

DC Central Kitchen, Inc. and Affiliate

Consolidated Financial Statements
and
Independent Auditors' Report

December 31, 2010 and 2009

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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, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows 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, 2010 and 2009, 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.L.C.

April 20, 2011
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, 2010 and 2009
D.C. Central Kitchen, Inc. and Affiliate

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 236,154	\$ 533,484
Inventory	50,073	14,542
Receivables:		
Government Contracts	684,899	424,612
Contributions	55,705	93,348
Grants	25,000	147,000
Other Accounts, Net	210,494	160,081
Prepaid Expenses	35,000	3,472
Investments	1,692,684	1,512,733
Fixed Assets:		
Kitchen Equipment	127,262	58,790
Office and Other Equipment	105,460	91,535
Vehicles	465,811	348,727
Leasehold Improvements	168,517	168,517
Less: Accumulated Depreciation	(489,673)	(354,581)
Net Fixed Assets	<u>377,377</u>	<u>312,988</u>
Total Assets	\$ 3,367,386	\$ 3,202,260
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 395,184	\$ 155,674
Grants to Affiliates	91,260	50,750
Accrued Payroll and Leave	235,562	185,903
Advance – Seedlings Project	87,099	--
Line of Credit	450,000	100,000
Other Payables	17,003	2,404
Notes Payable	<u>119,979</u>	<u>97,176</u>
Total Liabilities	1,396,087	591,907
Net Assets:		
Unrestricted:		
Designated	1,200,000	1,200,000
Undesignated	596,299	899,865
Total Unrestricted	<u>1,796,299</u>	<u>2,099,865</u>
Temporarily Restricted	175,000	510,488
Total Net Assets	1,971,299	2,610,353
Total Liabilities and Net Assets	\$ 3,367,386	\$ 3,260,260

See accompanying notes.

Consolidated Statement of Activities
For the Year Ended December 31, 2010
D.C. Central Kitchen, Inc. and Affiliate

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Donated Goods and Services	\$ 1,843,730	\$ --	\$ 1,843,730
Contributions – General	2,412,644	25,000	2,437,644
Contributions – United Way	220,007	--	220,007
Federal Government Grants and Contracts	79,685	--	79,685
Local Government Contracts	2,396,503	--	2,396,503
Other Contracts	144,043	--	144,043
Contract Food Sales	607,382	--	607,382
Retail Food Sales	537,115	--	537,115
Special Event, Net	372,677	--	372,677
Affiliate Fees	6,000	--	6,000
Investment Income	13,180	--	13,180
Speaker Fees	34,150	--	34,150
Other Income	81,202	--	81,202
Net Assets Released From Restrictions	360,488	(360,488)	--
Total Support and Other Revenue	9,108,806	(335,488)	8,773,318
<u>Expenses:</u>			
Program Services:			
Food Recycling/Meal Distribution	3,588,842	--	3,588,842
Culinary Job Training	470,012	--	470,012
First Helping	343,269	--	343,269
Fresh Start Catering	2,325,066	--	2,325,066
National R&D	175,140	--	175,140
Campus Kitchens Project	1,430,750	--	1,430,750
Total Program Services	8,333,079	--	8,333,079
Supporting Activities:			
Management and General Development	718,833	--	718,833
	511,757	--	511,757
Total Support Services	1,230,590	--	1,230,590
Total Expenses	9,563,669	--	9,563,669
Excess of Support and Revenues Over Expenses	(454,863)	(335,488)	(790,351)
Investment Gains	151,297	--	151,297
Change in Net Assets	(303,566)	(335,488)	(639,054)
Net Assets, January 1, 2010	2,099,865	510,488	2,610,353
Net Assets, December 31, 2010	\$ 1,796,299	\$ 175,000	\$ 1,971,299

See accompanying notes.

Consolidated Statement of Activities
For the Year Ended December 31, 2009
D.C. Central Kitchen, Inc. and Affiliate

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Donated Goods and Services	\$ 2,010,065	\$ --	\$ 2,010,065
Contributions – General	2,154,840	420,000	2,574,840
Contributions – United Way	263,961	--	263,961
Federal Government Grants and Contracts	101,405	--	101,405
Local Government Contracts	1,887,664	--	1,887,664
Other Contracts	148,207	--	148,207
Contract Food Sales	474,407	--	474,407
Retail Food Sales	366,886	--	366,886
Special Event, Net	360,870	--	360,870
Affiliate Fees	7,698	--	7,698
Investment Income	11,481	--	11,481
Speaker Fees	92,450	--	92,450
Other Income	45,809	--	45,809
Net Assets Released From Restrictions	164,512	(164,512)	--
Total Support and Other Revenue	8,090,255	255,488	8,345,743
<u>Expenses:</u>			
Program Services:			
Food Recycling/Meal Distribution	3,560,683	--	3,560,683
Culinary Job Training	458,691	--	458,691
First Helping	347,625	--	347,625
Fresh Start Catering	859,632	--	859,632
National R&D	214,504	--	214,504
Campus Kitchens Project	1,096,657	--	1,096,657
Total Program Services	6,537,792	--	6,537,792
Supporting Activities:			
Management and General Development	679,654	--	679,654
	467,141	--	467,141
Total Support Services	1,146,795	--	1,146,795
Total Expenses	7,684,587	--	7,684,587
Excess of Support and Revenues Over Expenses	405,668	255,488	661,156
Investment Gains	291,078	--	291,078
Change in Net Assets	696,746	255,488	952,234
Net Assets, January 1, 2009	1,403,119	255,000	1,658,119
Net Assets, December 31, 2009	\$ 2,099,865	\$ 510,488	\$ 2,610,353

See accompanying notes.

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2010
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	Development		
Bad Debt Expense	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 14,698	\$ 14,698	\$ 38,781	\$ --	\$ 53,479	
Depreciation	64,548	--	--	--	--	--	64,548	70,544	--	135,092	
Event Expenses	--	--	--	--	--	--	--	--	40,276	40,276	
Event Expenses - Donated	--	--	--	--	--	--	--	--	25,084	25,084	
Facilities Space - Donated	117,576	25,200	21,000	38,856	4,200	151,775	358,607	33,168	11,500	403,275	
Food and Beverages - Donated	941,973	--	--	--	--	477,464	1,419,437	--	--	1,419,437	
Food and Beverages - Purchased	708,326	12,313	12,388	806,960	161	7,229	1,547,377	31	105	1,547,513	
Grants to Campus Kitchens	--	--	--	--	--	111,880	111,880	--	--	111,880	
Insurance, other than Vehicle	13,710	2,984	2,984	10,232	1,705	--	31,615	6,395	4,625	42,635	
Interest and Bank Fees	10	--	--	400	--	--	410	36,852	752	38,014	
Internships	--	--	--	--	--	22,647	22,647	--	--	22,647	
Kitchen Costs	196,763	2,656	3,095	285,749	130	6,569	494,962	1,724	--	496,686	
Licenses and Fees	--	--	--	--	--	12,022	12,022	--	--	12,022	
Miscellaneous	3,596	258	414	14,607	109	1,060	20,044	15,712	3,879	39,635	
Office Expense	6,122	7,400	1,617	10,378	446	8,695	34,658	46,427	22,024	103,109	
Personnel	1,300,797	284,608	270,376	1,053,586	146,226	509,182	3,564,775	467,364	361,217	4,393,356	
Professional Services	1,856	2,055	625	57,433	12,000	27,083	101,052	90,546	2,340	193,938	
Professional Services - Donated	--	--	--	--	--	3,245	3,245	12,864	--	16,109	
Program Expense	1,896	111,527	3,254	--	--	41,625	158,302	--	--	158,302	
Technology and Communications	8,443	579	6,158	14,623	3,536	3,168	36,507	21,646	32,243	90,396	
Travel and Local Business	1,865	821	3,030	2,418	3,700	32,408	44,242	20,904	7,712	72,858	
Vehicle Expense	139,432	2,051	3,695	2,748	--	--	147,926	--	--	147,926	
Shared Expense Allocation	81,929	17,560	14,633	27,076	2,927	--	144,125	(144,125)	--	--	
Totals	\$ 3,588,842	\$ 470,012	\$ 343,269	\$ 2,325,066	\$ 175,140	\$ 1,430,750	\$ 88,333,079	\$ 718,833	\$ 511,757	\$ 9,563,669	
Costs of Donor Benefits of Capital Food Fight	--	--	--	--	--	--	--	--	--	173,509	
Total Functional Expenses	--	--	--	--	--	--	--	--	--	<u>\$ 9,737,178</u>	

See accompanying notes.

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2009
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	Development	
Depreciation	\$ 53,970	--	--	\$ --	--	\$ --	\$ 53,970	\$ 73,347	--	\$ 127,317
Event Expenses	--	--	--	--	436	--	436	--	27,941	28,377
Event Expenses - Donated	--	--	--	--	--	--	--	--	23,354	23,354
Equipment - Donated	31,825	--	--	--	--	--	31,825	--	--	31,825
Facilities Space - Donated	89,933	17,605	17,605	27,665	7,545	112,062	272,415	81,920	22,635	376,970
Food and Beverages - Donated	1,189,074	--	--	--	--	395,398	1,584,472	--	--	1,584,472
Food and Beverages - Purchased	567,564	8,963	5,208	259,045	--	7,083	847,863	--	--	847,863
Grants to Campus Kitchens	--	--	--	--	--	78,575	78,575	--	--	78,575
Insurance, other than Vehicle	400	--	--	--	--	--	400	29,227	--	29,627
Interest and Bank Fees	5,112	--	--	1,182	--	--	6,294	27,393	2,202	35,889
Internships	--	--	--	--	--	25,301	25,301	--	--	25,301
Kitchen Costs	182,474	9,037	2,907	111,277	--	8,105	313,800	869	--	314,669
Miscellaneous	2,016	947	1,225	3,308	1,347	6,583	15,426	25,992	2,719	44,137
Office Expense	5,391	8,916	1,238	7,081	498	5,617	28,741	24,376	20,768	73,885
Personnel	1,211,570	272,010	277,861	425,114	135,769	360,766	2,683,090	446,056	324,603	3,453,749
Professional Services	5,438	13,700	4,320	2,213	49,648	--	75,319	73,864	525	149,708
Professional Services - Donated	--	--	--	--	--	26,178	26,178	16,799	--	42,977
Program Expense	10,471	111,988	10,050	--	--	33,463	165,972	--	--	165,972
Technology and Communications	9,541	50	5,837	793	5,871	6,267	28,359	18,829	22,390	69,578
Travel and Local Business	678	515	793	621	7,406	31,259	41,272	13,578	5,044	59,894
Vehicle Expense	117,432	--	2,628	388	--	--	120,448	--	--	120,448
Shared Expense Allocation	77,794	14,960	17,953	20,945	--	--	137,636	(152,596)	14,960	--
Totals	\$ 3,560,683	\$ 458,691	\$ 347,625	\$ 859,632	\$ 214,504	\$ 1,096,657	\$ 6,537,792	\$ 679,654	\$ 467,141	\$ 7,684,587
Costs of Donor Benefits of Capital Food Fight	--	--	--	--	--	--	--	--	--	--
Total Functional Expenses	--	--	--	--	--	--	--	--	--	135,886
										<u>\$ 7,820,473</u>

See accompanying notes.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009
D.C. Central Kitchen, Inc. and Affiliate

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (639,054)	\$ 952,234
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	135,092	127,317
Bad Debts Expense	53,479	--
Donated Investments	(15,474)	--
(Gain)/Loss on Investments	(151,297)	(291,078)
Changes in:		
Inventory	(35,531)	--
Receivables	(204,536)	(298,050)
Prepaid Expenses	(31,528)	10,037
Accounts Payable	239,510	544
Grants Payable	40,510	(10,945)
Accrued Payroll and Leave	49,659	23,143
Advances Payable	87,099	(51,789)
Other Payables	14,599	2,404
	<u>(457,472)</u>	<u>463,817</u>
Net Cash Provided by (Used in) Operating Activities	(457,472)	463,817
Cash Flows from Investing Activities:		
Purchases of Fixed Assets	(199,481)	(119,626)
Investment Income Reinvested	(13,180)	(11,481)
Investments Liquidated	--	3,998
	<u>(212,661)</u>	<u>(127,109)</u>
Net Cash Used In Investing Activities	(212,661)	(127,109)
Cash Flows from Financing Activities:		
Principal Payments on Capital Lease Obligations	--	(9,229)
Proceeds of Note Payable	66,383	113,328
Payments on Note Payable	(43,580)	(16,152)
Draws on Line of Credit	1,340,000	1,859,230
Payments on Line of Credit	(990,000)	(2,034,230)
	<u>372,803</u>	<u>(87,053)</u>
Net Cash Provided by (Used in) Financing Activities	372,803	(87,053)
Net Increase in Cash	(297,330)	249,655
Cash, Beginning of Year	<u>533,484</u>	<u>283,829</u>
Cash, End of Year	<u>\$ 236,154</u>	<u>\$ 533,484</u>
 Supplemental Disclosures:		
Interest Paid in Cash	<u>\$ 15,200</u>	<u>\$ 11,978</u>

See accompanying notes.

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

D.C. Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies

Entity

D.C. Central Kitchen, Inc. (DCKK) was organized in the District of Columbia in 1988 as a not-for-profit organization for the purposes of fighting hunger and creating opportunity. DCKK 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.

DCKK 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.sm (CKP) was incorporated as an affiliated corporation under common control with DCKK. These financial statements include the accounts of DCKK and CKP (collectively “the Organization”). Inter-company accounts and transactions have been eliminated as part of the consolidation.

CKP owns and operates five Campus Kitchens and has affiliate agreements with another twenty-four. 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.

Owned. CKP provides 100% of the staffing, funding, and ongoing assistance to Campus Kitchens who operate 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.

Affiliate. 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 a limited liability company 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 29,000 students who have provided more than 285,000 volunteer hours recycling food, working in the kitchen, and delivering more than 1,320,000 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.

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.

Notes to Consolidated Financial Statements
December 31, 2010 and 2009
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. Deposits did not exceed the Federal Deposit Insurance Corporation (FDIC) limits.

Inventory

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

Receivables

The Organization's receivables are uncollateralized, non-interest bearing, and, except as disclosed in Note 3, expected to be received in the next fiscal year. Receivables are reported at net realizable value using the allowance method. An allowance for doubtful accounts, if any, is estimated based on a review of individual customer balances. See Note 4 for details.

Government Contracts. The Organization has several contracts with local government agencies to provide food to area shelters. The amount reported as government contracts receivable represents the amounts due under these contracts.

Contributions. Contributions receivable consists of individual donations received shortly after year end when the donor checks are dated in the prior year.

Grants. Grants receivable consist of large corporate or foundation donations.

Other Accounts. Other accounts receivable includes amounts due primarily for Fresh Start Catering services.

Investments

The Organization 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. Their fair value is determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

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, 2010 and 2009
D.C. Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies (continued)

Revenue Recognition (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 \$403,275 and \$376,970 for the years ended December 31, 2010 and 2009, respectively, are reflected in the accompanying consolidated financial statements based on management’s estimate of the fair value.

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 uses certain estimates and assumptions to determine the value of approximately 589,000 and 754,000 pounds of food for the years ended December 31, 2010 and 2009, 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 statements of activities and the statements of functional expenses. Certain costs that benefit more than one function are reported in the Management and General column of the statements of functional expenses. These costs are then allocated on the Shared Expense Allocation line based on the proportionate number of employees working in the various functions benefited.

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). 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.

The Organization has not earned any unrelated business taxable income; therefore, these financial statements contain no provision for federal income taxes. The Organization holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Organization’s Form 990, *Return of Organization Exempt from Income Taxes*, is subject to examination by the IRS, generally for 4 years after the date filed.

As discussed in the “Entity” section above, each of the owned Campus Kitchens is a single-member LLC owned entirely by the CKP. Each of the owned Campus Kitchens is treated as a disregarded entity for income tax purposes and, as such, its financial activity is reported in conjunction with the federal tax filings of the CKP.

Prior Year Information

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

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 2010, DCKK recovered nearly 589,000 pounds of food that would otherwise have gone to waste. In conjunction with over 14,000 volunteers and culinary job training students, our staff used this food to create meals for more than 1.7 million meals for Washington DC’s homeless shelters, transitional homes and close to 100 other partner social service agencies throughout the Washington

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

D.C. Central Kitchen, Inc. and Affiliate

NOTE 2 – Functional Expenses (continued)

Food Recycling and Meal Distribution. (concluded)

metropolitan area. Agencies receiving meals include community and youth centers, children's after-school programs, senior centers, addiction recovery programs, English as a Second Language (ESL) and General Equivalency Diploma (GED) programs and halfway homes. Healthy Returns is a program of DC Central Kitchen 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, 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. DCCCK 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. For the year ended December 31, 2010, DCCCK operated five such programs and graduated 91 students.

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 breakfasts each weekday throughout the year at four DC locations. Our 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 DCCCK's job training program and generates revenue for DCCCK. 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 DCCCK's training program as well as serving as a model for what we believe corporate philanthropy can be.

In 2010, the Organization began providing services to 7 public schools in Washington, D.C. Revenues are generated in accordance with the terms of a contract that provides an agreed upon rate for the number of meals served. Also in 2010, the Organization obtained the food service contract for the University of D.C. Revenues are generated primarily from sales at the campus cafeteria.

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 in 2010, DCCCK'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 as well as the future of the nonprofit sector.

Campus Kitchens Project, Inc.sm CKP is a nationwide program that has opened, staffed, and supported DCCCK-style community kitchens in university and high school settings. The pilot site of the CKP at Saint Louis University was opened in October 2001. The project is a collaborative venture between DCCCK, 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. At year end there are 28 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.

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. See Note 9 for details of the costs of the Capital Food Fight.

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D.C. Central Kitchen, Inc. and Affiliate

NOTE 3 – Grants Receivable

Grants receivable represent unconditional promises to give and are stated at their net realizable value. Amounts are expected to be collected according to the following schedule:

Payments Due:	2010	2009
2010	\$ --	\$ 72,000
2011	25,000	75,000
Totals	<u>\$ 25,000</u>	<u>\$ 147,000</u>

NOTE 4 – Allowance for Doubtful Accounts

Other accounts receivable are reported net of an allowance for doubtful accounts of \$34,000 and \$0 at December 31, 2010 and 2009, respectively. All other receivables are considered fully collectable. The Organization wrote off an additional \$19,479 during 2010 for a total bad debts expense of \$53,479.

NOTE 5 – Line of Credit

DCCK has a line of credit with Bank of America which provides for borrowing up to \$750,000 at their prime rate, which was 5% at December 31, 2010. The line of credit is secured by inventory, receivables and equipment and expires on July 31, 2011. As of December 31, 2010 and 2009, the line had an outstanding balance of \$450,000 and \$100,000, respectively.

NOTE 6 – Note Payable

In 2009, DCCK borrowed \$113,328 to finance three new vehicles by executing two notes with Bank of America. The notes require 36 monthly payments of \$3,409, consisting of principal and interest computed at 3.00%. In 2010, DCCK borrowed \$66,382 from Bank of America to finance three additional vehicles. That note requires 36 monthly payments of \$1,975, consisting of principal and interest computed at 4.5%. All notes are secured by the vehicles that were purchased.

	Principal	Interest	Total
2011	\$ 60,115	\$ 4,493	\$ 64,608
2012	44,331	1,628	45,959
2013	15,533	264	15,797
Totals	<u>\$ 119,979</u>	<u>\$ 6,385</u>	<u>\$ 126,364</u>

NOTE 7 – Designated Net Assets

The Board has elected to designate a portion of its unrestricted net assets as a reserve for operating cash needs. The amount designated is approximately three months of cash expenses.

NOTE 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2010	2009
Purpose Restrictions:		
Campus Kitchens Project, Inc	\$ 150,000	\$ 363,488
Time Restrictions:		
Amounts to be received - See Note 3	<u>25,000</u>	<u>147,000</u>
Totals	<u>\$ 175,000</u>	<u>\$ 510,488</u>

Net assets are reclassified as unconditional promises are received and as expenses are incurred that satisfy program restrictions.

Notes to Consolidated Financial Statements
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NOTE 9 – Special Event

The Organization’s annual fundraiser, The Capital Food Fight, is held in the fall of each year. Net revenues consist of the following:

	2010	2009
Revenue:		
Sponsorships & Cash Contributions	\$ 350,666	\$ 269,628
In-kind Contributions	131,526	112,963
Ticket Sales	33,394	89,865
Auction Proceeds	30,600	24,300
Total Revenue	<u>546,186</u>	<u>496,756</u>
Direct Donor Benefits – deducted from Gross Revenues	<u>(173,509)</u>	<u>(135,886)</u>
Special Event, Net – Reported on the Statement of Activities	372,677	360,870
Related Development Expenses:		
Cash Expenses	(40,276)	(27,941)
Donated Expenses	<u>(25,084)</u>	<u>(23,354)</u>
Net Proceeds	<u>\$ 307,317</u>	<u>\$ 309,575</u>

NOTE 10 – 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:	2010	2009
2010	\$ --	\$ 41,620
2011	51,456	9,130
2012	22,050	--
2013	<u>17,754</u>	<u>--</u>
Totals	<u>\$ 91,260</u>	<u>\$ 50,750</u>

NOTE 11 – Defined Contribution Pension Plan

The Organization offers a defined contribution retirement plan to all employees. The plan operates under section 403(b) of the Internal Revenue Code. The Organization matches 50% of employee contributions up to 5% of the employee’s annual salary. Employees are eligible to participate in the plan after 6 full months of employment and are 100% vested when they begin contributing. Total costs of \$35,520 and \$37,118 are included in personnel expenses for 2010 and 2009, respectively.

NOTE 12 – Subsequent Events

CKP evaluated events and transactions for potential recognition or disclosure through April 20, 2011, which is the date the financial statements were available to be issued.