

World Central Kitchen, Inc.

Financial Statements
and
Independent Auditors' Report

December 31, 2019

CONTENTS

Independent Auditors' Report	2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses.....	6
Notes to the Financial Statements.....	7-11

Kattell and Company, P.L.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
World Central Kitchen, Inc.
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of World Central Kitchen, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 the Organization as of December 31, 2019, 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 the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kattell and Company, P.L.

October 26, 2020

"Not everything that counts can be counted, and not everything that can be counted counts."

- Albert Einstein

Statement of Financial Position
December 31, 2019
(with summarized information for 2018)
World Central Kitchen, Inc.

	<u>2019</u>	<u>2018</u>
Assets		
Cash – Non-Interest Bearing	\$ 11,338,798	\$ 611,892
Cash – Interest Bearing	7,904,220	8,139,360
Donations Receivable	561,191	749,939
Investments	6,962,822	6,409,375
Prepaid Expenses	74,091	50,250
Property and Equipment - Net	<u>877,224</u>	<u>341,619</u>
Total Assets	<u>\$ 27,718,346</u>	<u>\$ 16,302,435</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 901,565	\$ 220,329
Grants Payable	403,770	376,802
Accrued Payroll	86,102	12,562
Accrued Rent	<u>12,576</u>	<u>12,052</u>
Total Liabilities:	1,404,013	621,745
Net Assets:		
Without Donor Restrictions	23,544,496	13,006,377
With Donor Restrictions	<u>2,769,837</u>	<u>2,674,313</u>
Total Net Assets	<u>26,314,333</u>	<u>15,680,690</u>
Total Liabilities and Net Assets	<u>\$ 27,718,346</u>	<u>\$ 16,302,435</u>

See accompanying notes.

Statement of Activities
For the Year Ended December 31, 2019
(with summarized information for 2018)
World Central Kitchen, Inc.

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Support and Revenues:</u>				
Contributions:				
Board	\$ 56,000	\$ 175,753	\$ 231,753	\$ 10,000
In-Kind	76,081	--	76,081	72,406
Other	27,292,967	932,409	28,225,376	9,057,796
Event: Dine-N-Dash				
Revenues	710,607	--	710,607	513,250
Direct Donor Benefits	(251,216)	--	(251,216)	(230,690)
Net	459,391	--	459,391	282,560
Interest on Deposits	122,773	--	122,773	56,685
Net assets released from purpose restrictions	1,012,638	(1,012,638)	--	--
Total Support and Revenues	29,019,850	95,524	29,115,374	9,479,447
<u>Expenses</u>				
Programs:				
Emergency Relief Programs	13,978,865	--	13,978,865	3,834,097
Long-Term Programs	1,457,980	--	1,457,980	1,073,959
Management & General	913,936	--	913,936	399,698
Fundraising	2,292,651	--	2,292,651	523,956
Total Expenses	18,643,432	--	18,643,432	5,831,710
Excess of Support and Revenues over Expenses	10,376,418	95,524	10,471,942	3,647,737
Net Investment Return	161,701	--	161,701	74,218
Change in Net Assets	10,538,119	95,524	10,633,643	3,721,955
Net Assets, Beginning of Year	13,006,377	2,674,313	15,680,690	11,958,735
Net Assets, End of Year	\$ 23,544,496	\$ 2,769,837	\$ 26,314,333	\$ 15,680,690

See accompanying notes.

Statement of Cash Flows
For the Year Ended December 31, 2019
(with summarized information for 2018)
World Central Kitchen, Inc.

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 10,633,643	\$ 3,721,955
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Net (Gain) on Investments	(78,065)	(12,730)
Depreciation Expense	59,680	34,142
Changes in Donations Receivable	188,748	(227,840)
Changes in Prepaid Expenses	(23,841)	(47,026)
Changes in Liabilities	<u>782,268</u>	<u>398,951</u>
Net Cash Provided by (Used In) Operating Activities	11,562,433	3,867,452
Investing Activities:		
Purchase of improvements and equipment	(595,285)	--
Securities Purchased	(775,274)	(6,398,720)
Securities Sold	<u>299,892</u>	<u>2,075</u>
Net Cash Provided By (Used In) Investing Activities	<u>(1,070,667)</u>	<u>(6,396,645)</u>
Net Increase (Decrease) in Cash	10,491,766	(2,529,193)
Cash, Beginning of Year	<u>8,751,252</u>	<u>11,280,445</u>
Cash, End of Year	<u>\$ 19,243,018</u>	<u>\$ 8,751,252</u>
 <u>Reconciliation to Cash on the Statement of Financial Position:</u>		
Cash – Non Interest Bearing	\$ 11,338,798	\$ 611,892
Cash – Interest Bearing	<u>7,904,220</u>	<u>8,139,360</u>
Total Cash	<u>\$ 19,243,018</u>	<u>\$ 8,751,252</u>

See accompanying notes.

Statement of Functional Expenses
For the Year Ended December 31, 2019
(with summarized information for 2018)
World Central Kitchen, Inc.

	2019						2018
	<u>Program Services</u>		<u>Supporting Activities</u>				<u>Total</u>
	<u>Emergency Relief Programs</u>	<u>Long-Term Programs</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Direct Donor Benefits</u>	<u>Total</u>	
Food and Supplies	\$ 9,592,614	\$ 57,242	\$ 1,953	\$ 17,099	\$ --	\$ 9,668,908	\$ 2,919,792
U.S. Salaries and Benefits	1,040,627	351,644	380,081	296,120	--	2,068,472	369,128
Subcontractors	1,400,639	87,450	31,566	71,642	--	1,591,297	560,664
Travel	1,300,802	54,249	38,904	156,267	--	1,550,222	382,259
Facilities, Food and Entertainment	12,491	7,817	567	862,315	251,216	1,134,406	279,975
Grants	67,900	789,015	--	--	--	856,915	661,847
Professional Fees	40,214	17,550	212,320	318,407	--	588,491	313,605
Licenses and Fees	39,116	3,055	43,870	405,977	--	492,018	117,341
Marketing/Advertising	198,830	8,371	83,567	47,049	--	337,817	113,998
Occupancy	86,033	24,456	30,851	32,591	--	173,931	106,733
Office Expense	43,235	13,149	65,374	20,613	--	142,371	59,223
Postage and Printing	31,470	4,028	10,770	43,406	--	89,674	49,113
In-Kind Food, Supplies and Lodging	61,081	--	--	15,000	--	76,081	72,406
Insurance	38,275	5,812	14,113	6,165	--	64,365	22,174
Depreciation Expense	25,538	34,142	--	--	--	59,680	34,142
Total Expenses	13,978,865	1,457,980	913,936	2,292,651	251,216	18,894,648	6,062,400
Donor Benefits shown net of Event Revenues	--	--	--	--	(251,216)	(251,216)	(230,690)
Expenses Reported on the Statement of Activities	\$ 13,978,865	\$ 1,457,980	\$ 913,936	\$ 2,292,651	\$ --	\$ 18,643,432	\$ 5,831,710

See accompanying notes.

Notes to the Financial Statements
December 31, 2019
World Central Kitchen, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

World Central Kitchen, Inc. (the Organization) is a nonprofit corporation organized in 2010 under the Maryland General Corporation Law. The Organization's mission is *Using the power of food to empower communities and strengthen economies*. The Organization's goal is to find sustainable solutions to ending food insecurity and malnutrition. The Organization is dedicated to providing food for vulnerable people, supporting local agriculture, and promoting environmentally sustainable cooking fuels and technologies.

Tax-Exempt Status

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business taxable income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Organization qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and are presented using accounting principles generally accepted in the United States of America, as applicable for not-for-profit corporations. (U.S. GAAP)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from these estimates.

Cash

Cash consists of deposits in two checking accounts, a money market account, and an account with PayPal. Deposits in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per institution. The Organization held \$17,003,689 and \$8,211,799 in excess of insured limits at December 31, 2019 and 2018, respectively.

Investments

Investments are reported at fair value. The Corporation invests only in debt and equity securities with readily determinable fair values. Fair value is determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions (also known as Level 1 of the fair value hierarchy).

Donations Receivable

Donations receivable consist of the uncollected portion of unconditional promises from donors. See Note 3 for expected maturities and the discount recorded. Amounts are deemed fully collectible and there are no identifiable concentrations of credit risk.

Property and Equipment

The Organization's policy is to capitalize all purchases of furniture, equipment, and other capital assets with a value of \$5,000 or greater and a useful life in excess of one year. Purchased fixed assets are recorded at cost and donated fixed assets are initially recorded at estimated fair value. Depreciation is computed using the straight-line method over estimated useful lives from 5 to 30 years.

Grants Payable

The Organization has recorded grants payable for its unconditional promises to provide funding as discussed in Note 8. All grant commitments are expected to be disbursed in the subsequent year.

Notes to the Financial Statements
December 31, 2019
World Central Kitchen, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Net Assets

The Organization's net assets, the excess of assets over liabilities, are reported in two classes that are based upon the existence or absence of restrictions imposed by donors:

With Donor Restrictions. Net assets with donor restrictions are restricted by a donor to be used for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions. The Corporation's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Without Donor Restrictions. Net assets without donor restrictions are available to support operations. These net assets are constrained only by the broad limits resulting for the nature of the organization.

Revenue Recognition - Contributions

Contributions – General. Contributions are recognized as revenue when they are received or unconditionally pledged and are recorded at their estimated fair values.

Contributions – Services. Donated services, if any, are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization receives a significant amount of services from volunteers which do not meet the above criteria for recognition in financial statements.

Functional Expenses

Expenses are classified in the following functional categories:

Program Services – Program services consist of direct costs of the following program focus areas and an allocation of overhead costs. Consult the Organization's website at <https://www.worldcentralkitchen.org> for more detailed explanations.

- Emergency Relief. Within hours, WCK provides meals domestically and internationally in affected areas after natural and man-made disasters.
- Long-Term Programs. WCK's food resilience programs advance human and environmental health, offer access to professional culinary training, create jobs, and improve food security for the people we serve.

Management and General – those activities that provide governance, oversight, business and financial management, financial recordkeeping, budgeting, legal, and human resource management services.

Fundraising – Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Activities include publicizing and conducting fundraising campaigns, maintaining donor lists, conducting fundraising events, and any other activities that solicit contributions from corporations, foundations, individuals and others.

Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Indirect expenses are allocated to more than one functional category in accordance with an estimate of the relative benefit received by the expenses. Indirect expenses consist mainly of certain personnel and occupancy costs. Salaries and wages, benefits and payroll taxes are allocated based on employee estimates of the percentage of time spent in each function. Occupancy and insurance costs are allocated based on salary allocations.

Notes to the Financial Statements
December 31, 2019
World Central Kitchen, Inc.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the date of the statement of financial position are as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash	\$ 19,243,018	\$ 8,751,252
Donations Receivable	561,191	749,939
Investments	6,962,822	6,409,375
Less Assets not Available:		
Purpose restricted net assets (Note 6)	(2,594,084)	(2,674,313)
Receivables due in more than one year	<u>(125,753)</u>	<u>--</u>
Available Financial Assets	<u>\$ 24,047,194</u>	<u>\$ 13,236,253</u>

The Organization has structured its financial assets to be available as its general expenditures and liabilities come due. The Organization does not generally experience cash deficits and, therefore, has instituted no mechanism for financing them. The Organization invests cash in excess of foreseeable cash needs in highly liquid investments. See Note 4.

NOTE 3 – DONATIONS RECEIVABLE

Donations receivable represents pledges from multiple donors that are expected to be received over the next five years. The net amount expected to be received is discounted at an estimated risk adjusted rate of 2%.

	<u>2019</u>	<u>2018</u>
2019	\$ --	\$ 749,939
2020	435,438	--
2021	50,000	--
2022	50,000	--
2023	<u>50,000</u>	<u>--</u>
Total	585,438	--
Less-Unamortized Discount	<u>(24,247)</u>	<u>--</u>
Donations Receivable, Net	<u>\$ 561,191</u>	<u>\$ 749,939</u>

NOTE 4 – INVESTMENTS

The following provides a summary of amounts held:

	<u>Mutual Funds</u>		Cash	Total
	Fixed Income	Equities		
At December 31, 2019				
Fidelity	\$ --	\$ 272,994	\$ 142,043	\$ 415,037
Schwab	3,027,594	--	3,520,191	6,547,785
Total	<u>\$ 3,027,594</u>	<u>\$ 272,994</u>	<u>\$ 3,662,234</u>	<u>\$ 6,962,822</u>
At December 31, 2018				
Fidelity	\$ --	\$ 5,457	\$ --	\$ 5,457
Schwab	3,967,698	--	2,436,220	6,403,918
Total	<u>\$ 3,967,698</u>	<u>\$ 5,457</u>	<u>\$ 2,436,220</u>	<u>\$ 6,409,375</u>

Net Investment Return consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 83,636	\$ 61,488
Net Gain/(Loss)	<u>78,065</u>	<u>12,730</u>
Total Net Investment Return	<u>\$ 161,701</u>	<u>\$ 74,218</u>

Notes to the Financial Statements
December 31, 2019
World Central Kitchen, Inc.

NOTE 5 – PROPERTY AND EQUIPMENT - NET

Property consists of the following:

	<u>2019</u>	<u>2018</u>
Leasehold Improvements	\$ 239,735	\$ 239,735
Kitchen Equipment	273,894	141,045
Vehicles	272,860	12,052
Emergency Relief Equipment	201,628	--
Accumulated Depreciation	<u>(110,893)</u>	<u>(51,213)</u>
Property and Equipment - Net	<u>\$ 877,224</u>	<u>\$ 341,619</u>

The Organization has equipment in the United States and Haiti. The equipment in the United States consists of disaster relief equipment which is valued at \$659,748 at December 31, 2019. The Organization improved facilities and installed kitchen equipment for a school in Haiti. The School has use of this facility, at no cost, until 2025. The value of the leasehold improvements and equipment in Haiti is \$307,476 and 341,691 at December 31, 2019 and 2018, respectively.

NOTE 6 – NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose Restrictions:		
Puerto Rico - Disaster relief and grants	\$ 2,571,432	\$ 2,627,353
Haiti - Food for Thought Program	--	23,960
Haiti - Sink to Stove Program	22,652	23,000
Time Restrictions:		
Donation Receivable	<u>175,753</u>	<u>--</u>
Totals	<u>\$ 2,769,837</u>	<u>\$ 2,674,313</u>

NOTE 7 – FUNDRAISING EVENT

The Organization generated the following revenues and expenses from its annual Dine-n-Dash fundraising event:

	<u>2019</u>	<u>2018</u>
Fair Value of Tickets Sold	\$ 259,350	\$ 210,234
Sponsorships and Contributions	<u>451,257</u>	<u>303,016</u>
Total Event Revenues	710,607	513,250
Direct Donor Benefits	<u>(251,216)</u>	<u>(230,690)</u>
Event Proceeds - Net	459,391	282,560
Fundraising Costs	<u>(71,948)</u>	<u>(140,799)</u>
	\$	
Net Revenue from Events	<u>387,443</u>	<u>\$ 141,761</u>

NOTE 8 – GRANTS

The Organization partners with non-profit organizations and small businesses to improve human and environmental health, strengthen food economies, provide workforce development opportunities, and increase fair and just access to food.

- In 2019 and 2018, the Organization made grants to smallholder farms, fisheries, and food-related small businesses in Puerto Rico to help them revitalize their operations and regrow their food production, distribution and sales capacities after the impacts of Hurricanes Maria and Irma in 2017.
- In 2019 and 2018, the Organization made grants to non-profit partners in Haiti to convert 22 school kitchens that used wood or charcoal three-stone fires, to safer and cleaner liquid propane gas stoves. The conversions included improving access to potable water and new equipment to ensure safer and more sanitary meal preparation conditions.

Notes to the Financial Statements
December 31, 2019
World Central Kitchen, Inc.

NOTE 9 – RETIREMENT PLAN

In August 2018, The Organization adopted a 403(b) retirement savings plan available to all full time employees. The Organization matches 50% of employee contributions, not to exceed four percent of the employee’s salary. Retirement plan expense was \$46,871 and \$2,914 for 2019 and 2018, respectively.

NOTE 10 – LEASES

The Organization leases office space in Washington DC. The lease through December 2018 was month to month. On December 1, 2018, the Organization entered a 25-month lease. The lease requires monthly payments of \$13,100 with a rent credit for the first two months of occupancy. In accordance with generally accepted accounting principles, rent expense is recognized on a straight-line basis over the life of the lease. The following table compares the contracted rental payment for the 2018 lease with the amounts to be recognized as expense:

	<u>Payments</u>	<u>Expensed</u>	<u>Net Payable</u>
2018	\$ --	\$ 12,052	\$ 12,052
2019	144,100	144,624	12,576
2020	157,200	144,624	--
Totals	\$ 301,300	\$ 301,300	\$ --

Total rental expense for the years ended December 31, 2019 and 2018 was \$147,590 and \$78,966, respectively. The lessor holds a security deposit in the amount of \$39,300 at December 31, 2019.

NOTE 11 – DONATED SERVICES

The Organization received 51,840 hours of volunteer services for the year ending December 31, 2019. At \$27.20 per hour, this amounted to \$1,410,048 of additional contributions and program services. This hourly rate is the estimated value per hour of volunteer time in the United States as estimated by Independent Sector. See http://www.independentsector.org/volunteer_time for more information on the estimated value per hour.

NOTE 12 – SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State of America. Accordingly, such information should be read in conjunction with the Corporation’s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 13 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, stock market indices have declined, unemployment rates have increased, and global economic activity has decreased as significant portions of the world observe social distancing. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

The Corporation has evaluated events and transactions for potential recognition or disclosure through October 26, 2020, which is the date the financial statements were available to be issued.