

**FINANCIAL STATEMENTS**

**D.C. CENTRAL KITCHEN, INC.**

**FOR THE YEAR ENDED JUNE 30, 2021  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2020**

**D.C. CENTRAL KITCHEN, INC.**

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
D.C. Central Kitchen, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of D.C. Central Kitchen, Inc. (DCCK), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DCCK as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Report on Summarized Comparative Information**

We have previously audited DCCK's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

October 7, 2021

## D.C. CENTRAL KITCHEN, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2021  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

<b>ASSETS</b>		<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	2,106,406	\$ 2,860,442
Investments		16,057,199	2,783,629
Accounts receivable, net of allowance for doubtful accounts of \$2,003 and \$2,320 in 2021 and 2020, respectively		1,508,789	1,597,760
Grants and contributions receivable		3,329,500	341,667
Inventory		103,023	102,284
Prepaid expenses		<u>711,606</u>	<u>485,463</u>
Total current assets		<u>23,816,523</u>	<u>8,171,245</u>
<b>FIXED ASSETS</b>			
Equipment		1,110,937	1,055,540
Vehicles		1,482,820	1,221,234
Leasehold improvements		573,287	573,287
Construction in progress		<u>611,449</u>	<u>-</u>
		3,778,493	2,850,061
Less: Accumulated depreciation and amortization		<u>(2,359,997)</u>	<u>(2,384,908)</u>
Net fixed assets		<u>1,418,496</u>	<u>465,153</u>
<b>OTHER ASSETS</b>			
Security deposit		543,530	19,321
Investments, net of current portion		4,500,000	1,200,000
Grants and contributions receivable, net of current portion		<u>3,101,978</u>	<u>250,000</u>
Total other assets		<u>8,145,508</u>	<u>1,469,321</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>33,380,527</u></b>	<b>\$ <u>10,105,719</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Federal loan payable	\$	-	\$ 1,462,500
Accounts payable and accrued liabilities		429,599	523,830
Accrued salaries and related benefits		1,071,858	1,026,498
Deferred revenue		-	175,000
Deferred rent		<u>-</u>	<u>4,134</u>
Total liabilities		<u>1,501,457</u>	<u>3,191,962</u>
<b>NET ASSETS</b>			
Without donor restrictions:			
Board designated		4,500,000	1,200,000
Undesignated		<u>5,069,509</u>	<u>3,432,337</u>
Total net assets without donor restrictions		9,569,509	4,632,337
With donor restrictions		<u>22,309,561</u>	<u>2,281,420</u>
Total net assets		<u>31,879,070</u>	<u>6,913,757</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>33,380,527</u></b>	<b>\$ <u>10,105,719</u></b>

See accompanying notes to financial statements.

## D.C. CENTRAL KITCHEN, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contracts	\$ 7,795,523	\$ -	\$ 7,795,523	\$ 6,893,580
Grants and contributions	9,391,735	20,613,141	30,004,876	8,628,702
Contributed services and materials	1,529,319	-	1,529,319	1,131,809
Program service sales	748,599	-	748,599	1,666,028
Special events, net of expenses of \$112,120 and \$128,834 in 2021 and 2020, respectively	351,305	-	351,305	900,910
Government grants	1,375,955	-	1,375,955	1,078,001
Contributions - United Way	100,910	-	100,910	95,336
Interest and dividends, net of investments fees	41,717	-	41,717	69,233
Other revenue	10,794	-	10,794	2,556
Net assets released from donor restrictions	<u>585,000</u>	<u>(585,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>21,930,857</u>	<u>20,028,141</u>	<u>41,958,998</u>	<u>20,466,155</u>
<b>EXPENSES</b>				
Program Services:				
Community Meals	8,141,520	-	8,141,520	4,906,396
Healthy School Food	4,063,929	-	4,063,929	5,386,078
Culinary Job Training	-	-	-	2,861,783
Workforce Development	994,592	-	994,592	-
Healthy Corners	1,297,748	-	1,297,748	1,381,360
Impact and Evaluation	-	-	-	84,215
Community Development & Partnerships	182,662	-	182,662	-
Cafés & Catering	<u>985,151</u>	<u>-</u>	<u>985,151</u>	<u>-</u>
Total program services	<u>15,665,602</u>	<u>-</u>	<u>15,665,602</u>	<u>14,619,832</u>
Supporting Services:				
Development	1,272,203	-	1,272,203	1,005,444
Management and General	<u>2,334,355</u>	<u>-</u>	<u>2,334,355</u>	<u>1,832,042</u>
Total supporting services	<u>3,606,558</u>	<u>-</u>	<u>3,606,558</u>	<u>2,837,486</u>
Total expenses	<u>19,272,160</u>	<u>-</u>	<u>19,272,160</u>	<u>17,457,318</u>
Change in net assets before other items	2,658,697	20,028,141	22,686,838	3,008,837
<b>OTHER ITEMS</b>				
Realized and unrealized gain (loss) on investments	815,975	-	815,975	(273,043)
Distribution of assets	-	-	-	401,370
Extinguishment of debt	<u>1,462,500</u>	<u>-</u>	<u>1,462,500</u>	<u>-</u>
Change in net assets	4,937,172	20,028,141	24,965,313	3,137,164
Net assets at beginning of year	<u>4,632,337</u>	<u>2,281,420</u>	<u>6,913,757</u>	<u>3,776,593</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 9,569,509</u></b>	<b><u>\$ 22,309,561</u></b>	<b><u>\$ 31,879,070</u></b>	<b><u>\$ 6,913,757</u></b>

See accompanying notes to financial statements.

## D.C. CENTRAL KITCHEN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<b>2021</b>						
	<b>Program Services</b>						
	<b>Community Meals</b>	<b>Healthy School Food</b>	<b>Workforce Development</b>	<b>Healthy Corners</b>	<b>Community Development and Partnerships</b>	<b>Cafés &amp; Catering</b>	<b>Total Program Services</b>
Personnel expenses	\$ 2,283,930	\$ 2,979,528	\$ 776,481	\$ 489,025	\$ 147,203	\$ 795,428	\$ 7,471,595
Food and beverages - purchased	3,321,168	478,950	13,425	265,609	294	70,858	4,150,304
Food and beverages - donated	1,001,190	-	-	-	-	-	1,001,190
Professional services - purchased	90,972	46,816	16,269	37,286	2,270	24,505	218,118
Professional services - donated	-	-	-	-	-	-	-
Facilities space - purchased	32,027	240,550	11,372	60,206	11,372	33,752	389,279
Facilities space - donated	150,000	-	75,000	-	-	-	225,000
Depreciation and amortization	143,697	14,363	3,684	-	-	-	161,744
Insurance	51,347	25,674	6,418	6,418	1,283	6,418	97,558
Interest and bank fees	-	-	-	-	-	2,415	2,415
Kitchen costs	525,300	175,675	11,939	33,901	-	33,257	780,072
Program expenses	364,769	-	46,576	265,684	-	-	677,029
Meetings and conventions	-	-	1,324	355	961	19	2,659
Office expenses	26,464	21,856	7,324	56,985	1,902	9,847	124,378
Miscellaneous	40,752	28,320	7,762	25,324	1,974	2,060	106,192
Technology and communication	25,091	31,359	15,630	21,123	14,842	5,826	113,871
Travel expenses	5	407	1,136	613	561	586	3,308
Vehicle expenses	84,808	20,431	252	35,219	-	180	140,890
Special event	-	-	-	-	-	-	-
Subtotal	8,141,520	4,063,929	994,592	1,297,748	182,662	985,151	15,665,602
Less: Special event expenses	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 8,141,520</b>	<b>\$ 4,063,929</b>	<b>\$ 994,592</b>	<b>\$ 1,297,748</b>	<b>\$ 182,662</b>	<b>\$ 985,151</b>	<b>\$ 15,665,602</b>

See accompanying notes to financial statements.

## D.C. CENTRAL KITCHEN, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021 (Continued)			2020	
	Supporting Services				
	Development	Management and General	Total Supporting Services	Total Expenses	Total Expenses
Personnel expenses	\$ 878,148	\$ 1,490,510	\$ 2,368,658	\$ 9,840,253	\$ 9,590,485
Food and beverages - purchased	71	-	71	4,150,375	3,039,848
Food and beverages - donated	-	-	-	1,001,190	734,631
Professional services - purchased	259,115	158,775	417,890	636,008	338,553
Professional services - donated	-	278,129	278,129	278,129	147,178
Facilities space - purchased	50,157	27,414	77,571	466,850	432,352
Facilities space - donated	-	25,000	25,000	250,000	250,000
Depreciation and amortization	-	17,462	17,462	179,206	218,677
Insurance	1,283	29,526	30,809	128,367	144,777
Interest and bank fees	477	203,999	204,476	206,891	170,432
Kitchen costs	69	-	69	780,141	833,502
Program expenses	-	-	-	677,029	842,785
Meetings and conventions	818	266	1,084	3,743	26,819
Office expenses	44,521	6,584	51,105	175,483	222,764
Miscellaneous	15,723	36,331	52,054	158,246	140,674
Technology and communication	20,274	55,143	75,417	189,288	164,745
Travel expenses	1,547	5,216	6,763	10,071	23,642
Vehicle expenses	-	-	-	140,890	135,454
Special event	112,120	-	112,120	112,120	128,834
Subtotal	1,384,323	2,334,355	3,718,678	19,384,280	17,586,152
Less: Special event expenses	(112,120)	-	(112,120)	(112,120)	(128,834)
<b>TOTAL</b>	<b>\$ 1,272,203</b>	<b>\$ 2,334,355</b>	<b>\$ 3,606,558</b>	<b>\$ 19,272,160</b>	<b>\$ 17,457,318</b>

See accompanying notes to financial statements.



## D.C. CENTRAL KITCHEN, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 24,965,313	\$ 3,137,164
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	179,206	218,677
Realized and unrealized (gain) loss on investments	(815,975)	273,043
Receipt of donated securities	(8,760,163)	(18,300)
Proceeds from donated securities	8,788,662	18,598
Gain on disposal of fixed assets	(8,000)	-
Change in discount on non-current grants and contributions receivable	42,274	-
Change in allowance for doubtful accounts	(317)	1,370
Extinguishment of debt	(1,462,500)	-
Decrease (increase) in:		
Accounts receivable	89,288	(992,823)
Grants and contributions receivable	(5,882,085)	534,918
Inventory	(739)	(36,233)
Prepaid expenses	(226,143)	(337,758)
Security deposit	(524,209)	-
(Decrease) increase in:		
Accounts payable and accrued liabilities	(94,231)	216,390
Accrued salaries and related benefits	45,360	453,921
Deferred revenue	(175,000)	155,000
Deferred rent	(4,134)	(10,274)
Net cash provided by operating activities	<u>16,156,607</u>	<u>3,613,693</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,132,549)	(77,917)
Proceeds from sale of fixed assets	8,000	-
Purchase of investments	(18,125,407)	(3,654,919)
Proceeds from sale of investments	<u>2,339,313</u>	<u>1,882,696</u>
Net cash used by investing activities	<u>(16,910,643)</u>	<u>(1,850,140)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	-	(173,062)
Proceeds from Federal loan payable	-	1,462,500
Drawings on line of credit	-	3,315,000
Payments on line of credit	<u>-</u>	<u>(4,140,000)</u>
Net cash (used) provided by financing activities	<u>-</u>	<u>464,438</u>
Net (decrease) increase in cash and cash equivalents	(754,036)	2,227,991
Cash and cash equivalents at beginning of year	<u>2,860,442</u>	<u>632,451</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,106,406</u></b>	<b><u>\$ 2,860,442</u></b>

See accompanying notes to financial statements.

D.C. CENTRAL KITCHEN, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest Paid	\$ <u>          -</u>	\$ <u>      57,878</u>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Donated Securities	\$ <u>      31,092</u>	\$ <u>      48,811</u>

**D.C. CENTRAL KITCHEN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

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

DCCK uses food as a tool to strengthen bodies, empower minds, and build communities. The organization prepares nutritious meals for schools, shelters, youth programs, and other community-based organizations while providing culinary job training to unemployed adults and Opportunity Youth who are disconnected from both work and school. DCCK also safely recovers unused food, engages volunteers, helps disadvantaged local farmers bring healthy foods to market, empowers small corner stores to stock and sell more nutritious options, and creates employment opportunities for its own culinary graduates to carry out these community service activities.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with DCCK's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2021, DCCK adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities.

**D.C. CENTRAL KITCHEN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements adopted (continued) -

Analysis of the various provisions of this standard resulted in no significant changes in the way DCCK recognized revenue; however, the presentation and disclosures of revenue have been enhanced. DCCK has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Cash and cash equivalents -

DCCK considers all cash and other highly liquid investments with initial maturities of three months or less, excluding money market funds held by investment managers in the amount of \$14,595,289 as of June 30, 2021, to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, DCCK maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest and dividends are shown net of investment expenses provided by external investment advisors in the accompanying Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Grants and contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all grants and contributions receivable to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Grants and contributions that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Inventory -

Inventory consists of disposable serving supplies, raw food and cooking ingredients and is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Fixed assets -

Fixed assets in excess of \$10,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally two to ten years.

**D.C. CENTRAL KITCHEN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Fixed assets (continued) -

Leasehold improvements are amortized over the remaining life of the lease. Construction in progress will be amortized when complete and put to use. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2021 totaled \$179,206.

Income taxes -

DCCK is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. DCCK is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2021, DCCK has documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Special event expenses -

The Statement of Functional Expenses includes special event expenses which are deducted from special event revenue in the Statement of Activities and Change in Net Assets.

Contributions, grants and contracts -

A large portion of DCCK's revenue is received through contributions from individuals and corporations, as well as contracts and grants from the U.S. and local governments. These awards are for various activities performed by DCCK. Grants and contributions are recognized in the appropriate category of net assets in the period received. DCCK performs an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants and contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions, grants or contracts qualifying as conditional contributions contain a right of return from obligation provision that limits DCCK on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement.

D.C. CENTRAL KITCHEN, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Contributions, grants and contracts (continued) -

Revenue is recognized when the condition or conditions on which they depend are substantially met. Most awards from the United States Government and other local governments are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. DCCK recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions, grants and contracts treated as conditional contributions, DCCK had approximately \$690,000 in unrecognized awards as of June 30, 2021.

Contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. DCCK has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Contributed services and materials -

Contributed services and materials consist of office space, professional services and food. Contributed services and materials are recorded at their fair market value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to DCCK; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of DCCK are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of time and effort.

The following are the major programs of DCCK:

**Community Meals:** For the year ended June 30, 2021, DCCK served more than 1,325,000 meals to front-line shelters, youth programs, and community-based organizations. The program also provided healthy groceries to partner agencies and food insecure individuals, totaling 239,000 grocery bags or 2,130,000 meal equivalents.

D.C. CENTRAL KITCHEN, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Functional allocation of expenses (continued) -

**Healthy School Food:** DCCK provides healthy breakfasts, lunches and suppers to twelve public schools and four charter and private schools in Washington, D.C. This service aims to bring local, seasonable and sustainable cost-effective dining service to local schools that want to serve healthy, locally source meals to low-income student populations. In addition to promoting access to good nutrition, the program creates and sustains employment opportunities for at-risk men and women who have completed DCCK's Culinary Job Training program. This program served more than 249,000 meals to food insecure children during the last fiscal year.

**Workforce Development:** 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. Due to the pandemic, in-person instruction was suspended for much of the year, allowing DCCK to operate only one course cycle for 11 total students. However, program staff provided intensive case management and job placement support to prior graduates throughout the pandemic, connecting 78 individuals with new or improved jobs.

**Healthy Corners:** DCCK offers affordable wholesale delivery service for fresh produce and healthy snack items in communities where healthy retail options are scarce. DCCK delivers nutritious options to 53 corner stores and other small retailers, primarily those located in the underserved neighborhoods of Wards 5, 7 and 8. DCCK provides these small businesses with discounted healthy food items, free infrastructure, nutrition education, marketing support, and technical assistance. DCCK's participating retailers sold more than 362,000 units of healthy food in the last fiscal year.

**Community Development and Partnerships:** This department is responsible for DCCK's program evaluation activities, cross-cutting case management and clinical services, and management of external, community-facing partnerships with peer nonprofit organizations. Core functions include collecting and analyzing participant feedback and outcomes, tracking progress toward organizational goals, attending community events, and creating awareness of available program resources with food insecure and underserved community members.

**Cafés & Catering:** DCCK creates job opportunities for individuals facing barriers to employment through these social enterprise activities. DCCK's café in Ward 8 also hosts on-the-job training services for Opportunity Youth while providing a dignified food access point and community gathering space in an underserved neighborhood. This social enterprise also supports the organization's efforts to purchase healthy, local foods from local and disadvantaged farmers.

Investment risks and uncertainties -

DCCK invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

DCCK adopted the provisions of FASB ASC 820, *Fair Value Measurement*.

D.C. CENTRAL KITCHEN, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Fair value measurement (Continued) -

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. DCCK accounts for a significant portion of their financial instruments at fair value or consider fair value in their measurement.

New accounting pronouncements not yet adopted -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. DCCK plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact DCCK's operations. The overall potential impact is unknown at this time.

2. **INVESTMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, DCCK has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market DCCK has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.



**D.C. CENTRAL KITCHEN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**2. INVESTMENTS (Continued)**

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *U.S. Government bonds* - Valued at the closing price reported in the active market in which the individual securities are traded.
- *Equity mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by DCCK are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by DCCK are deemed to be actively traded.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2021.

<b>Asset Class:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 14,595,289	\$ -	\$ -	\$ 14,595,289
U.S. Government bonds	961,464	-	-	961,464
Equity mutual funds	5,000,446	-	-	5,000,446
<b>TOTAL</b>	<b>\$ 20,557,199</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,557,199</b>

Included in investment gain, net, are the following:

Interest and dividends	\$ 42,322
Realized and unrealized gain	815,975
Less: Management fees	(605)
<b>TOTAL INVESTMENT GAIN</b>	<b>\$ 857,692</b>

**3. GRANTS RECEIVABLE**

As of June 30, 2021, grantors to DCCK had made written promises to give, of which \$6,473,752 remained due and outstanding, net of the present value discount. Following is a schedule of amounts due, by year, as of June 30, 2021:

Less than one-year	\$ 3,329,500
One to five years	3,144,252
Total	6,473,752
Less: Allowance to discount balance to present value	(42,274)
Less: Current portion	(3,329,500)
<b>GRANTS AND CONTRIBUTIONS RECEIVABLE, NET OF DISCOUNT AND CURRENT PORTION</b>	<b>\$ 3,101,978</b>

D.C. CENTRAL KITCHEN, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

4. **EXTINGUISHMENT OF DEBT**

On April 14, 2020, DCCK received loan proceeds in the amount of \$1,462,500 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration. During the years ended June 30, 2020 and June 30, 2021, DCCK expended and tracked the PPP funds for purposes outlined in the CARES Act guidance. On January 20, 2021, DCCK received forgiveness in full on their loan, and no further obligations are due. DCCK recognized revenue in the amount of \$1,462,500, which is included as "Extinguishment of debt" on the accompanying Statement of Activities and Change in Net Assets.

5. **LINE OF CREDIT**

DCCK maintains a \$2,500,000 bank line of credit which matures March 31, 2022. Amounts borrowed under this agreement bear interest at the bank's prime rate (4.25% at June 30, 2021). The line is secured by inventory, receivables and equipment. During the year ended June 30, 2021, there was no activity on the line of credit. There was no interest expense for the year ended June 30, 2021. The line of credit agreement contains various covenants, which among other things, place restrictions on DCCK's ability to incur additional indebtedness without prior written consent.

6. **BOARD DESIGNATED NET ASSETS**

As of June 30, 2021, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

<b>Operating Reserve</b>	<b><u>\$ 4,500,000</u></b>
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7. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2021:

Culinary Job Training	\$ 420,000
Passage of Time	250,000
Development	125,000
Capital Campaign	<u>21,514,561</u>

<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 22,309,561</u></b>
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The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

MLK Cafe	\$ 50,000
Culinary Job Training	60,000
Passage of Time	375,000
Development	<u>100,000</u>

<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 585,000</u></b>
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**D.C. CENTRAL KITCHEN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**8. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 2,106,406
Investments	16,057,199
Accounts receivable	1,508,789
Grants and contributions receivable	<u>3,329,500</u>
Subtotal financial assets available within one year	23,001,894
Less: Donor purpose restricted funds	<u>(18,915,309)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 4,086,585</u></b>

DCCK has a policy to structure their financial assets to be available and liquid as their obligations become due. As of June 30, 2021, DCCK had financial assets equal to approximately three months of operating expenses. In addition, DCCK has a line of credit agreement (as further discussed in Note 5) which allows for additional available borrowings up to \$2,500,000.

**9. CONTRIBUTED SERVICES AND MATERIALS**

During the year ended June 30, 2021, DCCK was the beneficiary of donated services and materials which allowed DCCK to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended June 30, 2021:

Donated food and beverage	\$ 1,001,190
Donated rent	250,000
Donated professional services	<u>278,129</u>
<b>TOTAL CONTRIBUTED SERVICES AND MATERIALS</b>	<b><u>\$ 1,529,319</u></b>

The following programs and supporting services have benefited from these donated services for the year ended June 30, 2021:

Community Meals	\$ 1,151,190
Workforce Development	75,000
Management and General	<u>303,129</u>
<b>TOTAL</b>	<b><u>\$ 1,529,319</u></b>

**10. LEASE COMMITMENTS**

During the year ended June 30, 2021, DCCK leased space in Washington, D.C., under a lease agreement which originated in November 2010 and was extended in 2015 for an additional five years. The lease was extended again in 2020 for an additional year. Base rent is \$194,758 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year.

**D.C. CENTRAL KITCHEN, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**10. LEASE COMMITMENTS (Continued)**

During the year ended June 30, 2021, DCCK leased a separate space in Washington, D.C., under a lease agreement which originated in February 2019 and was extended during fiscal year 2021 through December 31, 2021. Base rent under the original agreement was \$5,533 per month. Under the extension, base rent is \$9,773 per month.

During the year ended June 30, 2019, DCCK entered into an additional sublease for space in Washington, D.C. The sublease commenced on April 1, 2019 and will continue for ten years. Under this sublease, DCCK is only required to pay its proportionate share of the lessor's operating expenses. Accordingly, management is unable to calculate the future minimum lease payments under this sublease.

Also during fiscal year 2021, DCCK entered into a lease for office space under a twenty-five year agreement, which originates on May 1, 2022. Base rent is \$86,626 per month for the first 10 years, and increases by varying percentages every 5 years after that.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

2022	\$ 482,057
2023	1,039,514
2024	1,039,514
2025	1,039,514
2026	1,039,514
Thereafter	<u>27,127,672</u>
	<b><u>\$ 31,767,785</u></b>

Rent expense for the year ended June 30, 2021 was \$385,730, and is included in purchased facilities space on the accompanying Statement of Functional Expenses. For the year ended June 30, 2021, there was no deferred rent liability.

**11. RETIREMENT PLAN**

DCCK provides a Safe Harbor 401(k) retirement plan for all employees. Employees are eligible to participate in the Plan after six full months of employment. DCCK uses the Basic Match: 100% of the first 3% of pay that is deferred; and 50% of the next 2% of pay. For the year ended June 30, 2021, contributions to the Plan totaled \$559,109 and are included in personnel expenses in the Statement of Functional Expenses.

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, DCCK has evaluated events and transactions for potential recognition or disclosure through October 7, 2021, the date the financial statements were issued.