465,430</u></b>	<b><u>\$ 6,423,602</u></b>

## WORLD COCOA FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023						2022	
	Program Services			Supporting Services			Total Expenses	Total Expenses
	West Africa	South America	Total Program Services	Management and General	Corporate Affairs	Total Supporting Services		
Consultants and contracted services	\$ 630,203	\$ 804,939	\$ 1,435,142	\$ 758,834	\$ 467,993	\$ 1,226,827	\$ 2,661,969	\$ 1,669,423
Salaries	1,081,067	82,010	1,163,077	696,318	139,803	836,121	1,999,198	2,479,230
Travel	210,350	25,866	236,216	199,090	17,079	216,169	452,385	340,502
Employee benefits and payroll taxes	214,457	13,107	227,564	149,045	66,639	215,684	443,248	619,574
Legal fees	18,845	14,407	33,252	273,700	-	273,700	306,952	165,668
Occupancy	58,980	8,942	67,922	183,379	-	183,379	251,301	247,613
Information technology	40,494	4,144	44,638	76,362	6,870	83,232	127,870	67,282
Dues and subscriptions	12,604	3,299	15,903	66,786	35,778	102,564	118,467	132,452
Supplies and materials	65,646	429	66,075	7,807	19	7,826	73,901	48,976
Accounting, audit and tax services	98	3,070	3,168	62,954	-	62,954	66,122	37,517
Depreciation and amortization	32,715	717	33,432	14,687	-	14,687	48,119	15,427
Taxes and regulatory fees	40,205	415	40,620	5,015	-	5,015	45,635	3,766
Insurance	16,383	1,101	17,484	22,569	279	22,848	40,332	38,492
Meeting facilities	24,315	605	24,920	6,229	7,061	13,290	38,210	361,806
Bank fees and foreign exchange	13,609	650	14,259	1,030	-	1,030	15,289	56,795
Equipment, repairs and maintenance	6,017	22	6,039	457	-	457	6,496	57,895
Sponsorships and contributions	1,171	217	1,388	1,418	262	1,680	3,068	27,304
<b>TOTAL</b>	<b>\$ 2,467,159</b>	<b>\$ 963,940</b>	<b>\$ 3,431,099</b>	<b>\$ 2,525,680</b>	<b>\$ 741,783</b>	<b>\$ 3,267,463</b>	<b>\$ 6,698,562</b>	<b>\$ 6,369,722</b>

See accompanying notes to financial statements.

## WORLD COCOA FOUNDATION, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 41,828	\$ 470,285
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization of property and equipment	48,119	15,427
Amortization of right-of-use asset	157,071	154,105
Decrease (increase) in:		
Contributions receivable	430,432	112,557
Accounts receivable	(256,409)	12,243
Prepaid expenses	(113,567)	6,941
Increase (decrease) in:		
Accounts payable and accrued liabilities	508,886	(131,763)
Deferred revenue	(1,163,182)	445,529
Operating lease liability	<u>(172,125)</u>	<u>(159,995)</u>
Net cash (used) provided by operating activities	<u>(518,947)</u>	<u>925,329</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>-</u>	<u>(163,459)</u>
Net cash used by investing activities	<u>-</u>	<u>(163,459)</u>
Net (decrease) increase in cash and cash equivalents	(518,947)	761,870
Cash and cash equivalents at beginning of year	<u>7,282,358</u>	<u>6,520,488</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 6,763,411</u></b>	<b><u>\$ 7,282,358</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Taxes Paid	<b><u>\$ 44,408</u></b>	<b><u>\$ -</u></b>
<b>SCHEDULE OF NONCASH TRANSACTIONS:</b>		
Right-of-Use Asset	<b><u>\$ -</u></b>	<b><u>\$ 937,443</u></b>
Operating Lease Liability for Right-of-Use Asset	<b><u>\$ -</u></b>	<b><u>\$ 1,083,486</u></b>



## WORLD COCOA FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

World Cocoa Foundation, Inc. (WCF) was originally incorporated in the Commonwealth of Virginia in 1994. WCF is an international membership organization whose vision is to be a catalyst for a thriving and equitable cocoa sector that collaborates to improve farmer income, reverse deforestation, and combat child labor. WCF's members include farmer cooperatives, cocoa processors, chocolate manufacturers and supply chain companies worldwide, and represent more than 80% of the cocoa sector.

WCF's mission is to promote collaboration among its members and beyond to strengthen the sustainability of the cocoa sector and improve the livelihoods of cocoa farmers and cocoa farming communities. WCF's mission is accomplished through the pursuit of the following three key strategies:

- facilitating and convening stakeholders within the cocoa and chocolate sector;
- supporting members' sustainability programs; and
- co-creating and leading collaborative programs to address systemic issues and enable WCF members to deliver more impact at scale.

WCF's unique position at the centre of the cocoa and chocolate sector enables the creation of strategic relationships and collaborative programs with cocoa farming communities, governments and civil society, that deliver transformative impact and systemic reform. WCF's activities are funded primarily through contributions and membership dues. WCF operates in the United States of America, West Africa, Europe, and South America. In West Africa, WCF has branch offices in Ghana and Côte d'Ivoire.

During the year ended December 31, 2023, Stichting World Cocoa Foundation (Stichting) was incorporated as a nonprofit in the Netherlands, and is an entity which is referred to as a "stichting" in that country. Stichting is controlled by WCF through common management. Stichting had no financial transactions during the year ended December 31, 2023. WCF and Stichting will be presented together in consolidated financial statements for the year ending December 31, 2024.

##### Program Services -

West Africa: Programs in West Africa include public-private engagement and investment, sector-wide systemic intervention, and active involvement from the governments of cocoa-producing countries.

WCF's flagship program is the Cocoa and Forests Initiative (the initiative), which is the first and largest sector wide public-private partnership in the cocoa sector. The initiative represents a ground-breaking commitment to transforming the cocoa industry by stopping and reversing deforestation and increasing forest restoration.

At the November 2017 United Nations Climate Change Conference (COP23), in coordination with the Prince of Wales (now King Charles III), the governments of Côte d'Ivoire and Ghana and leading chocolate and cocoa companies signed the Cocoa & Forests Initiative Frameworks for Action, which established the groundwork for the public-private partnership platform by outlining commitments to drive sector wide progress toward zero deforestation as well as alignment to ensure common definitions, data and regulations. Thirty-six WCF member companies, representing 85% of global cocoa use, have signed the Frameworks for Action for Côte d'Ivoire and Ghana.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Program Services (continued) -

South America: With support from WCF, in October 2018, leading members of Brazil's chocolate and cocoa sector launched CocoaAction Brazil to address a range of sustainability issues in that country's cocoa sector. CocoaAction Brazil is a coalition that works to find solutions that increase productivity, improve the quality of Brazil's cocoa, control pests and diseases, improve farmers' living and working conditions, strengthen farmers' organizations, and support sustainable forest-positive cocoa production systems.

Partnership Meeting: The Partnership meeting unites cocoa farmers and experts from companies, governments, academia, civil society, and media in a single forum for discussion on shared challenges, progress, and learnings on sustainability in a conducive dialogue centered on alignment for global action. The conference takes place each year in a different country, one with either producer or consumer ties to cocoa. The Partnership Meeting is the leading global event focused on cocoa sustainability and provides a platform for all representatives of the cocoa supply chain. However, because of political tensions in the host country of Ghana, WCF did not hold a partnership meeting during the year ended December 31, 2023.

Supporting Services -

Management and General: Management and general services include expenditures related to administrative and governance activities, maintaining the organization's infrastructure and human assets, and managing the organization's financial responsibilities.

Corporate Affairs: Corporate affairs services include communications to the membership, stakeholders, and the general public about the efforts of the organization to promote collaboration amongst our members and beyond, building impactful solutions for a more sustainable cocoa sector.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. \
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events as specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as support without donor restrictions when the assets are placed in service.

**WORLD COCOA FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Basis of presentation (continued) -

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with WCF's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP 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. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing WCF's exposure to credit risk and the measurement of credit losses. Financial assets held by WCF that are subject to the guidance in FASB ASC 326 are trade accounts receivable. WCF implemented the new standard on January 1, 2023, using a modified retrospective approach. However, the adoption of the new standard had no significant effect on WCF's financial statements.

Cash and cash equivalents -

WCF considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000 per bank. WCF typically maintains cash balances in excess of the FDIC insurance limits. However, management believes the risk of loss due to bank failure to be minimal as the deposits are held with reputable financial institutions with low risk of insolvency.

WCF had approximately \$117,000 of cash and cash equivalents held at financial institutions in foreign countries as of December 31, 2023. The majority of WCF's bank balances with cash held in foreign countries are not insured by the foreign governments.

Contributions receivable -

Contributions receivable consist of unconditional promises to give that are expected to be collected within one year. Contributions receivable are recorded at their net realizable value, which approximates fair value. Contributions receivable are reviewed for collectability, 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. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful contributions receivable has not been established.

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to membership dues. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of members to make required payments.

**WORLD COCOA FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Accounts receivable (continued) -

The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. However, there was no allowance for credit losses at December 31, 2023.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled \$48,119 for the year ended December 31, 2023.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is adjusted to its current fair value, and a loss is reported in the Statement of Activities and Changes in Net Assets.

Income taxes -

WCF is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (IRC), as an organization described in IRC Section 501(c)(3). WCF is a qualifying domestic private foundation under Section 509(a) of the IRC. Therefore, WCF is subject to excise tax on its net investment income, which consists of interest income earned on cash and cash equivalents. WCF's tax expense totaled \$44,408 as of December 31, 2023.

Support -

WCF receives contributions from members and other donors. Contributions are recognized in the appropriate category of net assets in the period received. WCF performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For amounts qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed purpose restrictions or satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are reported as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

**WORLD COCOA FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Support (continued) -

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. WCF had no refundable advances as of December 31, 2023.

In addition, WCF also obtains funding source agreements related to conditional contributions, which will be received in future years. WCF had no unrecognized conditional contributions to be received in future years as of December 31, 2023.

Revenue from contracts with customers -

WCF's membership dues, registration fees and sponsorships are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. WCF has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. WCF's contracts with customers generally have initial terms of one year or less.

The beginning balance of accounts receivable related to contracts with customers totaled \$0 as of January 1, 2023, and the beginning balance of deferred revenue totaled \$1,238,182 as of January 1, 2023.

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.

Revenue from registrations and sponsorships is recognized over the period of time when the related events are held.

Foreign currency -

The U.S. Dollar is the functional currency for WCF's worldwide operations. Transactions in currencies other than U.S. Dollars are converted into U.S. Dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into U.S. Dollars at the exchange rate in effect at the date of the Statement of Financial Position.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

WORLD COCOA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Functional allocation of expenses -

The costs of providing WCF's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on actual time and effort.

Reclassifications -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications primarily related to the presentation of the adoption of ASC 842 - *Leases* in the Statement of Cash Flows. The reclassifications had no effect on the previously reported changes in net assets.

2. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31, 2023:

Subject to expenditure for specified purpose:	
Cocoa Action Brazil	\$ 737,531
ProForest	115,367
VSLA	<u>60,641</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 913,539</u></b>

Net assets released from donor restrictions consisted of the following during the year ended December 31, 2023:

Purpose restrictions accomplished:	
Cocoa Action Brazil	\$ 910,998
VSLA	39,359
ProForest	<u>29,633</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 979,990</u></b>

3. **LIQUIDITY AND AVAILABILITY**

WCF's working capital and cash flows mainly come from contributions and membership dues. WCF manages its liquidity and reserves by 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 may be affected by the timing of collections of contributions receivable.

**WORLD COCOA FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**3. LIQUIDITY AND AVAILABILITY (Continued)**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date consisted of the following as of December 31, 2023:

Cash and cash equivalents	\$ 6,763,411
Contributions receivable	289,488
Accounts receivable	<u>265,107</u>
Subtotal financial assets available within one year	7,318,006
Less: Net assets with donor restrictions	<u>(913,519)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 6,404,487</u></b>

**4. LEASE COMMITMENTS**

WCF has an operating lease for office space in Washington, D.C. that expires in July 2027 as of December 31, 2023. The office lease includes an escalation of base rentals which is being amortized on a basis to achieve straight-line rent expense over the life of the lease.

WCF also has operating leases for its branch offices in Ghana and Côte d'Ivoire. Rent for the branch office in Ghana was paid in advance and the lease terminates September 30, 2026. Rent for the branch office in Côte d'Ivoire was also paid in advance and the lease terminates December 1, 2024.

For all leases, WCF's lease cost totaled \$241,234 and total cash paid was \$285,197 for the year ended December 31, 2023.

Effective January 1, 2022, WCF adopted ASU 2019-01, *Leases* (Topic 842). WCF does not separate lease and non-lease components by class of underlying asset and applies this policy to all relevant asset classes. As a result, WCF recorded a right-of-use asset totaling \$937,443 and an operating lease liability totaling \$1,083,486 as of January 1, 2022. These implementation date amounts were determined by calculating the present value of all future rentals using a risk-free rate of 4.0% as the discount rate. WCF has also elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases and has not recognized the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

The following is a schedule of the future minimum lease payments due under the operating lease for the office in Washington, D.C., net of imputed interest, as of December 31, 2023:

<u>Year Ending December 31,</u>	
2024	\$ 214,164
2025	222,732
2026	231,648
2027	<u>140,532</u>
Subtotal	809,076
Less: Imputed interest	<u>(57,710)</u>
<b>OPERATING LEASE LIABILITY</b>	<b><u>\$ 751,366</u></b>

**WORLD COCOA FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**5. RETIREMENT PLAN**

WCF sponsors 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. WCF's contributions to the plan totaled \$47,175 for the year ended December 31, 2023.

**6. CONCENTRATION OF SUPPORT AND REVENUE**

A substantial portion of WCF's support and revenue is derived from seven of WCF's largest members, which provide both membership dues and contributions. Approximately 96% of WCF's total support and revenue for the year ended December 31, 2023, was provided by the seven largest members. WCF has no reason to believe that its relationship with its members will be discontinued in the foreseeable future. However, any interruption of this relationship would adversely affect WCF's ability to finance ongoing operations.

**7. FOREIGN OPERATIONS**

WCF has branch offices and conducts operations in Ghana and Côte d'Ivoire. WCF 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. WCF assets, such as cash and property and equipment, located in these countries totaled approximately \$240,000 as of December 31, 2023. In addition, WCF's foreign currency exchange gain totaled \$16,389 for the year ended December 31, 2023.

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, WCF has evaluated events and transactions for potential recognition or disclosure through August 16, 2024, the date the financial statements were issued.

On June 11, 2024, WCF amended its Washington, D.C. office lease agreement. Effective on August 1, 2024, the lease term will be extended to January 31, 2031. In addition, WCF reduced the square footage occupied. As a result, WCF paid a termination fee plus prepaid rent to the landlord totaling \$338,070 in June 2024.



## **SUPPLEMENTAL INFORMATION**

## WORLD COCOA FOUNDATION, INC.

**SCHEDULE OF INTERNATIONAL GRANT EXPENSE**  
**DEPARTMENT FOR INTERNATIONAL DEVELOPMENT GRANT:**  
**COCOA AND FOREST INITIATIVE (CFI) PHASE II EXTENSION, PHASE III, AND NIGERIA & CAMEROON UNDER P4F GRANT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Phase 2 Extension</b>	<b>Phase 3</b>	<b>Nigeria &amp; Cameron</b>	<b>Total</b>
Consultants and contracted services	\$ 83,684	\$ 57,811	\$ 84,220	\$ 225,715
Indirect cost recovery	6,708	-	6,012	12,720
International travel	4,775	856	1,602	7,233
Domestic travel	5,172	100	48	5,320
Supplies and materials	3,224	-	-	3,224
Telecommunication and information technology	71	31	-	102
<b>TOTAL EXPENSES</b>	<b><u>\$ 103,634</u></b>	<b><u>\$ 58,798</u></b>	<b><u>\$ 91,882</u></b>	<b><u>\$ 254,314</u></b>