

World Food Program, USA

Financial Report
December 31, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
World Food Program, USA

Report on the Financial Statements

We have audited the accompanying financial statements of World Food Program, USA (WFP USA), which comprise the statement of financial position as of December 31, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 WFP USA as of December 31, 2017, 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 WFP USA's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
May 21, 2018

World Food Program, USA

**Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)**

	2017	2016
Assets		
Cash	\$ 5,975,504	\$ 8,741,716
Custodial funds investments	529,254	523,849
Contributions receivable, net	2,059,963	2,950,919
Prepaid expenses and other assets	165,625	145,148
Investments	7,266,730	4,285,869
Property and equipment, net	418,935	471,577
	<u>\$ 16,416,011</u>	<u>\$ 17,119,078</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 287,593	\$ 334,127
Grants payable to World Food Programme (WFP)	5,593,468	7,965,765
Custodial funds	529,254	523,849
Deferred rent	512,475	561,768
	<u>6,922,790</u>	<u>9,385,509</u>
Commitments (Note 9)		
Net assets:		
Unrestricted	9,032,180	6,967,774
Temporarily restricted	461,041	765,795
	<u>9,493,221</u>	<u>7,733,569</u>
	<u>\$ 16,416,011</u>	<u>\$ 17,119,078</u>

See notes to financial statements.

World Food Program, USA

**Statement of Activities
Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Donations	\$ 18,445,731	\$ 408,580	\$ 18,854,311	\$ 19,587,320
In-kind contributions	1,702,493	-	1,702,493	1,189,369
Special events	60,000	-	60,000	73,200
Loss on disposal of property and equipment	(3,167)	-	(3,167)	-
Investment income (loss)	366,790	-	366,790	(13,699)
Net assets released from restrictions	713,334	(713,334)	-	-
Total support and revenue	21,285,181	(304,754)	20,980,427	20,836,190
Expenses:				
Program expenses:				
Grants to WFP and others	10,438,842	-	10,438,842	13,206,632
Other program expenses	5,520,681	-	5,520,681	4,009,645
Total program expenses	15,959,523	-	15,959,523	17,216,277
Fundraising	2,369,984	-	2,369,984	2,542,638
General and administrative	891,268	-	891,268	970,341
Total expenses	19,220,775	-	19,220,775	20,729,256
Change in net assets	2,064,406	(304,754)	1,759,652	106,934
Net assets:				
Beginning	6,967,774	765,795	7,733,569	7,626,635
Ending	\$ 9,032,180	\$ 461,041	\$ 9,493,221	\$ 7,733,569

See notes to financial statements.

World Food Program, USA

**Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	2017			Total	2016
	Program Expenses	Fundraising	General and Administrative		
Grants to WFP	\$10,407,842	\$ -	\$ -	\$10,407,842	\$13,203,632
Professional fees	2,943,883	483,611	43,159	3,470,653	2,434,209
Compensation	1,205,715	1,147,782	478,117	2,831,614	2,499,499
Rent	186,145	172,410	114,330	472,885	460,112
Website development and administration	317,257	45,716	20,878	383,851	413,092
Bank charges and filing fees	316,633	17,296	11,470	345,399	225,739
Employee benefits	129,696	122,153	65,197	317,046	294,212
Payroll taxes	84,485	77,942	33,401	195,828	173,949
Depreciation and amortization	59,131	54,768	36,318	150,217	131,314
Travel	73,773	58,290	7,615	139,678	152,978
Accounting and legal	47,320	47,174	29,064	123,558	248,277
Conferences and meetings	78,127	28,686	4,485	111,298	252,489
Grants to others	31,000	-	27,000	58,000	34,100
Printing and publications	11,333	37,265	713	49,311	47,297
Office supplies and expenses	10,927	25,227	5,525	41,679	34,344
Dues and memberships	30,828	8,827	1,155	40,810	31,781
Telephone	9,980	10,276	3,946	24,202	24,941
Business insurance	8,450	7,826	5,190	21,466	20,121
Postage, delivery and mailing	1,060	13,032	549	14,641	19,644
Equipment rental and maintenance	4,349	4,029	2,671	11,049	7,421
Staff development	1,589	7,674	485	9,748	19,977
Interest	-	-	-	-	128
Total expenses	\$15,959,523	\$ 2,369,984	\$ 891,268	\$19,220,775	\$20,729,256

See notes to financial statements.

World Food Program, USA

Statement of Cash Flows
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,759,652	\$ 106,934
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments, net	(266,733)	35,354
Depreciation and amortization	150,217	131,314
Deferred rent	(49,293)	(37,849)
Loss on disposal of property and equipment	3,167	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	890,956	2,410,761
Prepaid expenses and other assets	(20,477)	43,657
(Decrease) increase in:		
Accounts payable and accrued expenses	(46,534)	112,056
Grants payable to WFP	(2,372,297)	(2,137,986)
Custodial funds	5,405	4,034
Net cash provided by operating activities	54,063	668,275
Cash flows from investing activities:		
Purchase of property and equipment	(100,742)	(260,622)
Net purchases and sales of investments	(2,719,533)	(3,307,611)
Net cash used in investing activities	(2,820,275)	(3,568,233)
Net decrease in cash	(2,766,212)	(2,899,958)
Cash:		
Beginning	8,741,716	11,641,674
Ending	\$ 5,975,504	\$ 8,741,716

See notes to financial statements.

World Food Program, USA

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: World Food Program, USA (WFP USA) is a nonprofit organization that proudly supports the mission of the World Food Programme (WFP). WFP USA mobilizes individuals, policymakers and businesses in the U.S. to end global hunger. With supporters, WFP USA bolsters an enduring American legacy of feeding families in need around the world.

WFP USA educates members of Congress, the administration and other government officials about international hunger issues and specific policies that could improve U.S. government efforts to address global hunger. WFP USA also advocates for sufficient funding to ensure that programs are reaching as many people as possible who are in need around the world.

To build support for strong U.S. leadership in addressing global hunger, WFP USA collaborates with and mobilizes opinion leaders, businesses, grassroots networks, nonprofits, coalitions and others. In coordination with WFP, WFP USA cultivates U.S. corporate and individual donations of cash, products or expertise. In turn, corporations engage their employees, customers and other stakeholders. Donations from individuals, foundations and corporations have included: frontline support or global disasters; expertise to enhance WFP's operational capabilities; and critical cash for development initiatives and capacity building, which is not covered by government contributions.

Approximately 795 million people around the world suffer from hunger. Hunger affects people everywhere, from those devastated by natural disasters to poorly nourished mothers and children and small-scale farmers struggling to produce enough to feed their families.

During the last several years, food insecurity has been increasingly driven by conflict and climate change. Currently, over 65 million people are displaced by violence, conflict and persecution, more than any other time since the Second World War, and another 22 million people are forced from their homes each year because of extreme weather. Despite generous contributions from governments, companies, institutions and citizens – funding and response capacity for those affected by humanitarian disasters has not kept pace with increasing need.

A summary of WFP USA's significant accounting policies follows:

Basis of accounting: The financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: WFP USA follows the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, WFP USA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2017.

Custodial funds: WFP USA agreed in November 2003 to administer a fund established by a former director of the WFP to be used for girls' education and women's literacy. The balance of the account at December 31, 2017, was \$529,254, which is included in the investments described in Notes 4 and 10. Under the terms of the agreement, the funds must be segregated from other funds administered by WFP USA. This custodian fund is also shown as a liability.

Financial risk: WFP USA maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. WFP USA has not experienced any losses in such accounts. WFP USA believes it is not exposed to any significant financial risk on cash.

World Food Program, USA

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

WFP USA invests in a professionally managed portfolio that contains U.S. government securities and corporate bonds, mutual funds and equities. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

Contributions receivable: Unconditional contributions receivable are recognized as support in the year in which it is received from the donor. Conditional contributions are only recognized when the conditions on which they depend are substantially met. Unconditional contributions receivable are carried at estimated fair value at the date of the contribution, less an estimate made for doubtful accounts based on a review of all outstanding receivables on an annual basis. Management determines the allowance for doubtful accounts by using the historical experience applied to an aging of receivables. Contributions receivable are written off when deemed uncollectible. Based on management's evaluation of the collection of promises, there was no provision for doubtful accounts at December 31, 2017.

Investments: Investments in debt securities and equity securities with readily determinable fair values are reflected at fair market value. To adjust the carrying values of these securities, the change in fair market value is included within investment income or loss in the statement of activities.

Property and equipment: WFP USA capitalizes all property and equipment with a cost of \$1,000 or more. Property and equipment is stated at cost, and depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years, following the mid-month convention for WFP USA placing property and equipment into service. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets.

Grants payable: WFP USA recognizes grant expense and the related liability in the year the grant is awarded.

Support and revenue: Unconditional contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are reported as unrestricted support if the restrictions are met in the same period received.

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 in future years are recorded at the present value of their estimated future cash flows. The discounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

WFP USA receives contributions of services (in-kind contributions) towards the fulfillment of program objectives and general operations. Those services which meet the accounting criteria for recognition have been included in revenue and expense categories at their fair value.

World Food Program, USA

Notes to Financial Statements

Note 1. Nature of Activities and 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 statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: WFP USA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, WFP USA qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. There was no tax liability for unrelated business income for the year ended December 31, 2017. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

WFP USA would be liable for income taxes in the U.S. federal jurisdiction. The returns are subject to examination by federal and state taxing authorities generally three and four years, respectively, after they are filed.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative financial information: The financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with WFP USA's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Pending accounting pronouncements: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a nonprofit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. WFP USA is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. WFP USA is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

World Food Program, USA

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. WFP USA is currently evaluating the effect that the standard will have on the financial statements.

Subsequent events: WFP USA evaluated subsequent events through May 21, 2018, which is the date the financial statements were available to be issued.

Fiscal year-end change: During 2017, the Board of Directors adopted a resolution to change WFP USA's fiscal year-end from December 31 to September 30. The change will be effective as of January 1, 2018.

Note 2. Contributions Receivable

Contributions receivable consist of the following at December 31, 2017:

Due in one year	\$ 1,250,293
Due in two to five years	824,973
	<u>2,075,266</u>
Discount to present value (1.89%)	(15,303)
	<u><u>\$ 2,059,963</u></u>

Note 3. Property and Equipment

Property and equipment consist of the following at December 31, 2017:

Leasehold improvements	\$ 427,034
Equipment	194,583
Furniture	36,316
Website development	293,400
Computer software	21,148
	<u>972,481</u>
Less accumulated depreciation and amortization	(553,546)
	<u><u>\$ 418,935</u></u>

Depreciation and amortization expense was \$150,217 for the year ended December 31, 2017.

World Food Program, USA

Notes to Financial Statements

Note 4. Investments

Investments at December 31, 2017, consist of the following:

Fixed income	\$ 1,506,679
Mutual funds	4,326,675
Common stock	1,535,798
Money market deposit accounts	426,832
	<u>\$ 7,795,984</u>

Investments above include \$529,254 of custodial funds at December 31, 2017, shown separately on the accompanying statement of financial position.

Investment income for the year ended December 31, 2017, consists of the following:

Interest and dividends	\$ 100,057
Realized and unrealized gain on investments, net	266,733
	<u>\$ 366,790</u>

Note 5. Grants to World Food Programme

WFP is the largest international food aid organization in the world. In 2017, grants from WFP USA helped WFP provide food to people suffering from hunger in the world's poorest countries, including thousands of children in school feeding programs, as well as those affected by famine, natural disaster and conflict. For the year ended December 31, 2017, WFP USA obligated \$10,407,842 to WFP. Of that obligated amount, \$5,593,468 will be paid in future years.

Note 6. Retirement Plan

WFP USA has a defined contribution 401(k) retirement plan (the Plan) for its employees. Participation by employees is voluntary. Contributions by WFP USA are made for participating employees up to a maximum of 5% of compensation. For the year ended December 31, 2017, WFP USA contributed \$91,911 to the Plan.

Note 7. Board-Designated Net Assets

Board-designated net assets include funds designated by the Board for specific programs. The balance at December 31, 2017, was \$7,103,979, which is based on a 12-month operating reserve.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets include the time restricted administrative elements of grants and contributions recognized during the year, but for which collection had not occurred. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2017, due to the administrative element being collected and the time restriction being met.

World Food Program, USA

Notes to Financial Statements

Note 8. Temporarily Restricted Net Assets (Continued)

Changes in temporarily restricted net assets during the year ended December 31, 2017, were as follows:

	Balance December 31, 2016	Additions	Releases	Balance December 31, 2017
Time restricted:				
Administrative	\$ 742,420	\$ 408,580	\$ (694,919)	\$ 456,081
Donated equipment	23,375	-	(18,415)	4,960
	<u>\$ 765,795</u>	<u>\$ 408,580</u>	<u>\$ (713,334)</u>	<u>\$ 461,041</u>

Note 9. Lease Commitments

WFP USA entered into a noncancelable long-term lease agreement for office space in Washington, D.C., which expires in July 2023. The annual base rent of \$438,498 in year one is escalated by 2.25% per year for the remainder of the lease term. Per the terms of the lease, the landlord will contribute up to \$515,880 to be used for remodeling the lease space, of which \$171,960 can be used as rent abatement. WFP USA has used \$427,034 of this allowance as of December 31, 2017. The deferred rent liability on the accompanying statement of financial position represents the unamortized portion of the landlord allowance, as well as the cumulative difference between the monthly rent expense (recognized on a straight-line basis over the term of the lease) and rent paid.

The minimum future lease payments under the office lease are as follows:

Years ending December 31:	
2018	\$ 505,527
2019	516,897
2020	528,526
2021	540,413
2022	552,558
2023	326,509
	<u>\$ 2,970,430</u>

Rent expense for the year ended December 31, 2017, was \$472,885.

Note 10. Fair Value Measurements

The Fair Value Measurement Topic of the Codification establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value. The provision applies to all assets and liabilities that are being measured and reported on a fair value basis and are disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

World Food Program, USA

Notes to Financial Statements

Note 10. Fair Value Measurements (Continued)

In determining the appropriate levels, WFP USA performs a detailed analysis of the assets and liabilities that are subject to the Codification. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 assets or liabilities at December 31, 2017.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Fixed income:				
Government securities	\$ 800,083	\$ -	\$ 800,083	\$ -
Corporate bonds	706,596	-	706,596	-
	<u>1,506,679</u>	<u>-</u>	<u>1,506,679</u>	<u>-</u>
Publicly traded mutual funds:				
Equity	2,247,498	2,247,498	-	-
Fixed income	2,079,177	2,079,177	-	-
	<u>4,326,675</u>	<u>4,326,675</u>	<u>-</u>	<u>-</u>
Common stock:				
Information technology	329,507	329,507	-	-
Real estate	275,149	275,149	-	-
Healthcare	224,563	224,563	-	-
Consumer discretionary	190,132	190,132	-	-
Financials	150,916	150,916	-	-
Industrials	139,347	139,347	-	-
Consumer staples	81,654	81,654	-	-
Energy	70,710	70,710	-	-
Materials	44,228	44,228	-	-
Exchange traded funds	16,668	16,668	-	-
Telecommunication services	12,924	12,924	-	-
	<u>1,535,798</u>	<u>1,535,798</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,369,152</u>	<u>\$ 5,862,473</u>	<u>\$ 1,506,679</u>	<u>\$ -</u>

The table below reconciles total investments to the statement of financial position at December 31, 2017:

Investments held at fair value	\$ 7,369,152
Investments held at cost	426,832
	<u>\$ 7,795,984</u>

Cash included in investments and totaling \$426,832 is not included in the fair value table because cash is recorded at cost. The fair value of mutual funds and common stocks is determined based on quoted market prices, when available, or market prices provided by recognized broker dealers; thus, they are categorized as Level 1. The fair value of government securities and corporate bonds is determined based on inputs other than quoted prices. This includes the use of models or other valuation methodologies, which are corroborated by other market data, in order to determine their fair value. Thus, they are categorized as Level 2.

WFP USA did not have any transfers between investment levels for the year ended December 31, 2017.