The Coffee Quality Institute® is a non-profit, 501(c)3 organization working internationally to improve the quality of coffee and the lives of the people who produce it.
All Coffee Quality Institute (CQI) programs focus on quality because we believe that to be the most important variable affecting the price and subsequently the livelihoods sustained by that price.

We see time and time again, as a farmer improves his or her livelihood, they are better able to support social and environmental programs that benefit their communities. Employment expands, educational opportunities are created and local infrastructure and public services improve. This is the key to creating a sustainable marketplace.

The Coffee Quality Institute is now a well established Institution. Its aim to enhance quality and improve economic returns at all points in the supply chain is highly commended. The assignment of experts, the establishment of quality standards, training and creation of appropriate market trading instruments are of great benefit to the coffee industry. The CQI is making an increasing contribution to one of the ICO’s key goals of encouraging the development of a sustainable world coffee economy.

– Néstor Osorio, Executive Director of The International Coffee Organization (ICO)

Through our programs, we have touched tens of thousands of farmers, empowering them with the tools they need to compete in the world marketplace.
Letter from the Chairman |

As I look back on 2005, our most significant accomplishment was bringing a common language of quality to the world stage. While we have been working internationally since our inception, it seems that this year our reach extended farther and deeper than ever before. Quality is here to stay and it pays for both producers and consumers!

The Coffee Quality Institute was invited to speak at the International Coffee Organization’s summer meeting where we continue to be recognized for the unique role we play in bringing together producing and consuming nations to address the challenges facing the coffee community.

I also had the privilege of awarding the CQI Leadership Medal of Merit to Mr. Tatsushi Ueshima, President of Ueshima Coffee Company, Ltd. The honor recognized Mr. Ueshima’s leadership in promoting consumption of high quality coffee in the Japanese market and his service as the first president of Specialty Coffee Association of Japan.

Most importantly, we enjoyed additional successes with our field work. Another 60 Coffee Corps® volunteers went out on assignments to origin. We reached the two million pound mark with the Q Coffee® Program, facilitating the sale of high quality specialty coffee at significant price premiums over the C market. We also launched an innovative new project, the Women in Coffee Leadership Program™. As we enter 2006, these models will serve as the basis for continued expansion. We have a proven track record and I hope the industry, and all those passionate about coffee and the estimated 125 million people whose livelihoods are dependent on it, will continue to support our mission.

Daniel C. Cox | Chairman, Board of Trustees
As we close 2005, we say good bye to Dan Cox and Doug Carpenter. Both Dan and Doug were tremendous assets to the Board and we thank them for their service and enormous contributions. But with every door that closes, another opens, so this is also an opportunity to welcome Ellen Jordan Reidy in her new role as Chairperson and Steve Bass, Roy Davis, Jr., and Ellen Rogers as the newest members of the CQI Board of Trustees. With more than 450 years of combined experience, these individuals possess unparalleled amounts of passion and dedication to continue to drive the CQI mission.

Chairperson
Ellen Jordan Reidy, America’s Food Technologies, Inc., President and Founder

Vice Chair
Harry Kangis, Millstone Coffee, Inc., President (retired)
Herbert de Sola, Unex Guatemala S.A., President

Vice Chair
David Boyd, Boyd Coffee Company, Co-CEO and President
Steve Bass, New York Board of Trade (NYBOT), Senior Vice President and Chief Information Officer
Roy Davis, Jr., S & D Coffee, Inc., Chairman-Emeritus

Secretary / Treasurer
Eduardo Esteve, Agroindustrias Unidas de Mexico, S.A., President
Paul Fisher, New York Board of Trade, Member and Independent Coffee Consultant
Salim Janna, Exportadora de Café Condor S.A., Partner and President
Juan Esteban Orduz, Colombian Coffee Federation, Inc., President
Ellen Rogers, Dunkin’ Brands, Research & Development Coffee Excellence Manager
John Stiles, Integrated Coffee Technologies, Inc., Chief Scientific Officer
George Vukasin Sr., Peerless Coffee Co., President and Owner
Through CQI’s work and assistance in the region there are new alternatives for producers to develop commercial relationships and access markets where they can earn premiums for quality. Overall, the industry has benefited through improved collaboration, transparency, traceability and consistency.

– Arnoldo Leiva, President of the Specialty Coffee Association of Costa Rica (SCACR)
The only way to advance the market is by strictly adhering to quality standards and to have a common language of quality. The cupping protocols being implemented by CQI with standardized scoring and language is absolutely what is needed to build a specialty marketplace in which buyers can place their trust. The CQI organization is doing the work fundamental to achieve success.

– Dr. Ernesto Illy of Illy Caffè, S.p.A.
## Our Work |

Our goal is to develop models that can be replicated and sustained. Success requires innovativeness. A solution must work for the producing side as well as the consuming side to be sustainable. That is why we use business solutions to help people. Quality benefits everyone in the industry and each of our programs has a unique approach to elevate quality at all levels of the value chain.

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee Corps</td>
<td>A program that matches coffee experts, who volunteer their time, with growers seeking technical assistance.</td>
</tr>
<tr>
<td>Q Coffee Trade</td>
<td>An electronic marketplace that provides a transparent price discovery mechanism for the industry while rewarding farmers for their quality efforts.</td>
</tr>
<tr>
<td>Q Grader Program</td>
<td>A rigorous testing and certification program, this is the first comprehensive professional accreditation for coffee graders and cuppers, recognizing the deepest talent at work in our industry.</td>
</tr>
<tr>
<td>Women in Coffee Leadership Program</td>
<td>Develops the diverse skills and talents of women in the industry, creating a network of leaders committed to quality and sustainability.</td>
</tr>
</tbody>
</table>

Because of the expertise we’ve developed in coffee, training, and quality initiatives we have also been awarded several sub-grants with other NGOs such as ACDI/VOCA, Chemonics, and DAI. These include projects in Colombia, Mexico, and Zambia. Additionally, we have developed a strategic alliance with the Eastern African Fine Coffees Association (EAFCA) which will allow us to continue our Coffee Corps assistance in the region.
Our Impact

We have touched tens of thousands of farmers directly and there is a multiplying effect to our work. The people we work with go on to advance their careers, train others, and take on leadership roles within their communities. More powerful than the aggregate numbers are the individual stories. Clare Kampeta is a Rwandan woman who lost her entire family to the genocide. Her family produced coffee but without their knowledge and support, Clare was forced to leave the business. She then took a job sweeping floors and cleaning cups where a Coffee Corps cupping training was taking place. Bob Stephenson, the Coffee Corps volunteer, noticed her taking notes in the back and invited her to join. By the end of the session, it was evident that she was a talented cupper. She has gone on to take a prestigious position with an umbrella organization that serves twelve cooperatives. She oversees training and quality control and is passionate about sharing her knowledge with others. Clare exemplifies the impact of our work and how much of a difference even one person can make.
Serving in Coffee Corps has given me a chance to help producers in Rwanda improve their opportunities while at the same time, helping me learn more about the region and develop relationships with growers from whom I now purchase coffee. It is extremely valuable to be in a position to help influence the quality of coffee production at source and ensure that great coffees continue to be available for purchase. In that way, Coffee Corps is a program that produces very tangible results and serves the interests of both coffee farmers and coffee buyers.

– Geoff Watts, Director of Coffee and Green Coffee Buyer for Intelligentsia Coffee
Milestones

More than two million pounds of specialty coffee was transacted through the Q Auctions, more than all other Internet Auctions combined.

The Q is increasingly recognized as the symbol of quality and used in marketing and on the packages of the world’s leading coffee purveyors.

Since the first assignment in May 2003, more than 105 Coffee Corps volunteers completed assignments.

Coffee Corps volunteers have logged more than 23,000 hours providing training and technical assistance to thousands of farmers.

The Women in Coffee Leadership Program was awarded the Better Beans Award by The Specialty Coffee Association of Europe (SCAE) recognizing their contribution to a noticeable improvement in the quality of coffee worldwide.

Twenty-nine cuppers successfully passed the rigorous two day exam to earn the distinction of Licensed Q Graders.

We have consistently exceeded the industry norms for efficiency and more than 89% of our revenue goes directly into programs.

With Coffee Corps assistance, we have been able to build the institutional capacity of our region, giving everyone in the coffee value chain (producers, processors, traders and roasters among others) training and access to tools that will better help them compete in the world marketplace. The result is a significant improvement in the quality of coffee as well as many examples of members, especially producers, earning higher prices for those coffees.

Robert Waggwa Nsibirwa, Executive Director of Eastern African Fine Coffees Association (EAFCA)
The Q Coffee Program is a way to prevent another coffee crisis from happening.

– Vicente Hernandez, Owner, Finca Panorama in El Salvador

The Women in Coffee Leadership Program was a unique opportunity to develop our skills, share best practices, and build business relationships. More importantly, it gave us the momentum to reach out to other women in the industry, building programs that foster this type of learning and exchange within our own countries.

– Lorena Calvo, Coffee Grower, Finca Bohemia in Guatemala
While this annual report is focused on 2005, we would be remiss in not taking this opportunity to update our constituents on the organizational changes that have taken place at the time of printing. Effective August 1, 2006, Ted Lingle will transition into CQI as Executive Director replacing Margaret Swallow who is retiring. We are extremely grateful to Margaret for her tireless commitment and wish her all the best. We would also like to welcome Ted into his new role.
### Financials | Coffee Quality Institute Financial Highlights

<table>
<thead>
<tr>
<th>Support and revenues</th>
<th>2005</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-kind and volunteers contributions</td>
<td>$656,471</td>
<td>1,047,387</td>
<td>276,258</td>
</tr>
<tr>
<td>Other contributions, grants &amp; support</td>
<td>2,026,441</td>
<td>1,769,479</td>
<td>842,727</td>
</tr>
<tr>
<td>Other income</td>
<td>308</td>
<td>814</td>
<td>62,972</td>
</tr>
<tr>
<td><strong>Total support and revenues</strong></td>
<td><strong>2,683,220</strong></td>
<td><strong>2,817,680</strong></td>
<td><strong>1,181,957</strong></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Expenses</th>
<th>2005</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program and project expenses</td>
<td>2,389,838</td>
<td>2,483,425</td>
<td>773,132</td>
</tr>
<tr>
<td>Administrative and general expenses</td>
<td>286,273</td>
<td>272,569</td>
<td>296,656</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>2,676,111</strong></td>
<td><strong>2,755,994</strong></td>
<td><strong>1,069,788</strong></td>
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<tbody>
<tr>
<td>Net assets, beginning</td>
<td>314,261</td>
<td>252,575</td>
<td>140,406</td>
</tr>
<tr>
<td>Net assets, ending</td>
<td>321,270</td>
<td>314,261</td>
<td>252,575</td>
</tr>
<tr>
<td><strong>Increase in net assets</strong></td>
<td><strong>7,109</strong></td>
<td><strong>61,686</strong></td>
<td><strong>112,169</strong></td>
</tr>
</tbody>
</table>

Portion of every dollar in support and revenues directly supporting programs: $0.89, $0.88, $0.65
A special thank you to our 2005 Annual Luncheon Sponsors

**Gold**
- Wilbur Curtis Company
- Amfotek
- Coffee & Cocoa International
- Fres-Co Systems
- New York Board of Trade
- Procter & Gamble
- Starbucks Coffee Company

**Bronze**

CQI thanks America’s Food Technologies, Inc. (AMFOTEK®) for sponsoring this annual report. AMFOTEK specializes in coffee and tea based beverage product development and manufacturing. For more information, please call 800-824-9092.