

World Food Program, USA

Financial Report
September 30, 2018

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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 September 30, 2018, the related statements of activities, functional expenses and cash flows for the nine-month period January 1, 2018 through September 30, 2018, 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 September 30, 2018, and the changes in its net assets and its cash flows for the nine-month period from January 1, 2018 through September 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Board of Directors retroactively adopted the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures and significant changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited WFP USA's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
February 13, 2019

World Food Program, USA

Statement of Financial Position

September 30, 2018

(With Comparative Totals for December 31, 2017)

	2018	2017
Assets		
Cash	\$ 2,659,191	\$ 5,975,504
Custodial funds investments	513,118	529,254
Accounts receivable	38,656	630
Contributions receivable, net	874,188	2,059,333
Prepaid expenses and other assets	382,628	165,625
Investments	7,412,881	7,266,730
Property and equipment, net	418,808	418,935
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Total assets	\$ 12,299,470	\$ 16,416,011
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 173,313	\$ 287,593
Grants payable to World Food Programme (WFP)	2,259,414	5,593,468
Custodial funds	513,118	529,254
Deferred rent	500,449	512,475
Total liabilities	3,446,294	6,922,790
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Commitments (Notes 7 and 9)		
Net assets:		
Without donor restrictions:		
Undesignated (deficit)	(992,790)	1,928,201
Designated by the Board	9,713,798	7,103,979
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	8,721,008	9,032,180
With donor restrictions:		
Time restrictions	132,168	461,041
Total net assets	8,853,176	9,493,221
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Total liabilities and net assets	\$ 12,299,470	\$ 16,416,011
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See notes to financial statements.

World Food Program, USA

Statement of Activities

For the Period January 1, 2018 to September 30, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Donations	\$ 8,274,756	\$ 33,633	\$ 8,308,389	\$ 18,854,311
In-kind contributions	288,211	-	288,211	1,702,493
Special events	-	-	-	60,000
Loss on disposal of property and equipment	-	-	-	(3,167)
Investment income	202,809	-	202,809	366,790
Net assets released from restrictions	362,506	(362,506)	-	-
Total support and revenue	9,128,282	(328,873)	8,799,409	20,980,427
Expenses:				
Program expenses:				
Grants to WFP and others	3,339,107	-	3,339,107	10,438,842
Other program expenses	4,157,278	-	4,157,278	5,520,681
Total program expenses	7,496,385	-	7,496,385	15,959,523
Fundraising	1,324,731	-	1,324,731	2,369,984
General and administrative	618,338	-	618,338	891,268
Total expenses	9,439,454	-	9,439,454	19,220,775
Change in net assets	(311,172)	(328,873)	(640,045)	1,759,652
Net assets:				
Beginning	9,032,180	461,041	9,493,221	7,733,569
Ending	\$ 8,721,008	\$ 132,168	\$ 8,853,176	\$ 9,493,221

See notes to financial statements.

World Food Program, USA

Statement of Functional Expenses

For the Period January 1, 2018 to September 30, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	2018				2017
	Program Expenses	Fundraising	General and Administrative	Total	
Grants to WFP	\$ 3,314,107	\$ -	\$ -	\$ 3,314,107	\$ 10,407,842
Professional fees	1,431,983	149,762	32,743	1,614,488	3,470,653
Compensation	984,068	817,769	307,789	2,109,626	2,831,614
Rent	242,189	19,104	83,777	345,070	472,885
Website development and administration	318,121	75,651	19,889	413,661	383,851
Bank charges and filing fees	230,515	4,444	10,632	245,591	345,399
Employee benefits	125,105	77,112	44,348	246,565	317,046
Payroll taxes	71,189	60,609	22,447	154,245	195,828
Depreciation and amortization	73,160	5,771	25,307	104,238	150,217
Travel	72,567	34,980	9,683	117,230	139,678
Accounting and legal	61,541	19,338	21,288	102,167	123,558
Conferences and meetings	306,496	2,434	2,376	311,306	111,298
Grants to others	25,000	-	20,000	45,000	58,000
Office supplies and expenses	167,400	34,748	3,948	206,096	105,631
Dues and memberships	27,936	8,813	460	37,209	40,810
Telephone	15,870	4,003	4,400	24,273	24,202
Business insurance	13,517	1,066	4,676	19,259	21,466
Equipment rental and maintenance	10,479	827	3,625	14,931	11,049
Staff development	5,142	8,300	950	14,392	9,748
Total expenses	\$ 7,496,385	\$ 1,324,731	\$ 618,338	\$ 9,439,454	\$ 19,220,775

See notes to financial statements.

World Food Program, USA

Statement of Cash Flows

For the Period January 1, 2018 to September 30, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (640,045)	\$ 1,759,652
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized gain on investments, net	(97,847)	(266,733)
Depreciation and amortization	104,238	150,217
Deferred rent	(12,026)	(49,293)
Loss on disposal of property and equipment	-	3,167
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(38,026)	130
Contributions receivable	1,185,145	890,826
Prepaid expenses and other assets	(217,003)	(20,477)
(Decrease) increase in:		
Accounts payable and accrued expenses	(114,280)	(46,534)
Grants payable to WFP	(3,334,054)	(2,372,297)
Custodial funds	(16,136)	5,405
Net cash (used in) provided by operating activities	(3,180,034)	54,063
Cash flows from investing activities:		
Purchase of property and equipment	(104,111)	(100,742)
Net purchases, reinvestments and sales of investments	(32,168)	(2,719,533)
Net cash used in investing activities	(136,279)	(2,820,275)
Net decrease in cash	(3,316,313)	(2,766,212)
Cash:		
Beginning	5,975,504	8,741,716
Ending	\$ 2,659,191	\$ 5,975,504

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.

Fiscal year-end change: During 2017, the Board of Directors (the Board) 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. In accordance with this change, the statements of activities, functional expenses and cash flows for the period ended September 30, 2018, cover a period of nine months whereas those statements cover a full fiscal year (12 months) for the preceding year's comparative financial statements. Because of the fiscal year change, the change in net assets for the nine months ended September 30, 2018, are not indicative of the change in net assets that may be expected for a full fiscal year.

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.

World Food Program, USA

Notes to Financial Statements

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

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 within two classes of net assets, as follows:

Net assets without donor restrictions: Undesignated net assets represent funds that are available for the support of WFP USA's operations and not subject to donor restrictions. The Board may designate unrestricted net assets at its discretion. Board-designated net assets include funds designated by the Board for specific programs. The balance at September 30, 2018, was \$9,713,798, which is based on a twelve-month operating reserve.

Net assets with donor restrictions: Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the restriction was restricted has been fulfilled or both.

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 September 30, 2018, was \$513,118, which is included in the investments described in Notes 5 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.

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 September 30, 2018.

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.

World Food Program, USA

Notes to Financial Statements

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

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 an increase in net assets with or without donor restriction depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with a donor time and/or purpose restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are reported as net assets without donor restriction 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.

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 September 30, 2018. 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.

World Food Program, USA

Notes to Financial Statements

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

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, 2017, from which the summarized information was derived.

Adoption of recent accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management adopted this guidance in its September 30, 2018 financial statements. The amendments in this ASU makes improvements to the information provided in the financial statements and accompanying notes of nonprofit entities. Net asset classifications are reduced from three to two categories: net assets without donor restrictions and net assets with donor restrictions. The nature and amount of net assets with and without donor restrictions are included as footnote disclosures. Additional quantitative and qualitative disclosures are required to communicate information related to WFP USA's short-term liquidity. The remaining provisions are not applicable to WFP USA's financial statement presentation, or were optional under past accounting guidance and were previously elected to be included in WFP USA's financial statements, specifically the presentation of the statement of functional expenses.

Pending accounting pronouncements: In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The amendments in the ASU likely will result in more grants and contracts being accounted for as either contributions or conditional contributions than observed in practice under current guidance. The amendments in the ASU should be applied on a modified prospective basis, although retrospective application is permitted. Where WFP USA is the resource recipient, the ASU will be effective for contributions received for annual periods beginning after December 15, 2018. Where the Organization is a resource provider, the ASU is effective for annual periods beginning December 15, 2019. Early adoption is permitted. Management is currently evaluating the impact of the pending adoption of this new ASU on its financial statements.

In February 2016, the FASB issued ASU No. 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 No. 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 No. 2015-14, which defers the effective date of ASU No. 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 its financial statements.

Subsequent events: WFP USA evaluated subsequent events through February 13, 2019, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 2,659,191
Accounts receivable	38,656
Contributions receivable, net	874,188
Investments, including custodial assets	7,925,999
Total financial assets available	<u>11,498,034</u>
Promises to give scheduled to be collected in more than one year	(549,982)
Custodial assets held	(513,118)
Amounts designated by the Board	(9,713,798)
Donor-imposed restrictions for specific purposes	<u>(132,168)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 588,968</u>

The board-designated reserve of \$7,103,979 is not subject to an annual spending rate. Although WFP USA does not intend to spend from this board-designated reserve (other than amounts appropriated for general expenditure as part of WFP USA's annual budget approval and appropriation), these amounts could be made available through board approval if necessary.

The majority of the donor-imposed restrictions relate to time-restricted administrative elements of grants and contributions recognized during the year, but for which collection had not occurred.

As part of liquidity management, WFP USA invests cash in excess of daily requirements in short-term investments. WFP USA receives the majority of its cash contributions and special events revenue during November and December, which results in additional liquidity management challenges for the remainder of the fiscal year. As disclosed in Note 1, WFP USA elected to change its year-end to a fiscal year in 2018 to assist in monitoring cash expenditures compared to its pre-approved budget, among other reasons. WFP USA assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations.

World Food Program, USA

Notes to Financial Statements

Note 3. Contributions Receivable

Contributions receivable consist of the following at September 30, 2018:

Due in one year	\$	339,290
Due in two to five years		549,982
		<u>889,272</u>
Discount to present value (1.89%)		(15,084)
	\$	<u><u>874,188</u></u>

Note 4. Property and Equipment

Property and equipment consist of the following at September 30, 2018:

Leasehold improvements	\$	427,034
Equipment		239,197
Furniture		36,316
Website development		256,097
Computer software		21,148
		<u>979,792</u>
Less accumulated depreciation and amortization		(560,984)
	\$	<u><u>418,808</u></u>

Depreciation and amortization expense was \$104,238 for the nine-month period ended September 30, 2018.

Note 5. Investments

Investments at September 30, 2018, consist of the following:

Fixed income	\$	1,472,695
Mutual funds		4,341,743
Common stock		1,672,058
Money market deposit accounts		439,503
	\$	<u><u>7,925,999</u></u>

Investments above include \$513,118 of custodial funds at September 30, 2018, shown separately on the accompanying statement of financial position.

Investment income for the nine-month period ended September 30, 2018, consists of the following:

Interest and dividends	\$	104,962
Realized and unrealized gain on investments, net		97,847
	\$	<u><u>202,809</u></u>

World Food Program, USA

Notes to Financial Statements

Note 6. 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 nine-month period ended September 30, 2018, WFP USA obligated \$3,314,107 to WFP. Of that obligated amount, \$2,259,414 will be paid in future years.

Note 7. 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 nine-month period ended September 30, 2018, WFP USA contributed \$67,283 to the Plan.

Note 8. Net Assets With Time Restrictions

Net assets with time restrictions include the time restricted administrative elements of grants and contributions recognized during the year, but for which collection had not occurred. Net assets with time restrictions were released from restrictions during the nine-month period ended September 30, 2018, due to the administrative element being collected and the time restriction being met.

Changes in net assets during the nine-month period ended September 30, 2018, were as follows:

	Balance December 31, 2017		Additions	Releases	Balance September 30, 2018	
Time restricted:						
Administrative	\$ 456,081	\$ 33,633	\$ (359,211)	\$ 130,503		
Donated equipment	4,960	-	(3,295)	1,665		
	<u>\$ 461,041</u>	<u>\$ 33,633</u>	<u>\$ (362,506)</u>	<u>\$ 132,168</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 September 30, 2018. 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.

World Food Program, USA

Notes to Financial Statements

Note 9. Lease Commitments (Continued)

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

Years ending September 30:	
2019	\$ 514,017
2020	525,581
2021	537,404
2022	549,484
2023	466,442
	<u>\$ 2,592,928</u>

Rent expense for the nine-month period ended September 30, 2018, was \$345,070.

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

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 September 30, 2018.

World Food Program, USA

Notes to Financial Statements

Note 10. Fair Value Measurements (Continued)

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	\$ 727,911	\$ -	\$ 727,911	\$ -
Corporate bonds	744,784	-	744,784	-
	<u>1,472,695</u>	<u>-</u>	<u>1,472,695</u>	<u>-</u>
Publicly traded mutual funds:				
Equity	2,735,116	2,735,116	-	-
Fixed income	1,606,627	1,606,627	-	-
	<u>4,341,743</u>	<u>4,341,743</u>	<u>-</u>	<u>-</u>
Common stock:				
Information technology	393,258	393,258	-	-
Real estate	233,943	233,943	-	-
Healthcare	260,174	260,174	-	-
Consumer discretionary	219,635	219,635	-	-
Financials	137,998	137,998	-	-
Industrials	162,239	162,239	-	-
Consumer staples	100,097	100,097	-	-
Energy	48,732	48,732	-	-
Materials	43,677	43,677	-	-
Exchange traded funds	28,890	28,890	-	-
Telecommunication services	24,909	24,909	-	-
International	18,506	18,506	-	-
	<u>1,672,058</u>	<u>1,672,058</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,486,496</u>	<u>\$ 6,013,801</u>	<u>\$ 1,472,695</u>	<u>\$ -</u>

The table below reconciles total investments to the statement of financial position at September 30, 2018:

Investments held at fair value	\$ 7,486,496
Investments held at cost	439,503
	<u>\$ 7,925,999</u>

Cash included in investments and totaling \$439,503 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 nine-month period ended September 30, 2018.