

DC Central Kitchen, Inc. and Affiliate

Consolidated Financial Statements
and
Independent Auditors' Report

December 31, 2005 and 2004

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Kattell and Company, P.L.L.C.

Serving the Nonprofit Community

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INDEPENDENT AUDITORS' REPORT

Board of Directors
DC Central Kitchen, Inc.
Washington, DC

We have audited the accompanying consolidated statement of financial position of DC Central Kitchen, Inc. and affiliate (the Organization) as of December 31, 2005, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The 2004 consolidated financial statements were audited by other auditors whose report dated April 15, 2005 expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DC Central Kitchen, Inc. and affiliate, as of December 31, 2005, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedule of Consolidated Summary of Functional Expenses – 2005 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Kattell and Company, PLLC

March 31, 2006
Gainesville, Florida

“Not everything that counts can be counted, and not everything that can be counted counts.”

- Albert Einstein

Consolidated Statements of Financial Position
December 31, 2005 and 2004
DC Central Kitchen, Inc. and Affiliate

Assets		
	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash	\$ 25,462	\$ 134,022
Inventory	7,707	7,248
Accounts Receivable	142,963	92,591
Contributions Receivable, Current Portion	242,750	453,016
Grants Receivable	16,891	12,027
Prepaid Expenses	<u>21,677</u>	<u>33,658</u>
Total Current Assets	457,450	732,562
Contributions Receivable, net of Current Portion	125,000	325,000
Fixed Assets:		
Kitchen Equipment	55,115	66,225
Office and Other Equipment	23,087	28,878
Vehicles	215,850	235,780
Less: Accumulated Depreciation	<u>(180,999)</u>	<u>(195,843)</u>
Net Fixed Assets	<u>113,053</u>	<u>135,040</u>
Total Assets	<u>\$ 695,503</u>	<u>\$ 1,192,602</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 141,167	\$ 78,716
Accrued Payroll and Leave	129,554	116,304
Deferred Revenue	--	20,878
Line of Credit	37,000	--
Capital Lease Obligations, Current Portion	<u>16,374</u>	<u>24,441</u>
Total Current Liabilities	324,095	240,339
Capital Lease Obligations, net of Current Portion	<u>39,570</u>	<u>55,730</u>
Total Liabilities	363,665	296,069
Net Assets:		
Unrestricted	6,838	171,914
Temporarily Restricted	<u>325,000</u>	<u>724,619</u>
Total Net Assets	<u>331,838</u>	<u>896,533</u>
Total Liabilities and Net Assets	<u>\$ 695,503</u>	<u>\$ 1,192,602</u>

See accompanying notes.

Consolidated Statement of Activities
For the Year Ended December 31, 2005
DC Central Kitchen, Inc. and Affiliate

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Contributions	\$ 1,195,173	\$ --	\$ 1,195,173
Federal Government Grants and Contracts	105,087	--	105,087
Other Contracts	808,340	--	808,340
United Way	148,604	--	148,604
Retail Food	502,324	--	502,324
Special Events	221,883	--	221,883
Other Income	15,669	--	15,669
Donated Goods and Services	3,003,956	--	3,003,956
Net Assets Released From Restrictions	<u>399,619</u>	<u>(399,619)</u>	<u>--</u>
Total Support and Other Revenue	6,400,655	(399,619)	6,001,036
<u>Expenses:</u>			
Program Services:			
Food Recycling/Meal Distribution	2,662,902	--	2,662,902
Culinary Job Training	808,962	--	808,962
First Helping	466,104	--	466,104
Fresh Start Catering	514,243	--	514,243
New Beginnings	600,301	--	600,301
National R&D	87,265	--	87,265
Campus Kitchens Project	<u>710,702</u>	<u>--</u>	<u>710,702</u>
Total Program Services	5,850,479	--	5,850,479
Support Services:			
Management and General	298,674	--	298,674
Direct Donor Benefits	73,317	--	73,317
Development	<u>343,261</u>	<u>--</u>	<u>343,261</u>
Total Support Services	<u>715,252</u>	<u>--</u>	<u>715,252</u>
Total Expenses	6,565,731	--	6,565,731
Change in Net Assets	(165,076)	(399,619)	(564,695)
Net Assets, January 1, 2005	<u>171,914</u>	<u>724,619</u>	<u>896,533</u>
Net Assets, December 31, 2005	<u>\$ 6,838</u>	<u>\$ 325,000</u>	<u>\$ 331,838</u>

See accompanying notes.

Consolidated Statement of Activities
For the Year Ended December 31, 2004
DC Central Kitchen, Inc. and Affiliate

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Contributions	\$ 609,014	\$ 1,033,904	\$ 1,642,918
Federal Government Grants and Contracts	97,692	--	97,692
Other Contracts	706,666	--	706,666
United Way	110,609	51,500	162,109
Retail Food	599,325	--	599,325
Special Events	168,615	--	168,615
Other Income	14,997	--	14,997
Donated Goods and Services	3,252,867	--	3,252,867
Net Assets Released From Restrictions	<u>824,880</u>	<u>(824,880)</u>	<u>--</u>
Total Support and Other Revenue	6,384,665	260,524	6,645,189
<u>Expenses:</u>			
Program Services:			
Food Recycling/Meal Distribution	2,694,577	--	2,694,577
Culinary Job Training	845,360	--	845,360
First Helping	445,371	--	445,371
Fresh Start Catering	573,133	--	573,133
New Beginnings	609,489	--	609,489
National R&D	142,232	--	142,232
Campus Kitchens Project	<u>772,664</u>	<u>--</u>	<u>772,664</u>
Total Program Services	6,082,826	--	6,082,826
Support Services:			
Management and General	150,328	--	150,328
Direct Donor Benefits	90,945	--	90,945
Development	<u>282,124</u>	<u>--</u>	<u>282,124</u>
Total Support Services	<u>523,397</u>	<u>--</u>	<u>523,397</u>
Total Expenses	6,606,223	--	6,606,223
Change in Net Assets	(221,558)	260,524	38,966
Net Assets, January 1, 2004	<u>393,472</u>	<u>464,095</u>	<u>857,567</u>
Net Assets, December 31, 2004	<u>\$ 171,914</u>	<u>\$ 724,619</u>	<u>\$ 896,533</u>

See accompanying notes.

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2005
DC Central Kitchen, Inc. and Affiliate**

	Program Services							Support Services				Total
	Food Recycling/Meal Distribution	Culinary Job Training	First Helping	Fresh Start Catering	New Beginnings	National R&D	Campus Kitchens Project	Total Programs	Management and General	Direct Donor Benefits	Development	
Personnel	\$ 562,148	\$ 197,489	\$ 243,466	\$ 269,569	\$ 224,822	\$ 74,357	\$ 277,994	\$ 1,849,845	\$ 197,842	\$ --	\$ 148,804	\$ 2,196,491
Kitchen Costs	65,653	20,438	3,435	73,265	41,078	31	3,077	206,977	--	--	--	206,977
Donated Kitchen Costs	3,833	--	--	--	--	--	--	3,833	--	--	--	3,833
Donated Equipment	500	--	1,000	--	--	--	--	1,500	--	--	--	1,500
Food and Beverage Purchased	92,736	42,812	5,629	110,547	257,795	117	14,130	523,766	222	--	--	523,988
Donated Food and Beverage	1,589,600	465,804	129,177	--	17,723	--	210,888	2,413,192	--	--	--	2,413,192
Vehicle Expense	68,838	--	9,184	8,810	12,441	39	71	99,383	69	--	--	99,452
Donated Vehicle Expense	1,347	--	--	--	--	--	--	1,347	--	--	--	1,347
Program Expense	208	49,317	6,086	--	225	--	16,101	71,937	--	--	--	71,937
Donated Program Expense	--	--	4,860	--	--	--	--	4,860	--	--	--	4,860
Events	--	950	--	754	--	--	343	2,047	125	18,317	96,319	116,808
Donated Event Expense	--	1,200	--	--	--	--	--	1,200	--	55,000	58,850	115,050
Professional Services	9,514	5,127	7,364	1,265	602	633	1,265	25,770	80,956	--	3,381	110,107
Donated Professional Services	14,423	2,621	6,005	3,749	4,377	664	36,164	68,003	2,766	--	1,559	72,328
Internships	--	--	--	--	--	--	15,360	15,360	--	--	--	15,360
Technology and Communications	238	--	2,437	40	--	388	2,951	6,054	12,700	--	1,184	19,938
Donated Tech. and Comm.	1,615	294	672	420	490	74	--	3,565	310	--	175	4,050
Depreciation	22,163	1,721	1,803	5,284	5,239	--	62	36,272	1,940	--	--	38,212
Building Maintenance	191	--	--	--	--	--	--	191	1,906	--	--	2,097
Donated Rent	168,000	12,000	24,780	21,600	21,600	2,400	102,322	352,702	11,595	--	6,795	371,092
Donated Storage Space	1,704	--	--	--	--	--	--	1,704	--	--	--	1,704
Insurance, other than Vehicle	400	--	--	2,695	--	2,121	3,547	8,763	18,774	--	--	27,537
Interest and Bank Fees	11,235	1	--	1,285	2,809	--	--	15,330	11,408	--	4,317	31,055
Office Expense	4,331	1,872	3,159	861	293	104	4,069	14,689	37,287	--	15,674	67,650
Travel and Local Business	1,084	101	3,188	693	--	4,622	14,340	24,028	952	--	726	25,706
Miscellaneous	9,207	45	465	1,882	86	108	3,613	15,406	6,429	--	1,625	23,460
Shared Expense Allocation	33,934	7,170	13,394	11,524	10,721	1,607	4,405	82,755	(86,607)	--	3,852	--
	<u>\$ 2,662,902</u>	<u>\$ 808,962</u>	<u>\$ 466,104</u>	<u>\$ 514,243</u>	<u>\$ 600,301</u>	<u>\$ 87,265</u>	<u>\$ 710,702</u>	<u>\$ 5,850,479</u>	<u>\$ 298,674</u>	<u>\$ 73,317</u>	<u>\$ 343,261</u>	<u>\$ 6,565,731</u>

See accompanying notes.

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2004
DC Central Kitchen, Inc. and Affiliate**

	Program Services							Support Services				Total
	Food Recycling/Meal Distribution	Culinary Job Training	First Helping	Fresh Start Catering	New Beginnings	National R&D	Campus Kitchens Project	Total Programs	Management and General	Direct Donor Benefits	Development	
Personnel	\$ 472,919	\$ 230,906	\$ 206,738	\$ 306,624	\$ 193,991	\$ 84,225	\$ 323,745	\$1,819,148	\$ 162,955	\$ --	\$ 165,957	\$ 2,148,060
Kitchen Costs	57,461	13,316	1,099	82,017	29,589	--	1,383	184,865	--	--	--	184,865
Donated Kitchen Costs	21,330	--	--	--	--	--	--	21,330	--	--	--	21,330
Food and Beverage Purchased	25,227	11,489	1,640	112,028	305,208	--	7,502	463,094	--	--	--	463,094
Donated Food and Beverage	1,725,167	505,529	135,530	--	15,597	--	217,425	2,599,248	--	--	--	2,599,248
Vehicle Expense	70,953	--	15,117	7,006	7,436	--	--	100,512	264	--	--	100,776
Program Expense	573	43,727	9,566	--	--	--	4,771	58,637	--	--	--	58,637
Donated Program Expense	--	--	4,801	--	--	--	--	4,801	--	--	--	4,801
Events	--	--	--	299	--	19,935	230	20,464	94	35,595	68,679	124,832
Donated Event Expense	--	1,800	--	--	--	--	--	1,800	--	55,350	6,200	63,350
Professional Services	7,858	3,940	2,646	505	1,010	1,005	1,515	18,479	34,518	--	10,893	63,890
Donated Professional Services	42,214	8,035	8,035	4,018	9,642	8,035	80,353	160,332	8,035	--	4,018	172,385
Internships	--	--	--	--	--	--	12,500	12,500	--	--	--	12,500
Technology and Communications	448	61	2,136	370	--	3,013	4,526	10,554	11,056	--	101	21,711
Donated Tech. and Comm.	13,248	--	13,943	4,706	--	--	--	31,897	--	--	2,963	34,860
Depreciation	24,883	1,237	555	5,890	6,722	1,452	1,045	41,784	4,038	--	--	45,822
Building Maintenance	250	--	--	--	--	--	--	250	696	--	59	1,005
Donated Rent	168,000	12,000	21,360	21,600	21,600	2,400	92,488	339,448	9,600	--	4,800	353,848
Insurance, other than Vehicle	400	--	--	2,309	--	--	1,048	3,757	21,796	--	--	25,553
Interest and Bank Fees	10,967	--	--	236	788	--	90	12,081	10,440	--	302	22,823
Office Expense	2,422	1,898	1,765	817	75	836	4,247	12,060	10,450	--	6,428	28,938
License, Permits, and Fees	--	--	--	--	--	--	2,075	2,075	500	--	--	2,575
Travel and Local Business	154	367	2,831	1,736	180	9,908	10,406	25,582	1,140	--	821	27,543
Miscellaneous	4,321	23	1,062	3,666	--	7,286	1,716	18,074	2,738	--	2,965	23,777
Shared Expense Allocation	45,782	11,032	16,547	19,306	17,651	4,137	5,599	120,054	(127,992)	--	7,938	--
	<u>\$ 2,694,577</u>	<u>\$ 845,360</u>	<u>\$ 445,371</u>	<u>\$ 573,133</u>	<u>\$ 609,489</u>	<u>\$ 142,232</u>	<u>\$ 772,664</u>	<u>\$6,082,826</u>	<u>\$ 150,328</u>	<u>\$ 90,945</u>	<u>\$ 282,124</u>	<u>\$ 6,606,223</u>

See accompanying notes.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2005 and 2004
DC Central Kitchen, Inc. and Affiliate

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (564,695)	\$ 38,966
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	38,212	45,822
Donated Fixed Assets	(15,000)	
Loss on Disposal of Equipment	7,333	1,379
Changes in Assets and Liabilities:		
Inventory	(459)	--
Accounts Receivable	(50,372)	6,354
Contributions Receivable	410,266	(259,617)
Grants Receivable	(4,864)	21,530
Prepaid Expenses	11,981	2,830
Accounts Payable	62,451	30,350
Accrued Payroll and Leave	13,250	11,817
Deferred Revenue	<u>(20,878)</u>	<u>20,878</u>
 Net Cash Used in Operating Activities	 (112,775)	 (79,691)
Cash Flows from Investing Activities:		
Purchases of Fixed Assets	(8,858)	(25,288)
Proceeds from the Sales of Fixed Assets	<u>300</u>	<u>--</u>
 Net Cash Used In Investing Activities	 (8,558)	 (25,288)
Cash Flows from Financing Activities:		
Principal Payments on Capital Lease Obligations	(24,227)	(25,034)
Draws on Line of Credit	1,402,400	--
Payments on Line of Credit	<u>(1,365,400)</u>	<u>--</u>
 Net Cash Provided by (Used in) Financing Activities	 <u>12,773</u>	 <u>(25,034)</u>
 Net Decrease in Cash	 (108,560)	 (130,013)
 Cash, Beginning of Year	 <u>134,022</u>	 <u>264,035</u>
 Cash, End of Year	 <u>\$ 25,462</u>	 <u>\$ 134,022</u>
 Supplemental Disclosures:		
 Interest Paid in Cash	 <u>\$ 22,924</u>	 <u>\$ 13,904</u>
 Capital Lease Obligations Incurred for use of Vehicles	 <u>\$ --</u>	 <u>\$ 67,198</u>

See accompanying notes.

Notes to Consolidated Financial Statements
December 31, 2005 and 2004
DC Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies

Entity

DC Central Kitchen, Inc. (DCK) was organized in the District of Columbia in 1988 as a not-for-profit organization for the purposes of fighting hunger and creating opportunity. DCK serves these goals through its distinct programs: Food Recycling and Meal Distribution, Culinary Job Training, Fresh Start Catering, New Beginnings, First Helping, The Campus Kitchens Project, Inc.sm, and National R&D.

DCK uses food as a tool to:

- **Strengthen Bodies**, by safely recovering unserved foods from area foodservice businesses to feed children and adults at partner agencies throughout the greater Washington area.
- **Empower Minds** by providing foodservice job training for unemployed men and women and community service opportunities for youth and adults.
- **Build Communities** by providing working examples, innovative solutions, and shared technology to a cooperative and effective national network of community kitchens.

In 2002, The Campus Kitchens Project, Inc. (CKP) was incorporated as an affiliated corporation under common control with DC Central Kitchen. In 2001 and 2002 respectively, St. Louis University Campus Kitchen, LLC and Dillard University Campus Kitchen, LLC were incorporated with the Campus Kitchens Project, Inc. as the single member. In 2003, the Campus Kitchen at Northwestern University, LLC, Campus Kitchen at Augsburg College, LLC, Campus Kitchen at Marquette, LLC, and Campus Kitchen at Loyola College, MD, LLC were similarly incorporated. The Campus Kitchen at Loyola College, MD, LLC was subsequently closed in August, 2004 by mutual agreement of all parties. In 2005, the Campus Kitchen at Gonzaga University, WA was organized as an LLC with Campus Kitchen Project, Inc. as the single member and the Campus Kitchen at Dillard University, LLC was closed due to the damage from Hurricane Katrina and has not yet reopened. Each LLC is designed to operate a Campus Kitchen at a single college or university.

Principles of Consolidation

These financial statements include the accounts of DCK and CKP (collectively “the Organization”). Inter-company accounts and transactions have been eliminated as part of the consolidation.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with standards applicable to voluntary health and welfare organizations.

Cash

Cash includes demand and time deposits in financial institutions. As of December 31, 2005, there are no deposits in excess of FDIC insurance limits.

Inventory

Inventory, consisting of disposable serving supplies and cooking ingredients, are stated at the lower of cost or market using the first-in, first-out (FIFO) method of determining cost.

Notes to Consolidated Financial Statements
December 31, 2005 and 2004
DC Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables include contributions, billings for Fresh Start Catering services, and other receivables. There are no identifiable concentrations of credit risk related to these amounts. The Organization records receivables at net realizable value using the allowance method. No allowance is provided since all receivables are deemed fully collectible.

Fixed Assets

Fixed Assets are recorded at cost or, for contributed assets, at estimated fair market value at the date of donation. The Organization only records fixed assets valued at \$1,000, however the Organization does not capitalize donations of used computer equipment. Fixed assets are depreciated using the straight-line method over estimated useful lives of three to seven years.

Accounting for Net Assets

The Organization's net assets, the excess of assets over liabilities, are reported in two mutually exclusive classes:

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 not temporarily restricted.

Revenue Recognition

Contributions – General. Contributions received, including unconditional promises to give, are recognized at their estimated fair values in the period received or pledged. Contributions received are reported either as unrestricted revenue or temporarily restricted revenue. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. However, contributions that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the contributions are recognized.

Contributions – Space. The Organization receives the rent-free use of kitchen facilities, office space, and dry storage. These in-kind contributions and the related rental expense of \$372,796 and \$353,848 for the years ended December 31, 2005 and 2004, respectively, are reflected in the accompanying consolidated financial statements based on management's estimate.

Contributions – Services. The Organization recognizes certain contributed services as revenue and expense if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization receives contributed services from a large number of volunteers that do not meet the criteria for recognition. The fair value of these services is not practical to estimate.

Contributions – Food. The Organization has received millions of pounds of food since its inception in 1989. Management used certain estimates and assumptions to determine the value of approximately 1.43 million and 1.58 million pounds of food for the years ended December 31, 2005 and 2004, respectively.

Government Grants. Government grants consist primarily of cost reimbursement contracts. Revenues are recognized when the Organization incurs allowable costs.

Notes to Consolidated Financial Statements
December 31, 2005 and 2004
DC Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies (concluded)

Retail Food. Retail food sales of Fresh Start Catering are recognized when the food is delivered. Any cash received from customers prior to delivery is reported as deferred revenue.

Expense Allocation

The Organization's expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited as detailed in the consolidated statements of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Income Taxes

The Organization consists of separate not-for-profit corporations, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). Therefore, these financial statements contain no provision for federal income taxes. DCKK has been designated as a "publicly supported" organization under Sections 509(a)(1) of the Code, and CPK has been designated as a "supporting organization" under Sections 509(a)(3) of the Code. Therefore, both entities are eligible to receive tax deductible contributions.

NOTE 2 – Functional Expenses

The costs of conducting the Organization's program services and other activities have been summarized on a functional basis.

Food Recycling and Meal Distribution. In 2005 and 2004, hotels, restaurants, and other foodservice businesses donated approximately 1.43 million and 1.58 million pounds, respectively, of food to DCKK. A team of chefs, trainees, and volunteers used this food to create meals that were donated and delivered to more than 100 social service agencies throughout the Washington metropolitan area. Agencies receiving meals include homeless shelters, community and youth centers, children's after-school programs, senior centers, and others. In addition, DCKK provided these agencies with supplemental food and snacks for children's after-school programs. During the summer school break, DCKK places a special focus on providing meals to agencies that serve children, thereby enabling them to receive balanced meals while the school lunch program is not available. Partner agencies can concentrate their resources on the valuable services they offer by serving meals provided by DCKK.

Healthy Returns is a new program of the Organization focused on feeding our young people healthier foods that will help develop life-long improved eating habits. The program's goal is to enable DC agencies to encourage our youth to eat better and lead healthier lives by consistently providing more substantial, kid friendly foods. Healthy Returns will distribute healthier, more substantial snacks to agencies serving low-income children and at-risk youth and well-balanced meals to agencies serving struggling families across the Washington Metropolitan Area. Not only will the children be provided healthier food, but they will also receive nutritional education. The invaluable information that they will be taught will allow the students the power to make smarter food and health choices.

Notes to Consolidated Financial Statements
December 31, 2005 and 2004
DC Central Kitchen, Inc. and Affiliate

NOTE 2 – Program Services (continued)

Culinary Job Training. DCCCK operates a successful twelve week Culinary Job Training program for unemployed men and women living in homeless shelters or receiving welfare benefits. The program offers comprehensive training in food preparation and sanitation in combination with job readiness and life skills training. The program is designed to train up to twenty five people in each twelve week cycle, providing four cycles per year.

DCCCK's training program received support from the Department of Housing and Urban Development (HUD). HUD funds are authorized under Title IV of the Stewart B. McKinney Homeless Assistance Act.

First Helping. First Helping is a street-level outreach project of DCCCK that serves men and women who are homeless and living on city streets or in the City's emergency shelters. First Helping provides breakfast each weekday throughout the year at three DC locations allowing DCCCK to develop contacts with clients and providing opportunities to refer clients to a continuum of care provided by the City's social services and other care providers.

DCCCK is one of three programs in the District providing citywide food services as part of Phase 21 of the Federal Emergency Management Agency's Emergency Food and Shelter National Board Program.

Fresh Start Catering. Fresh Start Catering is a full-service, professional catering company that employs graduates of DCCCK's job training program. With Fresh Start, graduates build on the skills they acquired in the Culinary Job Training program with opportunities to learn advanced culinary skills, presentation techniques, and formal service that will enable them to obtain jobs in the competitive hospitality industry. This program supports DCCCK's training program by creating an ongoing, repetitive cycle of training and employment.

New Beginnings/Contract Foods. In addition to providing donated meals and supplemental food products to social service agencies, DCCCK has entered into service contracts for clients seeking a more formal or specialized relationship. In 2005, these clients included the District of Columbia Family Shelter at DC Village, Families Forward Hypothermia Unit at DC General, Center for Mental Health, and Washington Jesuit Academy. New York Avenue Presbyterian Church, Sarah's Circle, and Tyler House, three agencies providing services to senior citizens, also received meals provided by New Beginnings in 2005. New Beginnings hires graduates of DCCCK's Culinary Job Training Program and provides specialized training in high-volume meal production.

National R&D. DCCCK believes that it is important to promote not just the activities of DCCCK, but the ideals that drive its mission. To carry out this effort DCCCK's president travels to universities, colleges, and speaks in communities around the country to discuss issues of homelessness, nonprofit management, responsible civic leadership and social entrepreneurship.

Kitchens In National Cooperationsm (Kitchens INC) is a nationwide collaboration of community-based kitchens like DCCCK. Using an interactive web forum, kitchens from the United States and around the world in various stages of development or operation can work together to improve their programs. Using tools such as interactive discussion boards, an online training manual, and live chats, Kitchens INC allows more than 60 organizations nationwide the opportunity to share information in a way that has no financial cost, is up-to-date, and is specifically geared toward this unique group of organizations that share a common goal. Kitchens INC also hosts an annual conference for community kitchen's staff and graduates to share ideas, best practices, and gather resources.

Notes to Consolidated Financial Statements
December 31, 2005 and 2004
DC Central Kitchen, Inc. and Affiliate

NOTE 2 – Program Services (concluded)

*Campus Kitchens Project, Inc.*sm The Campus Kitchens Project, Inc. is a nationwide program that has opened, staffed, and supported DCKK-style community kitchens in university or college settings. The pilot site of the Campus Kitchens Projectsm at Saint Louis University was opened in October 2001. The project is a collaborative venture between DCKK, the university dining contractor, and the university. Food is donated from campus dining facilities, re-prepared by student volunteers and then distributed, by students, to social service agencies and individuals located in the immediate community. In November 2002 a second site was opened at Dillard University in New Orleans. This site sustained substantial damage from Hurricane Katrina, and has not yet reopened. Today The Campus Kitchens Project is active at five locations, including Saint Louis University, Northwestern University outside of Chicago, Marquette University in Milwaukee, Augsburg College in Minneapolis, and Gonzaga University in Spokane.

Management and General. The costs include all expenses required to conduct the affairs of the Organization that are not attributable to other functional areas.

Direct Donor Benefits. The Organization holds one significant fundraising event each year – the Capital Food Fight. The direct benefits to donors include the costs of meals and facilities rented for the event.

Development. These are the costs of all fundraising activities including the costs of the Capital Food Fight event that are not classified as direct donor benefits.

NOTE 3 – Contributions Receivable

Contributions receivable represent unconditional promises to give and are stated at their net realizable value. Amounts expected to be collected in less than one year total \$242,750 and \$453,016 for the years ended December 31, 2005 and 2004, respectively. Amounts expected to be received in one to five years total \$125,000 and \$325,000 for the same periods.

NOTE 4 – Line of Credit

DCKK has a line of credit with Bank of America which provides for borrowing up to \$250,000 at their prime rate, which was 7.75% at December 31, 2005. The line of credit is secured by inventory, receivables and equipment and expires on July 20, 2006. As of December 31, 2005 and 2004, the line had an outstanding balance of \$37,000 and \$0, respectively.

Notes to Consolidated Financial Statements
December 31, 2005 and 2004
DC Central Kitchen, Inc. and Affiliate

NOTE 5 – Capital Lease Obligations

DCCK has three non-cancelable capital lease agreements for vehicles. Interest rates range from 15.5% to 20.8%. The capitalized amount of \$106,771 is included in vehicles with related accumulated depreciation of \$62,497 at December 31, 2005. The future minimum lease payments for the years ending December 31 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2006	\$ 26,093
2007	20,140
2008	20,140
2009	<u>11,012</u>
Less: amount representing interest	<u>(21,441)</u>
Capital Lease Obligations	<u><u>\$ 55,944</u></u>

NOTE 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the unreceived portion of unconditional promises to give from the following:

Sodexo Foundation – to be received in two payments of \$125,000; June, 2006 and June, 2007.	\$250,000
UPS Foundation – final payment of a three-part contribution to be received in April, 2006.	<u>75,000</u>
Totals	<u><u>\$325,000</u></u>

NOTE 7 – Prior Period Adjustments

The following adjustments were made in the financial statements for the year ended December 31, 2004. In both cases, expenses were reallocated between functional classifications. These changes had no effect on net assets or the change in net assets.

- A portion of Donated Food and Beverage expenses was reclassified from Food Recycling/Meal Distribution to Culinary Job Training.
- A portion of Events and Donated Event Expenses was reclassified from Development Expenses to Direct Donor Benefits.

Supplemental Information

**Schedule of Consolidated Summary of Functional Expenses
For the Year Ended December 31, 2005
DC Central Kitchen and Affiliate**

	Program Services			Consolidated Support Services			Total Consolidated
	DCKK Programs	Campus Kitchens Project	Total Consolidated Programs	Management and General	Direct Donor Benefits	Development	
Personnel	\$ 1,571,851	\$ 277,994	\$ 1,849,845	\$ 197,842	\$ --	\$ 148,804	\$ 2,196,690
Kitchen Costs	203,900	3,077	206,977	--	--	--	206,977
Donated Kitchen Costs	3,833	--	3,833	--	--	--	3,833
Donated Equipment	1,500	--	1,500	--	--	--	1,500
Food and Beverage Purchased	509,636	14,130	523,766	222	--	--	523,988
Donated Food and Beverage	2,202,304	210,888	2,413,192	--	--	--	2,413,192
Vehicle Expense	99,312	71	99,383	69	--	--	99,452
Donated Vehicle Expense	1,347	--	1,347	--	--	--	1,347
Program Expense	55,836	16,101	71,937	--	--	--	71,937
Donated Program Expense	4,860	--	4,860	--	--	--	4,860
Events	1,704	343	2,047	125	18,317	96,319	116,808
Donated Event Expense	1,200	--	1,200	--	55,000	58,850	115,050
Professional Services	24,505	1,265	25,770	80,956	--	3,381	110,107
Donated Professional Services	31,839	36,164	68,003	2,766	--	1,559	72,328
Internships	-	15,360	15,360	--	--	--	15,360
Technology and Communications	3,103	2,951	6,054	12,700	--	1,184	19,938
Donated Tech. and Communications	3,565	--	3,565	310	--	175	4,050
Depreciation	36,210	62	36,272	1,940	--	--	38,212
Building Maintenance	191	--	191	1,906	--	--	2,097
Donated Rent	250,380	102,322	352,702	11,595	--	6,795	371,092
Donated Storage Space	1,704	--	1,704	--	--	--	1,704
Insurance, other than Vehicle	5,216	3,547	8,763	18,774	--	--	27,537
Interest and Bank Fees	15,330	--	15,330	11,408	--	4,317	31,055
Office Expense	10,620	4,069	14,689	37,287	--	15,674	67,650
Travel and Local Business	9,688	14,340	24,028	952	--	726	25,706
Miscellaneous	11,793	3,613	15,406	6,429	--	1,625	23,460
Shared Expense Allocation	78,350	4,405	82,755	(86,607)	--	3,852	--
	<u>\$ 5,139,777</u>	<u>\$ 710,702</u>	<u>\$ 5,850,479</u>	<u>\$ 298,674</u>	<u>\$ 73,317</u>	<u>\$ 343,261</u>	<u>\$ 6,565,731</u>