

World Food Program, USA

Financial Report
December 31, 2016

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Independent Auditor's Report

To the Board of Directors
World Food Program, USA
Washington, D.C.

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, 2016, 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 World Food Program, USA as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited WFP USA's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
July 28, 2017

World Food Program, USA

**Statement of Financial Position
December 31, 2016
(With Comparative Totals for 2015)**

	2016	2015
Assets		
Cash	\$ 8,741,716	\$ 11,641,674
Custodial funds investments	523,849	519,815
Contributions receivable, net	2,950,919	5,361,680
Prepaid expenses and other assets	145,148	188,805
Investments	4,285,869	1,017,646
Property and equipment, net	471,577	342,269
	<u>\$ 17,119,078</u>	<u>\$ 19,071,889</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 334,127	\$ 222,071
Grants payable to World Food Programme (WFP)	7,965,765	10,103,751
Custodial funds	523,849	519,815
Deferred rent	561,768	599,617
	<u>9,385,509</u>	<u>11,445,254</u>
Commitments (Note 9)		
Net assets:		
Unrestricted	6,967,774	6,337,457
Temporarily restricted	765,795	1,289,178
	<u>7,733,569</u>	<u>7,626,635</u>
	<u>\$ 17,119,078</u>	<u>\$ 19,071,889</u>

See notes to financial statements.

World Food Program, USA

**Statement of Activities
Year Ended December 31, 2016
(With Comparative Totals for 2015)**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Donations	\$ 18,956,604	\$ 630,716	\$ 19,587,320	\$ 22,995,845
In-kind contributions	1,189,369	-	1,189,369	-
Special events	73,200	-	73,200	-
Investment (loss) income	(13,699)	-	(13,699)	13,747
Net assets released from restrictions	1,154,099	(1,154,099)	-	-
Total support and revenue	21,359,573	(523,383)	20,836,190	23,009,592
Expenses:				
Program expenses:				
Grants to WFP and others	13,206,632	-	13,206,632	16,079,712
Other program expenses	4,009,645	-	4,009,645	2,625,999
Total program expenses	17,216,277	-	17,216,277	18,705,711
Fundraising	2,542,638	-	2,542,638	2,351,275
General and administrative	970,341	-	970,341	787,813
Total expenses	20,729,256	-	20,729,256	21,844,799
Change in net assets	630,317	(523,383)	106,934	1,164,793
Net assets:				
Beginning	6,337,457	1,289,178	7,626,635	6,461,842
Ending	\$ 6,967,774	\$ 765,795	\$ 7,733,569	\$ 7,626,635

See notes to financial statements.

World Food Program, USA

**Statement of Functional Expenses
Year Ended December 31, 2016
(With Comparative Totals for 2015)**

	2016				2015
	Program Expenses	Fundraising	General and Administrative	Total	
Grants to WFP	\$ 13,203,632	\$ -	\$ -	\$ 13,203,632	\$ 16,069,212
Compensation	905,613	1,033,550	560,336	2,499,499	2,259,167
Professional fees	1,808,567	618,348	7,294	2,434,209	1,412,498
Rent	168,534	189,194	102,384	460,112	460,279
Website development and administration	321,210	74,530	17,352	413,092	359,651
Employee benefits	81,365	131,054	81,793	294,212	227,751
Conferences and meetings	193,546	48,033	10,910	252,489	44,941
Accounting and legal	93,891	100,175	54,211	248,277	225,985
Bank charges and filing fees	212,032	10,120	3,587	225,739	134,825
Payroll taxes	63,388	71,680	38,881	173,949	155,777
Travel	47,524	87,095	18,359	152,978	150,050
Depreciation and amortization	48,099	53,995	29,220	131,314	105,596
Grants to others	3,000	-	31,100	34,100	44,500
Printing and publications	13,048	33,840	409	47,297	30,342
Office supplies and expenses	5,668	25,589	3,087	34,344	33,326
Dues and memberships	21,889	8,671	1,221	31,781	31,757
Telephone	8,699	12,690	3,552	24,941	21,178
Business insurance	7,370	8,274	4,477	20,121	17,934
Staff development	5,639	14,008	330	19,977	41,075
Postage, delivery and mailing	798	18,687	159	19,644	10,632
Equipment rental and maintenance	2,718	3,052	1,651	7,421	8,084
Interest	47	53	28	128	239
Total expenses	\$ 17,216,277	\$ 2,542,638	\$ 970,341	\$ 20,729,256	\$ 21,844,799

See notes to financial statements.

World Food Program, USA

Statement of Cash Flows
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 106,934	\$ 1,164,793
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized loss on investments, net	35,354	6,527
Depreciation and amortization	131,314	105,596
Deferred rent	(37,849)	(25,778)
Changes in assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	2,410,761	551,419
Prepaid expenses and other assets	43,657	(94,893)
Increase (decrease) in:		
Accounts payable and accrued expenses	112,056	(28,096)
Grants payable to World Food Programme (WFP)	(2,137,986)	(3,039,815)
Deferred revenue	-	(230,987)
Custodial funds	4,034	(54,792)
Net cash provided by (used in) operating activities	668,275	(1,646,026)
Cash flows from investing activities:		
Purchase of property and equipment	(260,622)	(31,492)
Purchase of investments	(3,946,460)	(1,323,309)
Proceeds from sale of investments	638,849	1,383,112
Net cash (used in) provided by investing activities	(3,568,233)	28,311
Net decrease in cash	(2,899,958)	(1,617,715)
Cash:		
Beginning	11,641,674	13,259,389
Ending	\$ 8,741,716	\$ 11,641,674

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 Member 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, 2016.

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, 2016, was \$523,849, 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.

World Food Program, USA

Notes to Financial Statements

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

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.

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 revenue 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, 2016.

Investments: Investments 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.

Support and revenue: Donations 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 towards the fulfillment of program objectives and general operations. Those services, which meet the 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 (the 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, 2016. 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. WFP USA is no longer subject to income tax examination by U.S. federal, state or local tax authorities for years before 2013.

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.

Reclassifications: Certain items in the 2015 summarized comparative information have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

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. Accordingly, such information should be read in conjunction with WFP USA's financial statements for the year ended December 31, 2015, 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.

World Food Program, USA

Notes to Financial Statements

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

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.

Subsequent events: WFP USA evaluated subsequent events through July 28, 2017, which is the date the financial statements were available to be issued.

Note 2. Contributions Receivable

Contributions receivable consist of the following at December 31, 2016:

Due in one year	\$ 2,456,848
Due in two to five years	500,000
	<u>2,956,848</u>
Discount to present value (1.06%)	(5,929)
	<u><u>\$ 2,950,919</u></u>

Note 3. Property and Equipment

Property and equipment consist of the following at December 31, 2016:

Leasehold improvements	\$ 346,802
Equipment	197,280
Furniture	36,316
Website development	293,400
Computer software	21,148
	<u>894,946</u>
Less accumulated depreciation	(423,369)
	<u><u>\$ 471,577</u></u>

Depreciation and amortization expense was \$131,314 for the year ended December 31, 2016.

World Food Program, USA

Notes to Financial Statements

Note 4. Investments

Investments at December 31, 2016, consist of the following:

Fixed income	\$ 631,250
Mutual funds	249,203
Common stock	955,938
Money market deposit accounts	2,973,327
	<u>\$ 4,809,718</u>

Investments above include \$523,849 of custodial funds at December 31, 2016, shown separately on the accompanying statement of financial position. The custodian funds' investments include a cash account of \$4,659 at December 31, 2016, which is included in the table above.

Investment loss for the year ended December 31, 2016, consists of the following:

Interest and dividends	\$ 21,655
Realized and unrealized loss on investments, net	(35,354)
	<u>\$ (13,699)</u>

Note 5. Grants to World Food Programme

WFP is the largest international food aid organization in the world. In 2016, 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, 2016, WFP USA obligated \$13,203,632 to WFP. Of that obligated amount, \$7,965,765 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, 2016, WFP USA contributed \$76,427 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, 2016, was \$3,294,863, which is based on a six-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, 2016, 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, 2016, were as follows:

	Balance December 31, 2015	Additions	Releases	Balance December 31, 2016
Time restricted:				
Administrative	\$ 1,244,584	\$ 630,716	\$ (1,132,880)	\$ 742,420
Donated equipment	44,594	-	(21,219)	23,375
	<u>\$ 1,289,178</u>	<u>\$ 630,716</u>	<u>\$ (1,154,099)</u>	<u>\$ 765,795</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 \$346,801 of this allowance as of December 31, 2016. 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:	
2017	\$ 488,295
2018	505,527
2019	516,897
2020	528,526
2021	540,413
Thereafter	879,067
	<u>\$ 3,458,725</u>

Rent expense for the year ended December 31, 2016, was \$460,112.

Note 10. Fair Value Measurements

The Fair Value Measurement Topic of the Codification establishes a framework for measuring fair value in accordance with generally accepted accounting principles in the United States of America (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, 2016.

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:				
Corporate bonds – A	\$ 92,003	\$ -	\$ 92,003	\$ -
Corporate bonds – AA	49,991	-	49,991	-
Government securities	489,256	-	489,256	-
	<u>631,250</u>	<u>-</u>	<u>631,250</u>	<u>-</u>
Publicly traded mutual funds:				
Fixed income	201,514	201,514	-	-
Equity	47,689	47,689	-	-
	<u>249,203</u>	<u>249,203</u>	<u>-</u>	<u>-</u>
Common stock:				
Materials	467,592	467,592	-	-
Consumer discretionary	301,996	301,996	-	-
Information technology	47,391	47,391	-	-
Exchange traded funds	36,560	36,560	-	-
Financials	35,189	35,189	-	-
Health care	22,610	22,610	-	-
International	16,853	16,853	-	-
Industrials	14,031	14,031	-	-
Utilities	6,844	6,844	-	-
Energy	5,683	5,683	-	-
Telecommunication services	1,189	1,189	-	-
	<u>955,938</u>	<u>955,938</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,836,391</u>	<u>\$ 1,205,141</u>	<u>\$ 631,250</u>	<u>\$ -</u>

The table below reconciles total investments to the statement of financial position at December 31, 2016:

Investments held at fair value	\$ 1,836,391
Investments held at cost	<u>2,973,327</u>
	<u>\$ 4,809,718</u>

Cash included in investments and totaling \$2,973,327 are not included in the previous table because they are 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, 2016.