

# World Central Kitchen, Inc.

Financial Statements  
and  
Independent Auditors' Report

December 31, 2018

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# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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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, 2018, 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, 2018, 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 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.

*Kattell and Company, P.L.*

June 18, 2019

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

- Albert Einstein

**Statement of Financial Position**  
**December 31, 2018**  
(with summarized information for 2017)  
**World Central Kitchen, Inc.**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash – Non Interest Bearing	\$ 611,892	\$ 11,278,463
Cash – Interest Bearing	8,139,360	1,982
Donations Receivable	749,939	522,099
Investments	6,409,375	--
Security Deposit	50,250	3,224
Property in Haiti - Net	<u>341,619</u>	<u>375,761</u>
<b>Total Assets</b>	<b><u>\$ 16,302,435</u></b>	<b><u>\$ 12,181,529</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 220,329	\$ 189,794
Grants Payable	376,802	33,000
Accrued Payroll	12,562	--
Accrued Rent	<u>12,052</u>	<u>--</u>
<b>Total Liabilities:</b>	<b>621,745</b>	<b>222,794</b>
Net Assets:		
Without Donor Restrictions	13,006,377	8,349,059
With Donor Restrictions	<u>2,674,313</u>	<u>3,609,676</u>
Total Net Assets	<u>15,680,690</u>	<u>11,958,735</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 16,302,435</u></b>	<b><u>\$ 12,181,529</u></b>

*See accompanying notes.*

**Statement of Activities**  
**For the Year Ended December 31, 2018**  
**(with summarized information for 2017)**  
**World Central Kitchen, Inc.**

	<b>2018</b>			<b>2017</b>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues and Support:</b>				
Federal Contracts	\$ --	\$ --	\$ --	\$ 9,628,160
Contributions:				
Board	10,000	--	10,000	15,794
In-Kind	72,406	--	72,406	534,616
Other	8,370,954	686,842	9,057,796	11,045,248
Event: Dine-N-Dash				
Revenues	513,250	--	513,250	541,856
Direct Donor Benefits	(230,690)	--	(230,690)	(149,726)
Net	<u>282,560</u>	<u>--</u>	<u>282,560</u>	<u>392,130</u>
Net assets released from purpose restrictions	<u>1,622,205</u>	<u>(1,622,205)</u>	<u>--</u>	<u>--</u>
<b>Total Support and Revenues</b>	<b>10,358,125</b>	<b>(935,363)</b>	<b>9,422,762</b>	<b>21,615,948</b>
<b>Expenses</b>				
Programs:				
Emergency Relief Programs	3,834,097	--	3,834,097	8,602,603
Long-Term Programs	1,073,959	--	1,073,959	425,890
Management & General	399,698	--	399,698	392,218
Fundraising	<u>523,956</u>	<u>--</u>	<u>523,956</u>	<u>355,895</u>
<b>Total Expenses</b>	<b>5,831,710</b>	<b>--</b>	<b>5,831,710</b>	<b>9,776,606</b>
Change in Net Assets before Gains and Losses	4,526,415	(935,363)	3,591,052	11,839,342
Net Investment Return	<u>130,903</u>	<u>--</u>	<u>130,903</u>	<u>63</u>
<b>Change in Net Assets</b>	<b>4,657,318</b>	<b>(935,363)</b>	<b>3,721,955</b>	<b>11,839,405</b>
<b>Net Assets, Beginning of Year</b>	<b>8,349,059</b>	<b>3,609,676</b>	<b>11,958,735</b>	<b>119,330</b>
<b>Net Assets, End of Year</b>	<b>\$ 13,006,377</b>	<b>\$ 2,674,313</b>	<b>\$ 15,680,690</b>	<b>\$ 11,958,735</b>

*See accompanying notes.*

**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**  
(with summarized information for 2017)  
**World Central Kitchen, Inc.**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 3,721,955	\$ 11,839,405
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Net (Gain) on Investments	(12,730)	--
Depreciation Expense	34,142	17,071
Changes in Donations Receivable	(227,840)	(498,064)
Changes in Security Deposit	(47,026)	(292)
Changes in Liabilities	398,951	222,794
	<hr/>	<hr/>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>3,867,452</b>	<b>11,580,914</b>
Investing Activities:		
Purchase of improvements and equipment	--	(392,832)
Securities Purchased	(6,398,720)	--
Securities Sold	2,075	--
	<hr/>	<hr/>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(6,396,645)</b>	<b>(392,832)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(2,529,193)</b>	<b>11,188,082</b>
<b>Cash, Beginning of Year</b>	<b>11,280,445</b>	<b>92,363</b>
	<hr/>	<hr/>
<b>Cash, End of Year</b>	<b>\$ 8,751,252</b>	<b>\$ 11,280,445</b>
	<hr/>	<hr/>
<u>Reconciliation to Cash on the Statement of Financial Position:</u>		
Cash – Non Interest Bearing	\$ 611,892	\$ 11,278,463
Cash – Interest Bearing	8,139,360	1,982
	<hr/>	<hr/>
<b>Total Cash</b>	<b>\$ 8,751,252</b>	<b>\$ 11,280,445</b>
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*See accompanying notes.*

**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**  
**(with summarized information for 2017)**  
**World Central Kitchen, Inc.**

	2018						2017
	Program Services			Supporting Activities			Total
	Emergency Relief Programs	Long-Term Programs	Management & General	Fundraising	Direct Donor Benefits	Total	
Depreciation Expense	\$ --	\$ 34,142	\$ --	\$ --	\$ --	\$ 34,142	\$ 17,071
Facilities, Food and Entertainment	--	--	--	49,285	230,690	279,975	149,726
Food and Supplies	2,906,692	13,100	--	--	--	2,919,792	2,548,172
In-Kind Food and Supplies	26,056	23,659	--	22,691	--	72,406	534,616
Grants	--	661,847	--	--	--	661,847	227,100
Insurance	4,977	5,615	7,392	4,190	--	22,174	1,000
Licenses and Fees	--	300	36,350	80,691	--	117,341	159,404
Marketing/Advertising	51,396	10,764	--	51,838	--	113,998	106,540
Occupancy	23,955	27,028	35,579	20,171	--	106,733	24,462
Office Expense	7,235	596	27,310	22,655	--	57,796	15,344
Other	785	592	50	--	--	1,427	13,088
Postage and Printing	781	3,580	2,756	41,996	--	49,113	6,687
Professional Fees	14,626	32,618	162,043	104,318	--	313,605	331,400
Subcontractors	425,028	135,436	--	200	--	560,664	5,316,509
Travel	287,328	31,989	6,200	56,742	--	382,259	187,654
U.S. Salaries and Benefits	85,238	92,693	122,018	69,179	--	369,128	287,559
<b>Total Expenses</b>	<b>3,834,097</b>	<b>1,073,959</b>	<b>399,698</b>	<b>523,956</b>	<b>230,690</b>	<b>6,062,400</b>	<b>9,926,332</b>
Donor Benefits shown net of Event Revenues	--	--	--	--	(230,690)	(230,690)	(149,726)
<b>Expenses Reported on the Statement of Activities</b>	<b>\$ 3,834,097</b>	<b>\$ 1,073,959</b>	<b>\$ 399,698</b>	<b>\$ 523,956</b>	<b>\$ --</b>	<b>\$ 5,831,710</b>	<b>\$ 9,776,606</b>

*See accompanying notes.*

**Notes to the Financial Statements**  
**December 31, 2018**  
**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 Organization have been prepared on the accrual basis of accounting.

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 \$8,211,799 and \$10,992,000 in excess of insured limits at December 31, 2018 and 2017, 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

The Organization recorded pledges from multiple donors at December 31, 2018 and 2017. These amounts were fully collected in the following years.

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.

Grants Payable

The Organization has recorded grants payable for its unconditional promise to provide funding as discussed in Note 7. All grant commitments are expected to be disbursed in the subsequent year.

**Notes to the Financial Statements**  
**December 31, 2018**  
**World Central Kitchen, Inc.**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***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. 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:
  - **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.

***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.

Expenses that can be identified with a specific function are charged directly to that function, whereas costs common to multiple functions have been allocated. 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, 2018**  
**World Central Kitchen, Inc.**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**Change in Accounting Standards**

The Corporation implemented Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in the current year, applying the changes retrospectively. The new standards changed the following aspects of these financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted net assets have been renamed net assets with donor restrictions.
- The financial statements include a note about liquidity and availability of financial assets.
- This change had no effect on total net assets at December 31, 2017.

**NOTE 2 – LIQUITY AND AVAILABILITY**

The Corporation's financial assets available within one year of the date of the statement of financial position for general expenditure are as follows at December 31:

	<u>2018</u>	<u>2017</u>
<b>Financial Assets:</b>		
Cash	\$ 8,751,252	\$ 11,280,445
Donations Receivable	749,939	522,099
Investments	6,409,375	--
<b>Total Financial Assets</b>	<b>15,910,566</b>	<b>11,802,544</b>
Purpose restricted net assets (Note 4)	(2,674,313)	(3,609,676)
<b>Available Financial Assets</b>	<b>\$ 13,236,253</b>	<b>\$ 8,192,868</b>

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.

**NOTE 3 – INVESTMENTS**

The following provides a summary of amounts held:

	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
<b>At December 31, 2018</b>			
Fidelity	\$ 5,457	\$ --	\$ 5,457
Schwab	3,967,698	2,436,220	6,403,918
<b>Total</b>	<b>\$ 3,973,155</b>	<b>\$ 2,436,220</b>	<b>\$ 6,409,375</b>

Investments are held as follows:

	<u>2018</u>	<u>2017</u>
<b>Mutual Funds – Fixed Income:</b>		
Schwab	\$ 3,967,698	\$ --
<b>Mutual Funds – Equities:</b>		
Fidelity	5,457	--
<b>Total Investments</b>	<b>\$ 3,973,155</b>	<b>\$ --</b>

Net Investment Return consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 118,173	\$ 63
Net Gain/(Loss)	12,730	--
<b>Total Net Investment Return</b>	<b>\$ 130,903</b>	<b>\$ 63</b>

**Notes to the Financial Statements**  
**December 31, 2018**  
**World Central Kitchen, Inc.**

**NOTE 4 – NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
Puerto Rico - Disaster relief and grants	\$ 2,627,353	\$ 3,555,955
Haiti - Food for Thought Program	23,960	28,721
Haiti - Sink to Stove Program	23,000	25,000
<b>Totals</b>	<b><u>\$ 2,674,313</u></b>	<b><u>\$ 3,609,676</u></b>

**NOTE 5 – PROPERTY IN HAITI - NET**

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

	<u>2018</u>	<u>2017</u>
Leasehold Improvements	\$ 239,735	\$ 239,735
Kitchen Equipment	141,045	141,045
Vehicle	12,052	12,052
Accumulated Depreciation	<u>(51,213)</u>	<u>(17,071)</u>
<b>Property in Haiti - Net</b>	<b><u>\$ 341,619</u></b>	<b><u>\$ 375,761</u></b>

The Organization uses this property for a school in Haiti. There is no cost to the Organization for the use of this facility until 2025. This agreement may be terminated by either party at any time.

**NOTE 6 – FUNDRAISING EVENT**

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

	<u>2018</u>	<u>2017</u>
Fair Value of Tickets Sold	\$ 210,234	\$ 284,260
Sponsorships and Contributions	<u>303,016</u>	<u>257,596</u>
Total Event Revenues	513,250	541,856
Direct Donor Benefits	<u>(230,690)</u>	<u>(149,726)</u>
Event Proceeds - Net	282,560	392,130
Fundraising Costs	<u>(140,799)</u>	<u>(27,638)</u>
<b>Net Revenue from Events</b>	<b><u>\$ 141,761</u></b>	<b><u>\$ 364,492</u></b>

**NOTE 7 - GRANTS**

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

- During 2018 and 2017, the Organization made grants to CESAL, a Spanish non-governmental organization dedicated to international cooperation; 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 have partnered to refurbish 10 school kitchens in Haiti.
- During 2018 and 2017, the organization made grants to convert kitchens, improve water supply, and create sustainable food supply through community gardens and chicken farms.

In addition, during 2018 and 2017, the Organization made grants to food-related small businesses and small holder farms to help recover after suffering damages from natural disasters as well as increase their capacity for food growing, distribution, and sales over the long-term.

**NOTE 8 – 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 for 2018 was \$2,914.

**Notes to the Financial Statements**  
**December 31, 2018**  
**World Central Kitchen, Inc.**

**NOTE 9 – 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	<u>\$ 301,300</u>	<u>\$ 301,300</u>	<u>\$ --</u>

Total rental expense for the years ended December 31, 2018 and 2017 was \$78,966 and \$23,700, respectively. The lessor holds a security deposit in the amount of \$50,250 at December 31, 2018.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

In 2017, the Organization purchased approximately \$240,000 of services from a company owned by a board member.

**NOTE 11 – 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, 2017, from which the summarized information was derived.

**NOTE 12 – SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions for potential recognition or disclosure through June 18, 2019, which is the date the financial statements were available to be issued.