

DC Central Kitchen, Inc. and Affiliate

Consolidated Financial Statements
and
Independent Auditors' Reports

December 31, 2006 and 2005

CONTENTS

Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statement of Activities – 2006	3
Consolidated Statement of Activities – 2005	4
Consolidated Statement of Functional Expenses – 2006	5
Consolidated Statement of Functional Expenses – 2005	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-13

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

Serving the Nonprofit Community

4055 NW 43rd Street, Suite 28 Gainesville, Florida 32606 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

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, 2006 and 2005, 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, 2006 and 2005, 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.

March 26, 2007
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, 2006 and 2005
D.C. Central Kitchen, Inc. and Affiliate

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets:		
Cash	\$ 130,831	\$ 25,462
Inventory	8,204	7,707
Accounts Receivable	182,871	159,854
Contributions Receivable	49,085	42,750
Grants Receivable	335,250	200,000
Prepaid Expenses	38,728	21,677
Total Current Assets	744,969	457,450
Grants Receivable, Non-Current Portion	100,000	125,000
Investments	927,130	--
Fixed Assets:		
Kitchen Equipment	71,125	55,115
Office and Other Equipment	19,319	23,087
Vehicles	173,898	215,850
Leasehold Improvements	22,418	--
Less: Accumulated Depreciation	(168,590)	(180,999)
Net Fixed Assets	118,170	113,053
Total Assets	\$ 1,890,269	\$ 695,503
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 84,024	\$ 141,167
Grants to Affiliates	62,268	--
Accrued Payroll and Leave	168,493	129,554
Deferred Revenue	10,673	--
Line of Credit	--	37,000
Capital Lease Obligations	13,026	16,374
Total Current Liabilities	338,484	324,095
Capital Lease Obligations – Non-current	26,245	39,570
Grants to Affiliates – Non-current	42,962	--
Total Liabilities	407,691	363,665
Net Assets:		
Designated	927,130	--
Undesignated	161,448	6,838
Total Unrestricted	1,088,578	6,838
Temporarily Restricted	394,000	325,000
Total Net Assets	1,482,578	331,838
Total Liabilities and Net Assets	\$ 1,890,269	\$ 695,503

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 Contracts	647,842		647,842
Other Contracts	220,976		220,976
Contract Food Sales	482,925	--	482,925
Retail Food Sales	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>
Total Support and Other Revenue	7,903,894	69,000	7,972,894
<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	<u>831,397</u>	<u>--</u>	<u>831,397</u>
Total Expenses	6,822,154	--	6,822,154
Change in Net Assets	1,081,740	69,000	1,150,740
Net Assets, January 1, 2006	6,838	325,000	331,838
Net Assets, December 31, 2006	<u>\$1,088,578</u>	<u>\$ 394,000</u>	<u>\$1,482,578</u>

See accompanying notes.

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

	Unrestricted	Temporarily Restricted	Total
<u>Support and Other Revenue:</u>			
Donated Goods and Services	\$3,003,956	\$ --	\$3,003,956
Contributions - General	1,195,173	--	1,195,173
Contributions - United Way	148,604	--	148,604
Federal Government Grants and Contracts	105,087	--	105,087
Local Government Grants and Contracts	202,277	--	202,277
Other Contracts	352,374	--	352,374
Contract Food Sales	253,689	--	253,689
Retail Food	502,324	--	502,324
Special Events	221,883	--	221,883
Other Income	15,669	--	15,669
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	1,114,544	--	1,114,544
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
Supporting Activities:			
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 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
Donated Food and Beverages	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
Donated Program Expense	--	--	4,469	--	--	--	4,469	--	--	--	4,469
Events	--	2,831	--	--	--	433	3,264	--	26,346	32,711	62,321
Donated Event Expense	--	--	--	--	--	--	--	--	45,173	22,390	67,563
Professional Services	--	3,301	4,631	--	--	8,494	16,426	82,937	--	--	99,363
Donated Professional Services	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
Donated Tech. and Comm.	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 Rent	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	--
Totals	\$ 2,998,674	\$ 572,282	\$ 630,974	\$ 778,329	\$ 101,319	\$ 909,179	\$ 5,990,757	\$ 415,282	\$ 71,519	\$ 344,596	\$ 6,822,154

See accompanying notes.

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2005
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	\$ 562,148	\$ 197,489	\$ 243,466	\$ 494,391	\$ 74,357	\$ 277,994	\$ 1,849,845	\$ 197,842	\$ --	\$ 148,804	\$ 2,196,491
Kitchen Costs	65,653	20,438	3,435	114,343	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 Beverages Purchased	92,736	42,812	5,629	368,342	117	14,130	523,766	222	--	--	523,988
Donated Food and Beverages	1,589,600	465,804	129,177	17,723	--	210,888	2,413,192	--	--	--	2,413,192
Vehicle Expense	68,838	--	9,184	21,251	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	1,867	633	1,265	25,770	80,956	--	3,381	110,107
Donated Professional Services	14,423	2,621	6,005	8,126	664	36,164	68,003	2,766	--	1,559	72,328
Internships	--	--	--	--	--	--	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	910	74	--	3,565	310	--	175	4,050
Depreciation	22,163	1,721	1,803	10,523	--	62	36,272	1,940	--	--	38,212
Building Maintenance	191	--	--	--	--	--	191	1,906	--	--	2,097
Donated Rent	168,000	12,000	24,780	43,200	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	--	4,094	--	--	15,330	11,408	--	4,317	31,055
Office Expense	4,331	1,872	3,159	1,154	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	1,968	108	3,613	15,406	6,429	--	1,625	23,460
Shared Expense Allocation	33,934	7,170	13,394	22,245	1,607	4,405	82,755	(86,607)	--	3,852	--
Totals	\$ 2,662,902	\$ 808,962	\$ 466,104	\$ 1,114,544	\$ 87,265	\$ 710,702	\$ 5,850,479	\$ 298,674	\$ 73,317	\$ 343,261	\$ 6,565,731

See accompanying notes.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005
D.C. Central Kitchen, Inc. and Affiliate

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,150,740	\$ (564,695)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	35,991	38,212
Donated Fixed Assets	(25,098)	(15,000)
Donated Investments	(931,708)	--
Loss on Investments	4,578	--
Loss on Disposal of Equipment	--	7,333
Changes in:		
Inventory	(497)	(459)
Accounts Receivable	(23,017)	(50,372)
Contributions Receivable	(6,335)	410,266
Grants Receivable	(110,250)	(4,864)
Prepaid Expenses	(17,051)	11,981
Accounts Payable	(57,143)	62,451
Grants Payable	105,230	--
Accrued Payroll and Leave	38,939	13,250
Deferred Revenue	<u>10,673</u>	<u>(20,878)</u>
Net Cash Provided by (Used in) Operating Activities	175,052	(112,775)
Cash Flows from Investing Activities:		
Purchases of Fixed Assets	(16,010)	(8,858)
Proceeds from the Sales of Fixed Assets	<u>--</u>	<u>300</u>
Net Cash Used In Investing Activities	(16,010)	(8,558)
Cash Flows from Financing Activities:		
Principal Payments on Capital Lease Obligations	(16,673)	(24,227)
Draws on Line of Credit	1,392,000	1,402,400
Payments on Line of Credit	<u>(1,429,000)</u>	<u>(1,365,400)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(53,673)</u>	<u>12,773</u>
Net Increase (Decrease) in Cash	105,369	(108,560)
Cash, Beginning of Year	<u>25,462</u>	<u>134,022</u>
Cash, End of Year	<u>\$ 130,831</u>	<u>\$ 25,462</u>
 Supplemental Disclosures:		
Interest Paid in Cash	<u>\$ 23,069</u>	<u>\$ 22,924</u>

See accompanying notes.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005
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.sm (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 five Campus Kitchens and has affiliate agreements with another five. 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. Campus Kitchens opened since 2005 fall under the “affiliate” model, where 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 2,500 students who have provided more than 120,000 volunteer hours recycling food, working in the kitchen, and delivering more than 480,000 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.

Cash

Cash includes demand and time deposits in financial institutions. As of December 31, 2006, approximately \$22,000 is held in excess of FDIC insurance limits.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005
D.C. Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies (continued)

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. One government contract and three corporate and foundation donors account for 80% of total receivables at December 31, 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.

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 \$386,147 and \$372,796 for the years ended December 31, 2006 and 2005, respectively, are reflected in the accompanying consolidated financial statements based on management's estimate.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005
D.C. Central Kitchen, Inc. and Affiliate

NOTE 1 – Summary of Significant Accounting Policies (concluded)

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 1.25 and 1.43 million pounds of food for the years ended December 31, 2006 and 2005, 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. DCCCK 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.

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 2006 and 2005, hotels, restaurants, and other foodservice businesses donated approximately three million pounds of food that otherwise would have gone to waste to DCCCK. In conjunction with our almost 7000 annual volunteers and culinary job training students, our staff 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, addiction recovery programs and halfway and transitional homes.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005
D.C. Central Kitchen, Inc. and Affiliate

NOTE 2 – Functional Expenses (continued)

Food Recycling and Meal Distribution (concluded)

During the summer school break, DCCK 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. By providing these meals free of charge, DCCK empowers these agencies to better serve and empower their clients to take the first steps to independence and self-sufficiency.

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. DCCK operates an intense, nationally recognized twelve-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 five DC locations. Our outreach team uses this food to get to know their clients and establish a bond of trust. Once this relationship has been established, the outreach team are 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.

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 2006, DCCK's president traveled to universities, colleges, and spoke in over 60 communities around the country to discuss issues of homelessness, nonprofit management, responsible civic leadership and social entrepreneurship.

In addition, our President was the co-convener of the first ever Non-Profit Congress. Over 500 hundred representatives from 48 states and from every area of the non-profit sector – arts, education, health care and social services – came to Washington, DC to discuss and develop a shared vision and mission.

Expenses of National R&D also include the expenses of the ***Kitchens In National Cooperationsm*** program (Kitchens INC), a nationwide collaboration of community-based kitchens like DCCK. Using an interactive web forum, community 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.

Notes to Consolidated Financial Statements
December 31, 2006 and 2005
D.C. Central Kitchen, Inc. and Affiliate

NOTE 2 – Functional Expenses (concluded)

*Campus Kitchens Project, Inc.*sm 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 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 10 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 \$335,250 and \$200,000 for the years ended December 31, 2006 and 2005, respectively. Amounts expected to be received in one to five years total \$100,000 and \$125,000 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 \$250,000 at their prime rate, which was 8.25% at December 31, 2006. The line of credit is secured by inventory, receivables and equipment and expires on July 20, 2007. As of December 31, 2006 and 2005, the line had an outstanding balance of \$0 and \$37,000, respectively. On January 22, 2007, DCCK signed a new agreement with identical terms to increase the borrowing limit to \$500,000.

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 \$30,293 at December 31, 2006. The future minimum lease payments for the years ending December 31 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2007	\$ 19,989
2008	19,989
2009	<u>10,927</u>
Less: amount representing interest	<u>(11,634)</u>
Capital Lease Obligations	<u>\$ 39,271</u>

Notes to Consolidated Financial Statements
December 31, 2006 and 2005
D.C. Central Kitchen, Inc. and Affiliate

NOTE 6 – 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>2006</u>
2007	62,268
2008	33,690
2009	<u>9,272</u>
Totals	<u>\$ 105,230</u>

NOTE 7 – Designated Net Assets

In 2006, DCCK received an unrestricted contribution from a single donor. DCCK has elected to designate these funds to be held as an operating reserve.

NOTE 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2006</u>	<u>2005</u>
Purpose Restrictions:		
Campus Kitchens Project, Inc	\$ 69,000	\$ --
Time Restrictions:		
Amounts to be received in:		
2006	--	200,000
2007	275,000	125,000
2008	<u>50,000</u>	<u>--</u>
Totals	<u>\$394000</u>	<u>\$325,000</u>