

World Central Kitchen, Inc.

Financial Statements
and
Independent Auditors' Report

December 31, 2017

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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, 2017, 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information. We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kattell and Company, P.L.

May 21, 2018

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

- Albert Einstein

Statement of Financial Position
December 31, 2017
(with summarized information for 2016)
World Central Kitchen, Inc.

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------------|--------------------------|
| Assets | | |
| Cash – Non Interest Bearing | \$ 11,278,463 | \$ 27,060 |
| Cash – Interest Bearing | 1,982 | 65,303 |
| Donations Receivable | 522,099 | 24,035 |
| Security Deposit | 3,224 | 2,932 |
| Property in Haiti - Net | <u>375,761</u> | <u>--</u> |
| Total Assets | <u>\$ 12,181,529</u> | <u>\$ 119,330</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts Payable | \$ 222,794 | \$ -- |
| Net Assets: | | |
| Unrestricted | 8,349,059 | 119,330 |
| Temporarily Restricted | <u>3,609,676</u> | <u>--</u> |
| Total Net Assets | <u>11,958,735</u> | <u>119,330</u> |
| Total Liabilities and Net Assets | <u>\$ 12,181,529</u> | <u>\$ 119,330</u> |

See accompanying notes.

Statement of Activities
For the Year Ended December 31, 2017
(with summarized information for 2016)
World Central Kitchen, Inc.

| | 2017 | | | 2016 |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| Revenues and Support: | | | | |
| Federal Contracts | \$ 9,628,160 | \$ -- | \$ 9,628,160 | \$ -- |
| Contributions: | | | | |
| Board | 15,794 | -- | 15,794 | 26,630 |
| Other | 4,677,662 | 6,367,586 | 11,045,248 | 432,033 |
| In-Kind Food | 534,616 | -- | 534,616 | -- |
| Event: Dine-N-Dash | | | | |
| Revenues | 541,856 | -- | 541,856 | 319,866 |
| Direct Donor Benefits | (149,726) | -- | (149,726) | (143,080) |
| Net | <u>392,130</u> | <u>--</u> | <u>392,130</u> | <u>176,786</u> |
| Interest Income | 63 | -- | 63 | 87 |
| Net assets released from purpose restrictions | <u>2,757,910</u> | <u>(2,757,910)</u> | <u>--</u> | <u>--</u> |
| Total Support and Revenues | 18,006,335 | 3,609,676 | 21,616,011 | 635,536 |
| Expenses | | | | |
| Programs | 9,028,493 | -- | 9,028,493 | 471,328 |
| Management & General | 392,218 | -- | 392,218 | 92,143 |
| Fundraising | <u>355,895</u> | <u>--</u> | <u>355,895</u> | <u>90,814</u> |
| Total Expenses | 9,776,606 | -- | 9,776,606 | 654,285 |
| Change in Net Assets | 8,229,729 | 3,609,676 | 11,839,405 | (18,749) |
| Net Assets, Beginning of Year | 119,330 | -- | 119,330 | 138,079 |
| Net Assets, End of Year | <u>\$ 8,349,059</u> | <u>\$ 3,609,676</u> | <u>\$11,958,735</u> | <u>\$ 119,330</u> |

See accompanying notes.

Statement of Cash Flows
For the Year Ended December 31, 2017
(with summarized information for 2016)
World Central Kitchen, Inc.

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------------|-------------------------|
| Cash Flows From Operating Activities: | | |
| Change in Net Assets | \$ 11,839,405 | \$ (18,749) |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities: | | |
| Depreciation Expense | 17,071 | -- |
| Change in Donations Receivable | (498,064) | 25,965 |
| Change in Security Deposit | (292) | (432) |
| Change in Accounts Payable | <u>222,794</u> | <u>--</u> |
| Net Cash Provided by (Used In) Operating Activities | 11,580,914 | 6,784 |
| Investing Activities: | | |
| Purchase of improvements and equipment | <u>(392,832)</u> | <u>--</u> |
| Net Cash Provided By (Used In) Investing Activities | (392,832) | -- |
| Net Increase (Decrease) in Cash | 11,188,082 | 6,784 |
| Cash, Beginning of Year | <u>92,363</u> | <u>85,579</u> |
| Cash, End of Year | <u>\$ 11,280,445</u> | <u>\$ 92,363</u> |

Reconciliation to Cash on the Statement of Financial Position:

| | | |
|-----------------------------|-----------------------------|-------------------------|
| Cash – Non Interest Bearing | \$ 11,278,463 | \$ 27,060 |
| Cash – Interest Bearing | <u>1,982</u> | <u>65,303</u> |
| Total Cash | <u>\$ 11,280,445</u> | <u>\$ 92,363</u> |

See accompanying notes.

Statement of Functional Expenses
For the Year Ended December 31, 2017
(with summarized information for 2016)
World Central Kitchen, Inc.

| | 2017 | | | | | | | 2016 |
|---|---------------------|-------------------|--------------------------------|-------------------------|-------------------|-------------------|--------------------|-------------------|
| | Program Services | | | Supporting Activities | | | | Total |
| | Emergency Relief | | Empowerment/ Sustainability | Management & General | Fundraising | Donor Benefits | Total | |
| Puerto Rico | Other | | | | | | | |
| Depreciation Expense | \$ -- | \$ -- | \$ 17,071 | \$ -- | \$ -- | \$ -- | \$ 17,071 | \$ -- |
| Facilities, Food and Entertainment | -- | -- | -- | -- | -- | 149,726 | 149,726 | 143,080 |
| Food and Supplies | 2,455,825 | 52,952 | 39,395 | -- | -- | -- | 2,548,172 | 27,782 |
| Food - In-Kind | 242,746 | 291,870 | -- | -- | -- | -- | 534,616 | -- |
| Foreign Contract Labor | 202,567 | 6,956 | 140,231 | -- | -- | -- | 349,754 | -- |
| Grants | 187,100 | -- | 40,000 | -- | -- | -- | 227,100 | 137,655 |
| Insurance | -- | -- | -- | 1,000 | -- | -- | 1,000 | 1,737 |
| Licenses and Fees | -- | 75 | -- | 355 | 158,974 | -- | 159,404 | 3,261 |
| Marketing/Advertising – Event | -- | -- | -- | -- | 10,686 | -- | 10,686 | 24,076 |
| Marketing/Advertising - General | -- | -- | -- | -- | 95,854 | -- | 95,854 | 13,477 |
| Occupancy | 4,735 | 4,734 | 5,523 | 4,735 | 4,735 | -- | 24,462 | 32,600 |
| Office Expense | 177 | -- | 199 | 7,484 | 7,484 | -- | 15,344 | 1,577 |
| Other | 400 | -- | 12,688 | -- | -- | -- | 13,088 | -- |
| Postage and Printing | 1,845 | -- | -- | 2,421 | 2,421 | -- | 6,687 | 5,770 |
| Professional Fees | 521 | -- | 21,874 | 283,705 | 25,300 | -- | 331,400 | 123,188 |
| Subcontractors - Food Preparation and Delivery | 4,896,105 | 70,650 | -- | -- | -- | -- | 4,966,755 | -- |
| Travel | 113,993 | 10,725 | 60,969 | 1,967 | -- | -- | 187,654 | 49,956 |
| U.S. Salaries and Benefits | 36,642 | 21,985 | 87,940 | 90,551 | 50,441 | -- | 287,559 | 233,206 |
| Total Expenses | 8,142,656 | 459,947 | 425,890 | 392,218 | 355,895 | 149,726 | 9,926,332 | 797,365 |
| Donor Benefits shown net of Event Revenues | -- | -- | -- | -- | -- | (149,726) | (149,726) | (143,080) |
| Expenses Reported on the Statement of Activities | \$ 8,142,656 | \$ 459,947 | \$ 425,890 | \$ 392,218 | \$ 355,895 | \$ -- | \$9,776,606 | \$ 654,285 |

See accompanying notes.

Notes to the Financial Statements
December 31, 2017
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: *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. The Organization is operated exclusively for charitable, scientific and educational purposes. The Organization holds no uncertain tax positions and, therefore, has no policy for evaluating them.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization is considered a voluntary health and welfare organization and a statement of functional expenses is presented.

Cash

Cash consists of deposits in a checking account, a savings account, and an account with PayPal.

Receivables

The Organization recorded pledges from multiple donors at December 31, 2017. The amount was fully collected in 2018.

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. Leasehold improvements and equipment are depreciated using the straight-line method over estimated useful lives of 12 years and vehicles are depreciated using the straight-line method over estimated useful lives of 5 years.

Net Assets

Net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

Permanently Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which do not expire by passage of time or cannot be fulfilled by actions of the Organization. The Organization does not have any permanently restricted net assets.

Temporarily Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time or are fulfilled by actions of the Organization.

Unrestricted - Those net assets that are neither permanently nor temporarily restricted.

Notes to the Financial Statements

December 31, 2017

World Central Kitchen, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Revenue Recognition

Federal Contracts. The Federal Emergency Management Agency of the United States of America contracted with the Organization to provide meals in Puerto Rico in the aftermath of hurricane Maria. Revenues were recognized based on number of meals served.

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

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. 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:

- Emergency Relief:
 - **Puerto Rico** – Providing meals in the aftermath of Hurricane Maria
 - **Other** – Providing meals in Texas and California after natural disasters.
- Sustainability/Empowerment:
 - **Health** – Clean kitchens, conversion of charcoal stoves to LPG, water, food safety and sanitation.
 - **Education** – Clean kitchens, healthy meals, more children in school.
 - **Jobs** – Skills training, job creation.

Specific programs are listed on the Organization’s website: <https://www.worldcentralkitchen.org>.

Fundraising – Fundraising expenses include an allocation of contract labor and overhead costs, as well as other direct expenses.

Management and General – Management and general expenses include all activities required to conduct the affairs of the Organization which are not allocable to other functional areas.

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.

NOTE 2 – CASH

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 \$10,992,000 and \$0 in excess of insured limits at December 31, 2017 and 2016, respectively.

Notes to the Financial Statements
December 31, 2017
World Central Kitchen, Inc.

NOTE 3 – RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

| | <u>2017</u> | <u>2016</u> |
|-------------------|----------------------------|---------------------|
| Puerto Rico | \$ 3,555,955 | \$ -- |
| Kitchens in Haiti | 53,721 | -- |
| Totals | <u>\$ 3,609,676</u> | <u>\$ --</u> |

NOTE 4 – PROPERTY IN HAITI - NET

The Organization operates a school in Haiti. Property in Haiti - Net consists of the following:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|--------------------------|---------------------|
| Leasehold Improvements | \$ 239,735 | \$ -- |
| Kitchen Equipment | 141,045 | -- |
| Vehicle | 12,052 | -- |
| Accumulated Depreciation | (17,071) | -- |
| Property in Haiti - Net | <u>\$ 375,761</u> | <u>\$ --</u> |

NOTE 5 – FUNDRAISING EVENTS

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

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|--------------------------|--------------------------|
| Fair Value of Tickets Sold | \$ 284,260 | \$ 114,160 |
| Sponsorships and Contributions | 257,596 | 205,706 |
| Total Event Revenues | <u>541,856</u> | <u>319,866</u> |
| Direct Donor Benefits | (149,726) | (143,080) |
| Event Proceeds - Net | 392,130 | 176,786 |
| Fundraising Costs | (27,638) | (41,227) |
| Net Revenue from Events | <u>\$ 364,492</u> | <u>\$ 135,559</u> |

NOTE 6 - GRANTS

The Organization partners with some of the top international nonprofit organizations that are making a difference in the fight against hunger.

- During 2016, the Organization made grants to Media Mind Marketing for a Fisherman First Project, which provides new boats, modern equipment, and a new facility which supports local fishing industry.
- During 2017 and 2016, the Organization made grants to CESAL, a Spanish non-governmental organization dedicated to international cooperation and now present in 15 countries in Latin America and Africa with projects in education, health, housing, water and sanitation, production development, micro enterprise and job training. The Organization and CESAL partnered to refurbish 10 school kitchens in Haiti.
- During 2016, the organization made grants to convert kitchens, improve water supply, create sustainable food supply through community gardens and chicken farms.
- During 2017, the organization made grants to several small businesses in Puerto Rico who assisted with hurricane relief.

Notes to the Financial Statements
December 31, 2017
World Central Kitchen, Inc.

NOTE 7 – LEASES

The Organization leases office space in Washington DC. The current lease is month to month and requires a one month notification for termination. Total rental expense for December 31, 2017 and 2016 was \$23,700 and \$32,800 respectively. The lessor holds a security deposit in the amount of \$2,933.

The Organization also leases facilities for a school in Haiti. There is no cost to this lease for first seven years. The lease may be terminated by either party at any time.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization purchased approximately \$240,000 of services from a company owed by a board member.

NOTE 9 – 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, 2016, from which the summarized information was derived.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through May 21, 2018, which is the date the financial statements were available to be issued.