

# DC Central Kitchen, Inc. and Affiliate

Consolidated Financial Statements  
and  
Independent Auditors' Reports

December 31, 2007 and 2006

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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  
D.C. Central Kitchen, Inc.  
Washington, DC

We have audited the accompanying consolidated statements of financial position of D.C. Central Kitchen, Inc. and affiliate (the Organization) as of December 31, 2007 and 2006, and the related consolidated statements of activities, cash flows, and functional expenses for the years 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 audits.

We conducted our audits 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 audits provide 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 D.C. Central Kitchen, Inc. and affiliate, as of December 31, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Kattell and Company, P.L.*

April 14, 2008  
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, 2007 and 2006**  
**D.C. Central Kitchen, Inc. and Affiliate**

Assets		
	<u>2007</u>	<u>2006</u>
<b>Current Assets:</b>		
Cash	\$ 200,507	\$ 130,831
Inventory	9,180	8,204
Accounts Receivable	247,806	182,871
Contributions Receivable	78,123	49,085
Grants Receivable	266,000	335,250
Prepaid Expenses	32,342	38,728
<b>Total Current Assets</b>	<b>833,958</b>	<b>744,969</b>
Grants Receivable, Non-Current Portion	135,000	100,000
Investments	1,932,519	927,130
<b>Fixed Assets:</b>		
Kitchen Equipment	83,235	71,125
Office and Other Equipment	88,642	19,319
Vehicles	222,253	173,898
Leasehold Improvements	168,517	22,418
Less: Accumulated Depreciation	(211,988)	(168,590)
<b>Net Fixed Assets</b>	<b>350,659</b>	<b>118,170</b>
<b>Total Assets</b>	<b>\$ 3,252,136</b>	<b>\$ 1,890,269</b>
Liabilities and Net Assets		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 191,738	\$ 84,024
Grants to Affiliates	70,741	62,268
Accrued Payroll and Leave	196,108	168,493
Deferred Revenue	7,500	10,673
Line of Credit	319,000	--
Capital Lease Obligations	16,791	13,026
Note Payable	19,277	--
<b>Total Current Liabilities</b>	<b>821,155</b>	<b>338,484</b>
<b>Long Term Liabilities:</b>		
Grants to Affiliates	31,958	42,962
Capital Lease Obligations	9,179	26,245
Note Payable	31,581	--
<b>Total Liabilities</b>	<b>893,873</b>	<b>407,691</b>
<b>Net Assets:</b>		
Designated	1,200,000	927,130
Undesignated	651,513	161,448
<b>Total Unrestricted</b>	<b>1,851,513</b>	<b>1,088,578</b>
Temporarily Restricted	506,750	394,000
<b>Total Net Assets</b>	<b>2,358,263</b>	<b>1,482,578</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,252,136</b>	<b>\$ 1,890,269</b>

See accompanying notes.

**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2007**  
**D.C. Central Kitchen, Inc. and Affiliate**

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Donated Goods and Services	\$ 2,004,097	\$ --	\$ 2,004,097
Contributions - General	2,385,289	387,750	2,773,039
Contributions - United Way	147,205	--	147,205
Federal Government Grants and Contracts	16,245	--	16,245
Local Government Contracts	1,764,794	--	1,764,794
Other Contracts	106,625	--	106,625
Contract Food Sales	--	--	--
Retail Food Sales	581,802	--	581,802
Special Events	287,077	--	287,077
Affiliate Fees	14,339	--	14,339
Other Income	48,250	--	48,250
Net Assets Released From Restrictions	<u>275,000</u>	<u>(275,000)</u>	<u>--</u>
<b>Total Support and Other Revenue</b>	<b>7,630,723</b>	<b>112,750</b>	<b>7,743,473</b>
<u>Expenses:</u>			
Program Services:			
Food Recycling/Meal Distribution	3,184,202	--	3,184,202
Culinary Job Training	368,955	--	368,955
First Helping	377,836	--	377,836
Fresh Start Catering	606,131	--	606,131
National R&D	193,381	--	193,381
Campus Kitchens Project	<u>819,032</u>	<u>--</u>	<u>819,032</u>
Total Program Services	5,549,537	--	5,549,537
Supporting Activities:			
Management and General	772,860	--	772,860
Direct Donor Benefits	71,235	--	71,235
Development	<u>474,156</u>	<u>--</u>	<u>474,156</u>
Total Support Services	<u>1,318,251</u>	<u>--</u>	<u>1,318,251</u>
<b>Total Expenses</b>	<b><u>6,867,788</u></b>	<b><u>--</u></b>	<b><u>6,867,788</u></b>
<b>Change in Net Assets</b>	<b>762,935</b>	<b>112,750</b>	<b>875,685</b>
<b>Net Assets, January 1, 2007</b>	<b><u>1,088,578</u></b>	<b><u>394,000</u></b>	<b><u>1,482,578</u></b>
<b>Net Assets, December 31, 2007</b>	<b><u>\$ 1,851,513</u></b>	<b><u>\$ 506,750</u></b>	<b><u>\$ 2,358,263</u></b>

See accompanying notes.

**Consolidated Statement of Activities  
For the Year Ended December 31, 2006  
D.C. Central Kitchen, Inc. and Affiliate**

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Donated Goods and Services	\$ 2,644,545	\$ --	\$ 2,644,545
Contributions – General	2,326,527	269,000	2,595,527
Contributions — United Way	215,659	--	215,659
Federal Government Grants and Contracts	344,284	--	344,284
Local Government Grants and Contracts	647,842	--	647,842
Other Contracts	220,976	--	220,976
Contract Food Sales	482,925	--	482,925
Retail Food	506,812	--	506,812
Special Events	286,987	--	286,987
Other Income	27,337	--	27,337
Net Assets Released From Restrictions	<u>200,000</u>	<u>(200,000)</u>	<u>--</u>
<b>Total Support and Other Revenue</b>	<b>7,903,894</b>	<b>69,000</b>	<b>7,972,894</b>
<u>Expenses:</u>			
Program Services:			
Food Recycling/Meal Distribution	2,998,674	--	2,998,674
Culinary Job Training	572,282	--	572,282
First Helping	630,974	--	630,974
Fresh Start Catering	778,329	--	778,329
National R&D	101,319	--	101,319
Campus Kitchens Project	<u>909,179</u>	<u>--</u>	<u>909,179</u>
Total Program Services	5,990,757	--	5,990,757
Supporting Activities:			
Management and General	415,282	--	415,282
Direct Donor Benefits	71,517	--	71,517
Development	<u>344,596</u>	<u>--</u>	<u>344,596</u>
Total Support Services	831,397	--	831,397
<b>Total Expenses</b>	<b>6,822,154</b>	<b>--</b>	<b>6,822,154</b>
<b>Change in Net Assets</b>	<b>1,081,740</b>	<b>69,000</b>	<b>1,150,740</b>
<b>Net Assets, January 1, 2006</b>	<b>6,838</b>	<b>325,000</b>	<b>331,838</b>
<b>Net Assets, December 31, 2006</b>	<b><u>\$ 1,088,578</u></b>	<b><u>\$ 394,000</u></b>	<b><u>\$ 1,482,578</u></b>

See accompanying notes.

**Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2007  
D.C. Central Kitchen, Inc. and Affiliate**

	Program Services						Supporting Activities				Total
	Food Recycling/Meal Distribution	Culinary Job Training	First Helping	Fresh Start Catering	National R&D	Campus Kitchens Project	Total Programs	Management And General	Direct Donor Benefits	Development	
Personnel	\$ 840,410	\$ 245,583	\$ 278,568	\$ 282,443	\$ 119,592	\$ 310,353	\$ 2,076,949	\$ 483,030	\$ --	\$ 249,353	\$ 2,809,332
Kitchen Costs	155,252	8,842	3,866	61,705	--	4,674	234,339	14,148	--	--	248,487
Food and Beverages - Purchased	715,119	8,008	8,523	162,640	--	7,848	902,138	14,148	--	331	916,617
Food and Beverages - Donated	1,032,678	--	--	--	--	257,836	1,290,514	--	--	--	1,290,514
Vehicle Expense	106,001	--	1,888	300	--	114	108,303	302	--	2,568	111,173
Program Expense	36	45,446	6,497	--	20,025	10,348	82,352	880	--	--	83,232
Events	--	--	--	--	--	1,181	1,181	--	30,277	41,812	73,270
Events - Donated	--	--	--	--	--	--	--	--	40,958	56,560	97,518
Grants to Campus Kitchens	--	--	--	--	--	62,780	62,780	--	--	--	62,780
Professional Services	--	1,309	3,731	1,250	13,308	2,140	21,738	104,838	--	20,147	146,723
Professional Services - Donated	--	--	--	--	--	--	--	70,506	--	--	70,506
Internships	--	--	--	--	--	19,030	19,030	--	--	--	19,030
Technology and Communications	218	465	5,664	239	573	7,925	15,084	36,264	--	10,235	61,583
Tech. and Comm. - Donated	--	--	--	--	--	--	--	116,991	--	3,369	120,360
Depreciation	40,359	--	--	--	--	--	40,359	24,136	--	--	64,495
Building Maintenance	--	--	--	--	--	--	--	3,421	--	--	3,421
Donated Facilities Space	--	--	15,300	--	--	97,916	113,216	269,910	--	7,405	390,531
Donated Storage Space	--	--	--	--	--	--	--	1,800	--	--	1,800
Insurance, other than Vehicle	400	--	--	--	--	178	578	26,055	--	--	26,633
Interest and Bank Fees	7,350	--	--	--	--	--	7,350	32,060	--	10	39,420
Office Expense	6,256	10,815	3,100	2,407	3,954	14,074	40,606	64,473	--	31,127	136,206
Travel and Local Business	3,192	451	5,052	545	10,969	18,246	38,455	9,525	--	1,466	49,446
Miscellaneous	811	804	1,012	18,539	267	4,389	25,822	17,632	--	1,257	44,711
Shared Expense Allocation	276,120	47,232	44,635	76,063	24,693	--	468,743	(517,259)	--	48,516	--
<b>Total</b>	<b>\$ 3,184,202</b>	<b>\$ 368,955</b>	<b>\$ 377,836</b>	<b>\$ 606,131</b>	<b>\$ 193,381</b>	<b>\$ 819,032</b>	<b>\$ 5,549,537</b>	<b>\$ 772,860</b>	<b>\$ 71,235</b>	<b>\$ 474,156</b>	<b>\$ 6,867,788</b>

See accompanying notes.

**Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2006  
D.C. Central Kitchen, Inc. and Affiliate**

	Program Services						Supporting Activities				Total
	Food Recycling/Meal Distribution	Culinary Job Training	First Helping	Fresh Start Catering	National R&D	Campus Kitchens Project	Total Programs	Management and General	Direct Donor Benefits	Development	
Personnel	\$ 745,770	\$ 218,987	\$ 322,294	\$ 337,456	\$ 75,163	\$ 298,703	\$ 1,998,373	\$ 295,807	\$ --	\$ 221,338	\$ 2,515,518
Kitchen Costs	103,641	15,910	4,762	108,842	--	4,043	237,198	--	--	--	237,198
Food and Beverages - Purchased	373,871	41,033	11,028	234,757	2,510	8,054	671,253	--	--	--	671,253
Food and Beverages - Donated	1,403,888	175,486	175,486	--	--	242,498	1,997,358	--	--	--	1,997,358
Vehicle Expense	77,802	25	6,584	15,989	--	192	100,592	84	--	--	100,676
Program Expense	--	60,727	12,313	287	--	152,431	225,758	--	--	--	225,758
Program Expense - Donated	--	--	4,469	--	--	--	4,469	--	--	--	4,469
Grants to Campus Kitchens	--	--	--	--	--	--	--	--	--	--	--
Events	--	2,831	--	--	--	433	3,264	--	26,346	32,711	62,321
Event Expense - Donated	--	--	--	--	--	--	--	--	45,173	22,390	67,563
Professional Services	--	3,301	4,631	--	--	8,494	16,426	82,937	--	--	99,363
Professional Services - Donated	2,343	--	--	--	--	31,269	33,612	31,269	--	--	64,881
Internships	--	--	--	--	--	22,010	22,010	--	--	--	22,010
Technology and Communications	63	104	6,500	1,649	56	2,533	10,905	16,447	--	3,118	30,470
Tech. and Comm. - Donated	97,529	--	--	--	--	--	97,529	1,500	--	--	99,029
Depreciation	22,160	1,510	1,788	3,263	--	--	28,721	7,270	--	--	35,991
Building Maintenance	675	--	--	--	--	--	675	1,592	--	--	2,267
Donated Facility Space	102,829	31,975	37,020	47,565	10,825	110,798	341,012	17,670	--	25,761	384,443
Donated Storage Space	--	--	--	--	--	--	--	1,704	--	--	1,704
Insurance, other than Vehicle	333	--	--	356	--	1,045	1,734	22,706	--	--	24,440
Interest and Bank Fees	10,429	--	--	2,745	--	--	13,174	27,932	--	51	41,157
Office Expense	1,668	4,523	17,120	883	385	9,097	33,676	19,270	--	22,646	75,592
Travel and Local Business	1,646	262	4,031	1,385	5,245	14,498	27,067	3,158	--	2,178	32,403
Miscellaneous	5,961	662	602	919	2,075	3,081	13,301	9,246	--	3,743	26,290
Shared Expense Allocation	48,066	14,946	22,345	22,233	5,060	--	112,650	(123,310)	--	10,660	--
<b>Totals</b>	<b>\$ 2,998,674</b>	<b>\$ 572,282</b>	<b>\$ 630,974</b>	<b>\$ 778,329</b>	<b>\$ 101,319</b>	<b>\$ 909,179</b>	<b>\$ 5,990,757</b>	<b>\$ 415,282</b>	<b>\$ 71,519</b>	<b>\$ 344,596</b>	<b>\$ 6,822,154</b>

See accompanying notes.

**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2007 and 2006**  
**D.C. Central Kitchen, Inc. and Affiliate**

	<u>2007</u>	<u>2006</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 875,685	\$ 1,150,740
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	64,494	35,991
Donated Fixed Assets	--	(25,098)
Donated Investments	(985,002)	(931,708)
Loss on Investments	88,923	4,578
Changes in:		
Inventory	(976)	(497)
Accounts Receivable	(64,935)	(23,017)
Contributions Receivable	28,981	(6,335)
Grants Receivable	(23,769)	(110,250)
Prepaid Expenses	6,386	(17,051)
Accounts Payable	107,714	(57,143)
Grants Payable	(2,531)	105,230
Accrued Payroll and Leave	27,615	38,939
Deferred Revenue	<u>(3,173)</u>	<u>10,673</u>
Net Cash Provided by Operating Activities	119,412	175,052
<b>Cash Flows from Investing Activities:</b>		
Purchases of Fixed Assets	(296,983)	(16,010)
Purchases of Investments – Dividend Reinvestments	<u>(109,310)</u>	<u>--</u>
Net Cash Used In Investing Activities	(406,293)	(16,010)
<b>Cash Flows from Financing Activities:</b>		
Principal Payments on Capital Lease Obligations	(13,301)	(16,673)
Proceeds of Note Payable	60,000	--
Payments on Note Payable	(9,142)	--
Draws on Line of Credit	1,405,000	1,392,000
Payments on Line of Credit	<u>(1,086,000)</u>	<u>(1,429,000)</u>
Net Cash Provided by (Used in) Financing Activities	<u>356,557</u>	<u>(53,673)</u>
<b>Net Increase in Cash</b>	<b>69,676</b>	<b>105,369</b>
<b>Cash, Beginning of Year</b>	<b><u>130,831</u></b>	<b><u>25,462</u></b>
<b>Cash, End of Year</b>	<b><u>\$ 200,507</u></b>	<b><u>\$ 130,831</u></b>
 <b>Supplemental Disclosures:</b>		
Interest Paid in Cash	<u>\$ 18,451</u>	<u>\$ 23,069</u>

See accompanying notes.

**Notes to Consolidated Financial Statements**  
**December 31, 2007 and 2006**  
**D.C. Central Kitchen, Inc. and Affiliate**

**NOTE 1 – Summary of Significant Accounting Policies**

Entity

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

DCCCK 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.

Related Entity - Principles of Consolidation

In 2002, The Campus Kitchens Project, Inc.<sup>sm</sup> (CKP) was incorporated as an affiliated corporation under common control with DCCCK. These financial statements include the accounts of DCCCK and CKP (collectively “the Organization”). Inter-company accounts and transactions have been eliminated as part of the consolidation.

CKP owns and operates four Campus Kitchens and has affiliate agreements with another eight. The contracts that define the CKP’s relationships with its “owned” and “affiliate” schools differ mainly in the burden of cost and assumption of liability. CKP provides 100% of the staffing, funding, and ongoing assistance to Campus Kitchens who fall under the “owned” model. These are the first of CKP’s Campus Kitchens, and therefore acted as “pilot” programs. CKP retains control over the owned Campus Kitchens, assumes liability, and provides indemnification to the host school for the work of the program. For Campus Kitchens operating under the “affiliate” model, the host school assumes the staffing responsibilities, ongoing costs, and liability for the Campus Kitchen program. Based on available funding and the school’s proposed budget, CKP provides a multi-year grant to the school to help defray these costs. CKP provides ongoing technical support, training, and licensing of its name and marks to all affiliate schools.

Each of the owned Campus Kitchens is organized as an LLC and operates a Campus Kitchen at a single college or university. Both owned and affiliated Campus Kitchens programs coordinate food donations, prepare and deliver meals to area community service agencies, teach basic food preparation and culinary skills to the unemployed, and provide service-learning opportunities for students. Since its inception in 2001, the Corporation has engaged more than 9,800 students who have provided more than 128,000 volunteer hours recycling food, working in the kitchen, and delivering more than 450,600 meals to local partner agencies.

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.

**Notes to Consolidated Financial Statements**  
**December 31, 2007 and 2006**  
**D.C. Central Kitchen, Inc. and Affiliate**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Cash

Cash includes demand and time deposits in financial institutions. These amounts exceed Federal Deposit Insurance Corporation (FDIC) limits by approximately \$39,000 and \$22,000 for the years ended December 31, 2007 and 2006, respectively.

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.

Receivables

Accounts Receivable includes amounts due under contracts for services, billings for Fresh Start Catering services, and other receivables. Contributions Receivable consists of individual donations received shortly after year end. Grants receivable are large corporate or foundation donations. Four corporate and foundation donors account for 87% of total receivables at December 31, 2007 and one government contract and three corporate and foundation donors accounted for 80% in 2006. The Organization records receivables at net realizable value using the allowance method. No allowance is provided since all receivables are deemed fully collectible.

Investments

DCCK holds its investments in a mutual fund. According to the fund prospectus, 90% or more of the assets of the fund are invested in common stocks with the balance held in U.S. Treasury securities or other cash equivalents. Investments are reported at fair value.

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.

**Notes to Consolidated Financial Statements**  
**December 31, 2007 and 2006**  
**D.C. Central Kitchen, Inc. and Affiliate**

**NOTE 1 – Summary of Significant Accounting Policies (concluded)**

**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 \$392,331 and \$386,147 for the years ended December 31, 2007 and 2006, 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 1.10 and 1.25 million pounds of food for the years ended December 31, 2007 and 2006, respectively.

**Government Grants.** Government grants consist of cost reimbursement contracts and fee for service contracts. Revenues are recognized when the Organization incurs allowable costs or provides the contracted services.

**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. They have been designated as “publicly supported” organizations under Section 509(a)(1) of the Code. As such, both entities are eligible to receive tax deductible contributions.

Prior Year Information

Certain prior year information may be presented differently in order to conform with the current year presentation.

**Notes to Consolidated Financial Statements**  
**December 31, 2007 and 2006**  
**D.C. Central Kitchen, Inc. and Affiliate**

**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 2007 and 2006, hotels, restaurants, and other foodservice businesses donated approximately three million pounds of food that otherwise would have gone to waste to DCCK. In conjunction with our almost 7000 annual volunteers and culinary job training students, the staff used this food to create meals for 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, addiction recovery programs and halfway and transitional homes.

Healthy Returns is a program of DC Central Kitchen focused on feeding the young people healthier foods that will help develop life-long improved eating habits. The program’s goal is to enable DC agencies to encourage the youth to eat better and lead healthier lives by consistently providing more substantial, more nutritious foods that remain “kid friendly.” Healthy Returns distributes these snacks and meals to agencies serving low-income children and at-risk youth as well as 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.

***Culinary Job Training.*** DCCK operates an intense, nationally recognized thirteen-week Culinary Job Training program for unemployed and/or formerly incarcerated 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. Over the course of the year, DCCK operated 4 such programs and graduates approximately 60 students per year.

***First Helping.*** First Helping is a street-level outreach project of DCCK that serves men and women who are homeless and living on city streets or in the city’s emergency shelters. First Helping provides breakfasts each weekday throughout the year at four DC locations. The outreach team uses this food to get to know the clients and establish a bond of trust. Once this relationship has been established, the outreach team is better able to connect their clients with the services they need.

***Fresh Start Catering and Contract Foods.*** Fresh Start Catering is a full-service, professional catering and contract foods company that employs graduates of DCCK’s job training program and generates revenue for DCCK. With Fresh Start, graduates build on the skills they acquired in the Culinary Job Training program by focusing on advanced culinary skills, presentation techniques, and formal service that will enable them to obtain jobs in the competitive hospitality industry. This program supports DCCK’s training program as well as serving as a model for what we believe corporate philanthropy can be.

***Community Voicemail.*** Community Voicemail empowers men, women, and families in crisis or transition by issuing phone numbers with voicemail which enables them to pursue employment, housing, health care, and government benefits with the advantage of a non-stigmatized call-back phone number. The program serves homeless individuals and families, persons unemployed or underemployed, victims escaping domestic violence, ex-offenders reentering the community, and the elderly by providing blocks of phone numbers to the agencies which serve these clients directly. By providing something as simple as a safe, reliable, local telephone number, CVM builds the capacity of communities to help citizens regain self-sufficiency.

***National R&D.*** DCCK believes that it is important to promote not just the activities of DCCK, but the ideals that drive its mission. To carry out this effort in 2007 and 2006, DCCK’s president traveled to universities, colleges, and spoke in over 60 communities around the country to discuss issues of homelessness, poverty, nonprofit management, responsible civic leadership and social entrepreneurship.

**Notes to Consolidated Financial Statements**  
**December 31, 2007 and 2006**  
**D.C. Central Kitchen, Inc. and Affiliate**

**NOTE 2 – Functional Expenses (concluded)**

*Campus Kitchens Project, Inc.<sup>sm</sup>.* The Campus Kitchens Project, Inc. is a nationwide program that has opened, staffed, and supported DCCK-style community kitchens in university and high school settings. The pilot site of the Campus Kitchens Project<sup>sm</sup> at Saint Louis University was opened in October 2001. The project is a collaborative venture between DCCK, the university dining contractor, and the university. Food is donated from campus dining facilities, reprepared by student volunteers and then distributed, by students, to social service agencies and individuals located in the immediate community. Today, there are 12 Campus Kitchens Projects located around the country.

*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 – Grants Receivable**

Grants 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 \$266,000 and \$335,250 for the years ended December 31, 2007 and 2006, respectively. Amounts expected to be received in one to five years total \$135,000 and \$100,000 for the same periods.

**NOTE 4 – Line of Credit**

DCCK has a line of credit with Bank of America which provides for borrowing up to \$500,000 at their prime rate, which was 7.25% at December 31, 2007. The line of credit is secured by inventory, receivables and equipment and expires on July 20, 2008. As of December 31, 2007 and 2006, the line had an outstanding balance of \$319,000 and \$0, respectively.

**NOTE 5 – Capital Lease Obligations**

DCCK has two non-cancelable capital lease agreements for vehicles at interest rates of 20.8%. The capitalized amount of \$62,140 is included in vehicles with related accumulated depreciation of \$42,721 at December 31, 2007. The future minimum lease payments for the years ending December 31 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2008	\$ 19,989
2009	10,927
Total Lease Payments	<u>30,916</u>
Less amount representing interest	<u>(4,946)</u>
Capital Lease Obligations	<u>\$ 25,970</u>

**Notes to Consolidated Financial Statements**  
**December 31, 2007 and 2006**  
**D.C. Central Kitchen, Inc. and Affiliate**

**NOTE 6 – Note Payable**

DCCK borrowed \$60,000 from Bank of America to finance a portion of the renovations on the kitchen. The Note requires 36 monthly payments of \$1,854, consisting of principal and interest computed at 7.7%. The Note is secured by equipment, inventory and receivables. Future debt service follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 19,277	\$ 2,971	\$ 22,248
2009	20,681	1,567	22,248
2010	10,900	224	11,124
Totals	<u>\$ 50,858</u>	<u>\$ 4,762</u>	<u>\$ 55,620</u>

**NOTE 7 – Grants to Affiliates**

CKP provides initial funding to Campus Kitchens affiliates in accordance with affiliate agreements. These grants provide monthly funding for 36 months and are recorded as contributions made at the date the affiliation agreement is signed. The unpaid portion of these grants is reported as payables at the end of the year. The following table provides the schedule of funding.

Payments Due:	<u>2007</u>	<u>2006</u>
2007	\$ --	\$ 62,268
2008	70,741	33,690
2009	27,367	9,272
2010	4,591	--
Totals	<u>\$ 102,699</u>	<u>\$ 105,230</u>

**NOTE 8 – Designated Net Assets**

In 2006 and 2007, DCCK received an unrestricted contribution from a single donor. In 2006, DCCK elected to designate the total contribution as an operating reserve. In 2007, the amount designated is approximately three months of operating cash.

**NOTE 9 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

	<u>2007</u>	<u>2006</u>
Purpose Restrictions:		
Campus Kitchens Project, Inc	\$ 77,000	\$ 69,000
Entrepreneurial Programs	100,000	--
Time Restrictions:		
Amounts to be received	<u>329,750</u>	<u>325,000</u>
Totals	<u>\$ 506,750</u>	<u>\$ 394,000</u>