

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

World Central Kitchen, Inc. and Affiliates

December 31, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
World Central Kitchen, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of World Central Kitchen, Inc. and Affiliates (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Arlington, Virginia
April 10, 2024

World Central Kitchen, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 148,173,554	\$ 88,481,221
Government contracts receivable	710,400	3,471,387
Pledges receivable, net	32,224,447	9,214,194
Investments	13,954,218	12,379,856
Right-of-use assets - operating leases	4,377,905	-
Property and equipment, net	2,589,060	1,113,302
Prepaid expenses and other assets	2,481,359	740,947
Total assets	\$ 204,510,943	\$ 115,400,907
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 4,757,744	\$ 2,837,073
Accrued expenses and other liabilities	422,475	157,309
Lease liabilities - operating leases	4,602,713	-
Total liabilities	9,782,932	2,994,382
 Net assets		
Without donor restrictions	188,256,065	96,198,651
With donor restrictions	6,471,946	16,207,874
Total net assets	194,728,011	112,406,525
Total liabilities and net assets	\$ 204,510,943	\$ 115,400,907

The accompanying notes are an integral part of these consolidated financial statements.

World Central Kitchen, Inc. and Affiliate

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 285,899,049	\$ 260,612,328	\$ 546,511,377
Contributions of non-financial assets	743,591	1,053,311	1,796,902
Government contracts	179,542	-	179,542
Other income	10,280	2,519	12,799
Net asset released from restrictions	271,413,566	(271,413,566)	-
Total support and revenues	558,246,028	(9,745,408)	548,500,620
Expenses			
Programs:			
Emergency relief effort programs	440,887,495	-	440,887,495
Resilience programs	2,557,061	-	2,557,061
Management and general	10,753,740	-	10,753,740
Fundraising	10,757,652	-	10,757,652
Total expenses	464,955,948	-	464,955,948
Excess of support and revenues over expenses	93,290,080	(9,745,408)	83,544,672
Net investment (loss) gain	(1,232,666)	9,480	(1,223,186)
CHANGE IN NET ASSETS	92,057,414	(9,735,928)	82,321,486
Net assets, beginning of year	96,198,651	16,207,874	112,406,525
Net assets, end of year	\$ 188,256,065	\$ 6,471,946	\$ 194,728,011

The accompanying notes are an integral part of this consolidated financial statement.

World Central Kitchen, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 81,974,322	\$ 25,565,139	\$ 107,539,461
Contributions of non-financial assets	794,148	-	794,148
Government contracts	15,001,633	-	15,001,633
Interest income	3,632	-	3,632
Net asset released from restrictions	22,263,633	(22,263,633)	-
Total support and revenues	120,037,368	3,301,506	123,338,874
Expenses			
Programs:			
Emergency relief effort programs	68,833,256	-	68,833,256
Resilience programs	2,486,501	-	2,486,501
Management and general	5,782,140	-	5,782,140
Fundraising	2,438,052	-	2,438,052
Total expenses	79,539,949	-	79,539,949
Excess of support and revenues over expenses	40,497,419	3,301,506	43,798,925
Net investment gain	335,485	-	335,485
CHANGE IN NET ASSETS	40,832,904	3,301,506	44,134,410
Net assets, beginning of year	55,365,747	12,906,368	68,272,115
Net assets, end of year	\$ 96,198,651	\$ 16,207,874	\$ 112,406,525

The accompanying notes are an integral part of this consolidated financial statement.

World Central Kitchen, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	<u>Program Services</u>		<u>Supporting Activities</u>		<u>Total</u>
	<u>Emergency Relief Programs</u>	<u>Resilience Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Food and supplies	\$ 194,444,584	\$ 82,676	\$ 33,468	\$ 189	\$ 194,560,917
Salaries and benefits	4,095,651	1,039,106	3,193,503	1,614,070	9,942,330
Subcontractors	371,606	38,328	-	-	409,934
Travel	3,088,030	65,674	295,433	84,918	3,534,055
Facilities, food and entertainment	216,043,687	14,470	70,078	155,003	216,283,238
Grants	4,313,161	977,572	242,154	-	5,532,887
Professional fees	1,092,127	80,502	2,195,507	164,549	3,532,685
Licenses and fees	7,369,990	3,165	635,662	8,406,702	16,415,519
Marketing/advertising	164,815	5,733	1,590,602	972	1,762,122
Occupancy	2,140,812	4,895	708,204	436	2,854,347
Office expense	2,696,255	239,156	765,654	260,752	3,961,817
Postage and printing	3,642,514	4,279	48,018	70,061	3,764,872
Contributions of non-financial assets	1,054,067	-	742,835	-	1,796,902
Insurance	24,718	-	198,361	-	223,079
Depreciation expense	345,478	1,505	34,261	-	381,244
	<u>\$ 440,887,495</u>	<u>\$ 2,557,061</u>	<u>\$ 10,753,740</u>	<u>\$ 10,757,652</u>	<u>\$ 464,955,948</u>
Expenses reported on the statements of activities					

The accompanying notes are an integral part of this consolidated financial statement.

World Central Kitchen, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

	<u>Program Services</u>		<u>Supporting Activities</u>		<u>Total</u>
	<u>Emergency Relief Programs</u>	<u>Resilience Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Food and supplies	\$ 59,492,788	\$ 118,214	\$ 516,021	\$ 7,267	\$ 60,134,290
Salaries and benefits	2,189,407	906,168	2,682,490	796,636	6,574,701
Subcontractors	2,656,843	15,659	91,090	45,969	2,809,561
Travel	875,998	70,684	150,838	25,055	1,122,575
Facilities, food and entertainment	297,420	8,301	2,076	-	307,797
Grants	664,570	1,294,601	250,000	-	2,209,171
Professional fees	290,181	14,197	788,764	80,546	1,173,688
Licenses and fees	49,473	5,597	110,721	1,336,953	1,502,744
Marketing/advertising	-	10,333	118	361	10,812
Occupancy	76,069	4,657	359,221	1,532	441,479
Office expense	719,340	30,755	495,118	117,247	1,362,460
Postage and printing	584,938	1,500	91,888	25,470	703,796
Contributions of non-financial assets	794,147	-	-	-	794,147
Insurance	17,422	105	243,795	1,016	262,338
Depreciation expense	124,660	5,730	-	-	130,390
	<u>\$ 68,833,256</u>	<u>\$ 2,486,501</u>	<u>\$ 5,782,140</u>	<u>\$ 2,438,052</u>	<u>\$ 79,539,949</u>
Expenses reported on the statements of activities					

The accompanying notes are an integral part of this consolidated financial statement.

World Central Kitchen, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 82,321,486	\$ 44,134,410
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Realized and unrealized losses (gains) on investments, net	1,602,374	(335,485)
Depreciation expense	381,244	130,390
Changes in operating assets and liabilities:		
Government contracts receivable	2,760,987	4,202,692
Pledges receivable, net	(23,010,253)	(822,028)
Prepaid expenses	(1,740,412)	(486,449)
Right-of-use asset	(4,377,905)	-
Accounts payable	1,920,671	(607,844)
Accrued expenses and other liabilities	265,166	134,427
Grants payable	-	(760,925)
Lease liabilities	4,602,713	-
	64,726,071	45,589,188
Investing activities:		
Purchase of property and equipment	(2,203,527)	(485,462)
Purchase of investments	(35,384,753)	(11,373,789)
Proceeds from sale of property and equipment	346,525	-
Proceeds from sales of investments	32,208,017	6,704,229
	(5,033,738)	(5,155,022)
NET INCREASE IN CASH	59,692,333	40,434,166
Cash and cash equivalents, beginning of year	88,481,221	48,047,055
Cash and cash equivalents, end of year	\$ 148,173,554	\$ 88,481,221

The accompanying notes are an integral part of these consolidated financial statements.

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

World Central Kitchen, Inc. (the Organization, or WCK) is a nonprofit corporation organized in 2010 under the Maryland General Corporation Law. WCK is first to the frontlines, providing meals in response to humanitarian, climate, and community crises, and building resilient food systems with locally led solutions. It has served millions of fresh meals to people impacted by natural and humanitarian disasters around the world in countries like Gaza, Spain, Australia, Germany, Brazil, Venezuela, Guatemala, Haiti, and the United States. Additionally, WCK has trained hundreds of chefs and school cooks, advanced clean cooking practices, and awarded grants to farms, fisheries and small food businesses while also providing training and networking opportunities through its programs in the Caribbean and Central America.

During 2021 the Organization registered 2 new affiliates in Haiti and Spain representing this a strategic positioning in Europe and the Caribbean to leverage local resources and to improve disaster response timeliness and efficiency. In Spain, over 230,000 fresh meals were served for 6 months to the communities affected by a volcan eruption in La Palma.

No disaster response has occurred since Haiti entity registration, but WCK was present and active in multiple locations during the devastating 2021 Haiti earthquake serving fresh meals and nutritious food kits across the country.

By partnering with organizations on the ground and activating a network of food trucks or emergency kitchens, and with the help of thousands of local contractors and volunteers, WCK's chef relief team served more than 40 million of freshly prepared meals in 2022, an eightfold increase from the previous year.

Principles of Consolidation

The consolidated financial statements beginning with the year ended December 31, 2022, include the accounts of WCK and WCK Spain (collectively referred to as the Organization, or WCK). All significant intercompany transactions have been eliminated.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements, in accordance with U.S. GAAP, 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.

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. 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 \$112,235,255 in excess of insured limits at December 31, 2022.

Investments

Investments are reported at fair value. As of December 31, 2022 and 2021, the Organization invested only in debt and equity securities with readily determinable fair values. Fair value is determined by reference to

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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).

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. The Organizations investments are considered to be Level 1 instruments.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

- Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets.
- Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Pledges Receivable

Pledges 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 five to 30 years.

Leases

The Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* as of January 1, 2022. After the adoption of this standard, the Organization determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether the Organization controls the use of the identified asset throughout the period of use. The Organization classifies leases as either financing or operating. Right-of-use (ROU) assets are recognized at the lease commencement date and represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted based on the risk-free rate. Expenses related to leases determined to be operating leases are recognized on a straight-line basis, while

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

those determined to be finance leases are recognized following a front-loaded expense pattern in which interest and amortization are presented separately in the income statement.

The Organization assesses whether a lease is classified as an operating lease or a finance lease at lease commencement. The Organization's ROU assets are initially measured based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the long-lived asset guidance.

The Organization does not allocate consideration between lease and non-lease components, such as operating costs, as the Organization has elected to not separate lease and non-lease components for any leases within its existing classes of assets. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments for usage-based fees are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred.

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 Organization's unspent unconditional 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. Unconditional restricted contributions received and satisfied in the same year are recorded as net assets with donor restrictions. The Organization has no net assets restricted for perpetuity as of December 31, 2022 and 2021.

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.

Support and Revenue Recognition

The Organization evaluates whether a transfer of assets is: (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred; or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under Topic 606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both: (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised; and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Support is recognized when an unconditional contribution is received, or when conditions are satisfied.

As of December 31, 2022 and 2021, there were no unrecognized federal contracts revenue. The revenue related to these agreements is conditional based on the Organization incurring allowable expenditures under the terms of the agreements.

Contributed 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

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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.
- **Resilience 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 the Organization serves.

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.

Translation of Foreign Currencies

Foreign currency transactions and financial statements are translated into U.S. dollars at current exchange rates. Exchange gains and losses resulting from foreign currency transactions are included in the accompanying consolidated statements of activities.

Tax-Exempt Status

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal income tax under Internal Revenue Code (IRC) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This standard requires the recognition of a ROU asset and lease liability on the balance sheet for substantially all leases. The standard retained a dual model for lease classification, requiring leases to be classified as finance or operating lease to determine recognition in the statement of operations and cash flows. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases, Targeted Improvements*, which provided entities with a transition method option to not restate comparative periods presented, but to recognize a cumulative effect adjustment to beginning retained earnings in the period of adoption. The Organization elected the modified retrospective transition method and did not restate prior comparative periods. The standards also provide additional transition relief, of which the Organization has elected to (1) not reassess whether any expired or existing contracts are or contain leases, (2) retain the classification of leases (e.g., operating or finance lease) existing as of the date of adoption, (3) not reassess initial direct costs for any existing leases, and (4) not utilize hindsight when assessing lease term and ROU asset impairment. The standards require more detailed disclosures to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. The Organization adopted this standard as of January 1, 2022.

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Under the new ASU, not-for-profit entities are required to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was effective for the Organization for the year ended December 31, 2022, and was applied on a retrospective basis in the accompanying consolidated financial statements.

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:

	2022	2021
Financial assets:		
Cash	\$ 148,173,554	\$ 88,481,221
Government contracts receivable	710,400	3,471,387
Pledges receivable	32,224,447	9,214,194
Investments	13,954,218	12,379,856
Less assets not available:		
Purpose restricted net assets (Note 6)	(6,318,083)	(16,087,125)
Receivables due in more than one year	(153,863)	(120,749)
Available financial assets	\$ 188,590,673	\$ 97,338,784

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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 - PLEDGES RECEIVABLE, NET

Pledges receivable represents pledges that are expected to be received in the future. The net amount expected to be received is discounted at an estimated risk adjusted rate of 2% related to a single multi-year pledge. Pledges receivable is expected to be received as follows:

	2022	2021
Less than one year	\$ 32,070,584	\$ 9,093,445
One to five years	170,000	158,000
	32,240,584	9,251,445
Less: unamortized discount	(16,137)	(37,251)
Pledges receivable, net	\$ 32,224,447	\$ 9,214,194

NOTE 4 - INVESTMENTS

The following provides a summary of amounts held as of December 31:

	2022	2021
Mutual and exchange traded funds:		
Fixed income	\$ 7,264,940	\$ 4,980,146
Equities	6,387,504	6,198,067
	13,652,444	11,178,213
Cash	301,774	1,201,643
Total	\$ 13,954,218	\$ 12,379,856

Net investment return consists of the following:

	2022	2021
Interest and dividends	\$ 379,188	\$ 3,632
Realized and unrealized (losses) gains, net	(1,602,374)	335,485
Total net investment (loss) gain	\$ (1,223,186)	\$ 339,117

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property consists of the following:

	2022	2021
Leasehold improvements	\$ -	\$ 239,735
Kitchen equipment	264,433	302,432
Vehicles	2,325,729	379,828
Emergency relief equipment	201,628	201,628
Software	205,200	188,100
Other equipment	181,051	161,855
Accumulated depreciation	(588,981)	(360,276)
Property and equipment, net	\$ 2,589,060	\$ 1,113,302

Depreciation expense was \$381,244 and \$130,390 for the years ended December 31, 2022 and 2021, respectively.

NOTE 6 - NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consist of the following:

	2022	2021
Purpose restrictions:		
Public health (COVID)	\$ 4,729,055	\$ 5,887,240
Relief general pool	-	5,671,734
Climate disaster fund	-	2,459,416
WCK direct	461,195	1,933,143
Community response	1,127,833	135,592
Subtotal	6,318,083	16,087,125
Time restrictions:		
Pledges receivable	153,863	120,749
Total	\$ 6,471,946	\$ 16,207,874

Net assets released from restriction were \$271,413,566 and \$22,263,633 for the years ended December 31, 2022 and 2021, respectively. Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes specified by the donors or due to the passage of time.

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 7 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

The Organization's consolidated financial statements include the following contributions of non-financial assets:

	<u>2022</u>	<u>2021</u>
Donated goods	\$ 964,124	\$ 256,148
Professional services	<u>832,778</u>	<u>538,000</u>
Total	<u>\$ 1,796,902</u>	<u>\$ 794,148</u>

Donated goods are comprised of food, supplies and lodging that are used in emergency relief programs. Professional services are comprised of attorneys who advise the Organization on various legal matters. Donated goods and services are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Donated goods and services are valued based upon estimates or fair valued for similar products sold and current rates for similar services.

In-kind contributions are not monetized, and contributions of non-financial assets had donor restrictions which totaled \$1,053,311 and \$0, as of December 31, 2022 and 2021, respectively. These are recorded as contributions of non-financial assets and are included in program expenses in the statements of activities for the years ended December 31, 2022 and 2021, respectively

NOTE 8 - GRANT EXPENSE

The Organization partners with non-profit organizations and small businesses through its resilience programs to advance human and environmental health, offer access to professional culinary training, create jobs, and improve food security. In 2022 and 2021, the Organization made grants to smallholder farmers, fishers, and small food-related businesses in Puerto Rico, US Virgin Islands, The Bahamas, and Guatemala by providing funding, training, and networking opportunities as well as to support a culinary school in Haiti to prepare young, aspiring chefs for their first job in the commercial kitchens of local restaurants, hotels, caterers, and other institutions like schools or hospitals.

Grant expense for the years ended December 31, 2022 and 2021 was \$5,532,887 and \$2,209,170, respectively.

NOTE 9 - RETIREMENT PLAN

The Organization has 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 \$232,127 and \$177,374 for 2022 and 2021, respectively.

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 10 - OPERATING LEASES

Upon adoption, ASC 842 Leases had an impact in the Organization's consolidated statements of financial position and in its consolidated statement of activities and change in net assets. As part of the transition, the Organization elected the following practical expedients:

- Package of practical expedients which eliminates the need to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) the initial direct costs for any existing leases.
- The practical expedient whereby the lease and non-lease components will not be separated for all classes of assets.
- Not to recognize ROU assets and corresponding lease liabilities with a lease term of 12 months or less from the lease commencement date.

For existing leases, the Organization did not elect the use of hindsight and did not reassess lease term upon adoption.

The Organization adjusted the opening ROU asset balance based on its remaining deferred rent liabilities, rent abatement, and lease incentives. On January 1, 2022, the Organization recorded \$5,068,756 in operating lease ROU assets, and \$5,258,527 in operating lease liabilities. Operating lease assets exchanged for new lease liabilities totaled \$113,493. On December 31, 2022, the Organization recorded \$4,377,905 in operating lease ROU assets and \$4,602,713 in operating lease liabilities.

The Organization has operating leases for real estate and has entered into various operating lease agreements with property owners.

The components of lease cost for the years ended December 31, 2022, were as follows:

Operating lease cost	\$ 1,010,668
Short-term lease cost	96,920
Variable lease costs	<u>133,347</u>
 Total lease cost	 <u><u>\$ 1,240,935</u></u>

The lease term and discount rate for operating leases is as follows:

Weighted average remaining lease term	6.46 years
Weighted average discount rate	1.47%

Operating cash flow information related to leases during 2022 includes cash paid for leases in the amount of \$1,070,020.

World Central Kitchen, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Future undiscounted minimum future lease payments under non-cancelable leases as of December 31, 2022, are as follows:

<u>Years Ended December 31,</u>	
2023	\$ 1,024,609
2024	974,476
2025	462,542
2026	474,105
2027	485,958
2028 and thereafter	<u>1,429,368</u>
Total future lease payments	4,851,058
Less: imputed interest	<u>(248,345)</u>
Present value of lease liabilities	<u>\$ 4,602,713</u>

Total rent expense under FASC ASC 840 (pre-adoption of the ne lease standard) for operating expenses for the year ended December 31, 2021 totaled \$292,846. Remaining future minimum rental payments under operating leases are payable as follows as of December 31, 2021:

<u>Years Ending December 31:</u>	
2022	\$ 610,011
2023	531,328
2024	476,773
2025	469,217
2026	480,948
Thereafter	<u>1,460,436</u>
	<u>\$ 4,028,713</u>

NOTE 11 - RELATED PARTY TRANSACTIONS

The Organization receive contributions from board members and other related organizations in the normal course of business.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

All funds expended by the Organization in connection with government grants and contracts are subject to audit by government agencies. In the opinion of management, any cost disallowances resulting from these audits would not have a material impact on the Organization's financial statements.

NOTE 13 - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through April 10, 2024, the date the financial statements were available to be issued, and concluded that there were no additional subsequent event disclosures requiring adjustment or disclosure.