

**CONSOLIDATED FINANCIAL STATEMENTS**

**D.C. CENTRAL KITCHEN, INC. AND  
DCCK SUPPORT CORPORATION**

**FOR THE YEAR ENDED JUNE 30, 2022**

# D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
D.C. Central Kitchen, Inc. and DCCK Support Corporation  
Washington, D.C.

### **Opinion**

We have audited the accompanying consolidated financial statements of D.C. Central Kitchen, Inc. and DCCK Support Corporation (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the consolidated change 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on pages 23 - 24, Consolidating Schedule of Activities on page 25 - 26, and Consolidating Schedule of Change in Net Assets on page 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



November 18, 2022

## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2022**

**ASSETS**

**CURRENT ASSETS**

|  |                   |
|--|-------------------|
| Cash and cash equivalents  | \$ 15,591,022     |
| Investments  | 6,118,858         |
| Accounts receivable, net of allowance for doubtful accounts of \$3,095 | 1,884,101         |
| Grants and contributions receivable                                    | 3,118,240         |
| Inventory  | 107,294           |
| Prepaid expenses   | <u>731,667</u>    |
| Total current assets   | <u>27,551,182</u> |

**FIXED ASSETS**

|   |                    |
|---|--------------------|
| Equipment                                       | 1,177,396          |
| Vehicles  | 1,482,820          |
| Leasehold improvements                          | 3,038,370          |
| Construction in progress                        | <u>9,421,073</u>   |
|   | 15,119,659         |
| Less: Accumulated depreciation and amortization | <u>(2,565,572)</u> |
| Net fixed assets                                | <u>12,554,087</u>  |

**OTHER ASSETS**

|  |                   |
|--|-------------------|
| Security deposit   | 543,530           |
| Right of use asset   | 18,906,736        |
| Note receivable  | 13,668,750        |
| Investments, net of current portion                                      | 4,500,000         |
| Grants and contributions receivable, net of current portion and discount | 3,308,091         |
| Interest receivable  | <u>58,703</u>     |
| Total other assets   | <u>40,985,810</u> |

**TOTAL ASSETS** \$ 81,091,079

## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2022

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES

|                                       |                  |
|---------------------------------------|------------------|
| Accounts and grants payable           | \$ 405,079       |
| Accrued salaries and related benefits | 502,506          |
| Deferred revenue                      | 4,132            |
| Operating lease liability             | <u>186,021</u>   |
| Total current liabilities             | <u>1,097,738</u> |

## LONG-TERM LIABILITIES

|   |                   |
|---|-------------------|
| Mortgages payable                                 | 18,500,000        |
| Operating lease liability, net of current portion | <u>21,237,160</u> |
| Total long-term liabilities                       | <u>39,737,160</u> |
| Total liabilities                                 | <u>40,834,898</u> |

## NET ASSETS

|   |                             |
|---|-----------------------------|
| Without donor restrictions:                 |                             |
| Board designated                            | 4,500,000                   |
| Undesignated                                | <u>4,252,041</u>            |
| Total net assets without donor restrictions | 8,752,041                   |
| With donor restrictions                     | <u>31,504,140</u>           |
| Total net assets                            | <u>40,256,181</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>     | <b><u>\$ 81,091,079</u></b> |

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

|  | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>                |
|--|---|------------------------------------|-----------------------------|
| <b>REVENUE AND SUPPORT</b>                   |   |                                    |                             |
| Grants and contributions                     | \$ 6,491,040                              | \$ 10,732,142                      | \$ 17,223,182               |
| Contracts                                    | 9,275,196                                 | -                                  | 9,275,196                   |
| Program service sales                        | 1,435,507                                 | -                                  | 1,435,507                   |
| Contributed services and materials           | 1,091,298                                 | -                                  | 1,091,298                   |
| Special events, net of expenses of \$281,657 | 338,851                                   | -                                  | 338,851                     |
| Contributions - United Way                   | 117,238                                   | -                                  | 117,238                     |
| Government grants                            | 109,506                                   | -                                  | 109,506                     |
| Loan interest revenue                        | 73,600                                    | -                                  | 73,600                      |
| Other revenue                                | 10,697                                    | -                                  | 10,697                      |
| Net assets released from donor restrictions  | <u>1,537,563</u>                          | <u>(1,537,563)</u>                 | <u>-</u>                    |
| Total revenue and support                    | <u>20,480,496</u>                         | <u>9,194,579</u>                   | <u>29,675,075</u>           |
| <b>EXPENSES</b>                              |   |                                    |                             |
| Program Services:                            |   |                                    |                             |
| Community Meals                              | 6,191,666                                 | -                                  | 6,191,666                   |
| Healthy School Food                          | 6,999,242                                 | -                                  | 6,999,242                   |
| Retail Cafes & Catering                      | 1,327,043                                 | -                                  | 1,327,043                   |
| Workforce Development                        | 1,207,848                                 | -                                  | 1,207,848                   |
| Healthy Corners                              | 1,165,792                                 | -                                  | 1,165,792                   |
| Community Development and Partnerships       | 449,091                                   | -                                  | 449,091                     |
| Support Corporation                          | <u>41,372</u>                             | <u>-</u>                           | <u>41,372</u>               |
| Total program services                       | <u>17,382,054</u>                         | <u>-</u>                           | <u>17,382,054</u>           |
| Supporting Services:                         |   |                                    |                             |
| Development                                  | 1,458,804                                 | -                                  | 1,458,804                   |
| Management and General                       | <u>2,189,895</u>                          | <u>-</u>                           | <u>2,189,895</u>            |
| Total supporting services                    | <u>3,648,699</u>                          | <u>-</u>                           | <u>3,648,699</u>            |
| Total expenses                               | <u>21,030,753</u>                         | <u>-</u>                           | <u>21,030,753</u>           |
| Change in net assets before other item       | (550,257)                                 | 9,194,579                          | 8,644,322                   |
| <b>OTHER ITEM</b>                            |   |                                    |                             |
| Investment loss, net                         | <u>(267,211)</u>                          | <u>-</u>                           | <u>(267,211)</u>            |
| Change in net assets                         | (817,468)                                 | 9,194,579                          | 8,377,111                   |
| Net assets at beginning of year              | <u>9,569,509</u>                          | <u>22,309,561</u>                  | <u>31,879,070</u>           |
| <b>NET ASSETS AT END OF YEAR</b>             | <b><u>\$ 8,752,041</u></b>                | <b><u>\$ 31,504,140</u></b>        | <b><u>\$ 40,256,181</u></b> |

## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

|                              | Program Services    |                        |                            |                          |                     |   |                        | Total<br>Program<br>Services |
|------------------------------|---------------------|------------------------|----------------------------|--------------------------|---------------------|---|------------------------|------------------------------|
|                              | Community<br>Meals  | Healthy<br>School Food | Retail Cafes<br>& Catering | Workforce<br>Development | Healthy<br>Corners  | Community<br>Development<br>and<br>Partnerships | Support<br>Corporation |                              |
| Personnel expenses           | \$ 2,338,464        | \$ 3,968,636           | \$ 792,912                 | \$ 578,261               | \$ 456,901          | \$ 361,440                                      | \$ -                   | \$ 8,496,614                 |
| Food and beverages           |                     |                        |                            |                          |                     |   |                        |                              |
| - purchased                  | 1,819,067           | 1,818,405              | 207,458                    | 15,777                   | 248,424             | -   | -                      | 4,109,131                    |
| Food and beverages           |                     |                        |                            |                          |                     |   |                        |                              |
| - donated                    | 474,350             | -                      | -                          | -                        | -                   | -   | -                      | 474,350                      |
| Professional services        |                     |                        |                            |                          |                     |   |                        |                              |
| - purchased                  | 78,947              | 90,273                 | 33,072                     | 56,088                   | 81,969              | -   | 4,750                  | 345,099                      |
| Professional services        |                     |                        |                            |                          |                     |   |                        |                              |
| - donated                    | -                   | -                      | -                          | -                        | -                   | -   | -                      | -                            |
| Facilities space - purchased | 229,857             | 225,864                | 89,047                     | 104,245                  | 3,478               | -   | 26,739                 | 679,230                      |
| Facilities space - donated   | 200,000             | -                      | -                          | -                        | -                   | -   | -                      | 200,000                      |
| Depreciation and             |                     |                        |                            |                          |                     |   |                        |                              |
| amortization                 | 183,814             | 10,477                 | 1,612                      | 4,836                    | 1,612               | -   | -                      | 202,351                      |
| Insurance                    | 47,189              | 47,188                 | 7,260                      | 21,979                   | 7,260               | -   | -                      | 130,876                      |
| Interest and bank fees       | 13,844              | 13,844                 | 27,688                     | 3,461                    | 13,844              | -   | 9,883                  | 82,564                       |
| Kitchen costs                | 616,618             | 587,471                | 118,052                    | 7,789                    | 24,424              | -   | -                      | 1,354,354                    |
| Program expenses             | 63,024              | -                      | -                          | 368,525                  | 238,508             | 66,000  | -                      | 736,057                      |
| Meetings and conventions     | 151                 | 4,471                  | 106                        | 1,685                    | 611                 | 4,767   | -                      | 11,791                       |
| Office expenses              | 20,569              | 38,233                 | 34,195                     | 13,696                   | 41,138              | 191   | -                      | 148,022                      |
| Miscellaneous                | 34,033              | 12,277                 | 4,796                      | 8,966                    | 39,170              | 863   | -                      | 100,105                      |
| Technology and               |                     |                        |                            |                          |                     |   |                        |                              |
| communication                | 34,636              | 40,945                 | 9,618                      | 16,172                   | 6,988               | 15,181  | -                      | 123,540                      |
| Travel expenses              | 330                 | 273                    | 1,142                      | 6,368                    | 1,465               | 649   | -                      | 10,227                       |
| Vehicle expenses             | 36,773              | 140,885                | 85                         | -                        | -                   | -   | -                      | 177,743                      |
| Special event                | -                   | -                      | -                          | -                        | -                   | -   | -                      | -                            |
| Subtotal                     | 6,191,666           | 6,999,242              | 1,327,043                  | 1,207,848                | 1,165,792           | 449,091   | 41,372                 | 17,382,054                   |
| Less: Special event expenses | -                   | -                      | -                          | -                        | -                   | -   | -                      | -                            |
| <b>TOTAL</b>                 | <b>\$ 6,191,666</b> | <b>\$ 6,999,242</b>    | <b>\$ 1,327,043</b>        | <b>\$ 1,207,848</b>      | <b>\$ 1,165,792</b> | <b>\$ 449,091</b>                               | <b>\$ 41,372</b>       | <b>\$ 17,382,054</b>         |

See accompanying notes to consolidated financial statements.



D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

|                                  | <u>Supporting Services</u> |                                       |  |                           |
|----------------------------------|----------------------------|---------------------------------------|--|---------------------------|
|                                  | <u>Development</u>         | <u>Management<br/>and<br/>General</u> | <u>Total<br/>Supporting<br/>Services</u> | <u>Total<br/>Expenses</u> |
| Personnel expenses               | \$ 929,923                 | \$ 1,549,106                          | \$ 2,479,029                             | \$ 10,975,643             |
| Food and beverages               |                            |                                       |  |                           |
| - purchased                      | -                          | -                                     | -  | 4,109,131                 |
| Food and beverages               |                            |                                       |  |                           |
| - donated                        | -                          | -                                     | -  | 474,350                   |
| Professional services            |                            |                                       |  |                           |
| - purchased                      | 107,950                    | 96,819                                | 204,769                                  | 549,868                   |
| Professional services            |                            |                                       |  |                           |
| - donated                        | -                          | 203,652                               | 203,652                                  | 203,652                   |
| Facilities space - purchased     | 34,748                     | 140,070                               | 174,818                                  | 854,048                   |
| Facilities space - donated       | 163,296                    | 50,000                                | 213,296                                  | 413,296                   |
| Depreciation and<br>amortization | 1,612                      | 1,612                                 | 3,224                                    | 205,575                   |
| Insurance                        | 8,440                      | 15,646                                | 24,086                                   | 154,962                   |
| Interest and bank fees           | 61,836                     | 2,977                                 | 64,813                                   | 147,377                   |
| Kitchen costs                    | -                          | -                                     | -  | 1,354,354                 |
| Program expenses                 | -                          | -                                     | -  | 736,057                   |
| Meetings and conventions         | 7,381                      | 13,405                                | 20,786                                   | 32,577                    |
| Office expenses                  | 91,175                     | 22,177                                | 113,352                                  | 261,374                   |
| Miscellaneous                    | 11,907                     | 61,550                                | 73,457                                   | 173,562                   |
| Technology and<br>communication  | 36,829                     | 23,142                                | 59,971                                   | 183,511                   |
| Travel expenses                  | 3,707                      | 9,739                                 | 13,446                                   | 23,673                    |
| Vehicle expenses                 | -                          | -                                     | -  | 177,743                   |
| Special event                    | 281,657                    | -                                     | 281,657                                  | 281,657                   |
| Subtotal                         | 1,740,461                  | 2,189,895                             | 3,930,356                                | 21,312,410                |
| Less: Special event expenses     | (281,657)                  | -                                     | (281,657)                                | (281,657)                 |
| <b>TOTAL</b>                     | <b>\$ 1,458,804</b>        | <b>\$ 2,189,895</b>                   | <b>\$ 3,648,699</b>                      | <b>\$ 21,030,753</b>      |

See accompanying notes to consolidated financial statements.

## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                   |
|---|-------------------|
| Change in net assets  | \$ 8,377,111      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |
| Depreciation and amortization   | 205,575           |
| Realized and unrealized loss on investments   | 475,623           |
| Receipt of donated securities   | (1,929,277)       |
| Proceeds from sale of donated securities  | 1,904,462         |
| Realized loss from sale of contributed securities   | 24,815            |
| Change in discount on non-current grants and contributions receivable                       | 61,762            |
| Change in allowance for doubtful accounts   | 1,092             |
| Change in measurement of operating lease  | 3,066,132         |
| (Increase) decrease in:   |                   |
| Accounts receivable   | (376,404)         |
| Grants and contributions receivable   | 5,147             |
| Interest receivable   | (58,703)          |
| Inventory   | (4,271)           |
| Prepaid expenses  | (20,061)          |
| (Decrease) increase in:   |                   |
| Accounts and grants payable   | (24,520)          |
| Accrued salaries and related benefits   | (569,352)         |
| Deferred revenue  | <u>4,132</u>      |
| Net cash provided by operating activities   | <u>11,143,263</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                                       |                     |
|---------------------------------------|---------------------|
| Purchase of fixed assets              | (11,952,615)        |
| Net proceeds from sale of investments | 9,462,718           |
| Funds provided for note receivable    | <u>(13,668,750)</u> |
| Net cash used by investing activities | <u>(16,158,647)</u> |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|   |                             |
|---|-----------------------------|
| Proceeds from mortgages payable                 | <u>18,500,000</u>           |
| Net cash provided by financing activities       | <u>18,500,000</u>           |
| Net increase in cash and cash equivalents       | 13,484,616                  |
| Cash and cash equivalents at beginning of year  | <u>2,106,406</u>            |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> | <b><u>\$ 15,591,022</u></b> |

D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS

|  |                      |
|--|----------------------|
| Donated Securities                               | \$ <u>29,737</u>     |
| Right of Use Asset                               | \$ <u>18,906,736</u> |
| Operating Lease Liability for Right of Use Asset | \$ <u>21,423,181</u> |

## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

#### 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.

DCCK is relocating its headquarters and main service center to a leased property located in a new mixed-use development in the Buzzard Point neighborhood along the Southwest Waterfront of Washington, D.C (the "Property"). The move to the Property, scheduled to occur in 2022, will allow DCCK to increase its service capacity and provide a state-of-the-art learning environment and base of operations.

The DCCK Support Corporation ("Support Corporation") was formed in 2021 to act as the "qualified active low-income community business" ("QALICB") under the New Markets Tax Credit (NMTC) Program. The Support Corporation will support DCCK by (a) separating certain considerations from DCCK's general operations, including isolating certain real estate activities and liabilities from DCCK's overall charitable activities and assets; and (b) facilitating DCCK's participation in a financing transaction for the construction of improvements at the Property using NMTC.

##### Basis of presentation -

The accompanying consolidated 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 Consolidated 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.

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

Principles of consolidation -

The accounts of DCCK have been consolidated with the accounts of the Support Corporation (collectively, the Organization) pursuant to the criterion established by FASB ASC 958-810, Not-for-Profit Entities Consolidation. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

New accounting pronouncements adopted -

During the year ended June 30, 2022, the Organization adopted ASU 2019-01, *Leases* (Topic 842) which changed 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 Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. The Organization applied the new standard at the inception of a new lease that began in 2021 and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases.

During the year ended June 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

Cash and cash equivalents -

The Organization 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 \$470,993 as of June 30, 2022, to be cash equivalents. As of June 30, 2022, cash in the amount of \$9,869,805 was restricted for purposes of the New Markets Tax Credit Program.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Organization 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, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statement of Activities and Change in Net Assets.

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.

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

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.

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, 2022 totaled \$205,575.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

DCCK and the Support Corporation are 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 consolidated financial statements. DCCK and the Support Corporation are not private foundations.

Uncertain tax positions -

For the year ended June 30, 2022, the Organization has documented its 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 consolidated financial statements.

Special event expenses -

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

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

Revenue and support -

The Organization receives grants and contributions, including unconditional promises to give, from many sources. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization 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 transaction is 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. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions qualifying as contributions that are unconditional that 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; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return and a barrier. Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. The Organization did not have any unrecognized conditional awards as of June 30, 2022.

Contracts and program service sales classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, are recorded as revenue when performance obligations are met. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost for contracts, and sales price for program service sales. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Special events revenue is recorded at the time the performance obligation is met, which is when the relevant event is held. Transaction prices is based on sales price. Amounts received in advance of the event are recorded as deferred revenue.

Program service sales -

Program service sales consist of office space, professional services and food. Program service sales 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 the Organization; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated 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 the Organization 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:** During the year ended June 30, 2022, DCCK prepared, served, and delivered more than 1,038,000 meals to front-line shelters, youth programs, and community-based organizations serving food insecure and other vulnerable populations. The program also provided healthy groceries to partner agencies and food insecure individuals, totaling approximately 74,000 grocery bags, equivalent to an additional 618,000 meals.

**Healthy School Food:** DCCK provides healthy breakfasts, lunches, and suppers to twelve public schools and six 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. During the year ended June 30, 2022, this program served more than 1,008,000 meals to food insecure children during the last fiscal year.

**Retail Cafés & Catering:** DCCK creates job and internship opportunities for individuals facing barriers to employment through these social enterprise activities. Since 2019, DCCK's cafe in Ward 8 has also hosted on-the-job training services for opportunity youth, while providing a dignified food access point and community gathering space in an underserved neighborhood. In 2022, DCCK opened a second cafe in the flagship location of D.C. public library, expanding this program's ability to hire DCCK culinary graduates, host DCCK culinary interns, and support local farm purchasing.

**Workforce Development:** DCCK operates an intense, nationally recognized twelve-week culinary job training program for adults who have experienced barriers to employment such as histories of incarceration, addiction, homelessness, and trauma. The program offers comprehensive training in culinary arts and food safety and sanitation in combination with job readiness and life skills training. This program operated continuously throughout the past fiscal year, producing 69 graduates across 5 classes, more than 85% of whom secured full-time employment upon graduation.

**Healthy Corners:** DCCK offers an 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. We provide these small businesses with discounted healthy food items, free infrastructure, nutrition education, marketing support, and technical assistance. Our participating retailers sold more than 337,000 units of healthy food in the last fiscal year.



**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

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

Functional allocation of expenses (continued) -

**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.

Investment risks and uncertainties -

The Organization 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 consolidated financial statements.

Fair value measurement -

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurement*. 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. The Organization accounts for a significant portion of their financial instruments at fair value or consider fair value in their measurement.

**2. INVESTMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization 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 Consolidated 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 the Organization 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.

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

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**2. INVESTMENTS (Continued)**

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, 2022. 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.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization 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 the Organization are deemed to be actively traded.
- *Certificates of Deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

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, 2022.

| <b>Asset Class:</b>     | <u>Level 1</u>             | <u>Level 2</u>             | <u>Level 3</u>     | <u>Total</u>                |
|-------------------------|----------------------------|----------------------------|--------------------|-----------------------------|
| Money market funds      | \$ 470,993                 | \$ -                       | \$ -               | \$ 470,993                  |
| U.S. Government bonds   | 4,131,978                  | -                          | -                  | 4,131,978                   |
| Mutual funds- equity    | 342,328                    | -                          | -                  | 342,328                     |
| Certificates of deposit | <u>-</u>                   | <u>5,673,559</u>           | <u>-</u>           | <u>5,673,559</u>            |
| <b>TOTAL</b>            | <b><u>\$ 4,945,299</u></b> | <b><u>\$ 5,673,559</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 10,618,858</u></b> |

Included in investment loss, net, are the following:

|                              |                            |
|------------------------------|----------------------------|
| Interest and dividends       | \$ 240,328                 |
| Realized and unrealized loss | (475,623)                  |
| Less: Management fees        | <u>(31,916)</u>            |
| <b>TOTAL INVESTMENT LOSS</b> | <b><u>\$ (267,211)</u></b> |

**3. GRANTS AND CONTRIBUTIONS RECEIVABLE**

As of June 30, 2022, grantors to Organization had made written promises to give, of which \$6,530,367 remained due and outstanding, net of the present value discount. Following is a schedule of amounts due, by year, as of June 30, 2022:

|   |                            |
|---|----------------------------|
| Less than one-year  | \$ 3,118,240               |
| One to five years   | <u>3,412,127</u>           |
| Total   | 6,530,367                  |
| Less: Allowance to discount balance to present value                                | (104,036)                  |
| Less: Current portion   | <u>(3,118,240)</u>         |
| <b>GRANTS AND CONTRIBUTIONS RECEIVABLE,<br/>NET OF DISCOUNT AND CURRENT PORTION</b> | <b><u>\$ 3,308,091</u></b> |

## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

#### 4. NEW MARKETS TAX CREDIT PROGRAM

The New Markets Tax Credit Program ("NMTC") is designed to facilitate economic and community development in low income communities and offers a means for subsidized financing of charitable operations planned in such areas.

Under the NMTC program, the U.S. Department of Treasury's Community Development Financial Institutions Fund ("CDFI Fund") awards authority to certain qualified Community Development Entities ("CDE") and Community Development Financial Institutions ("CDFI"), to select low-income community business projects to benefit from NMTC financing. Private investors, generally financial institutions, then make qualifying equity investments in such CDEs or CDFIs, which in turn provide loan funding necessary for the low-income community project, in exchange for federal income tax credits.

Through participating in the NMTC financing, the Support Corporation has borrowed the funds necessary to develop and construct the improvements to the Property at an interest rate that is below market. Refer to Note 5 for details of the loans, including the dates they were entered into. The Support Corporation has used the proceeds of the loan to pay construction and other development costs, and acquire furniture, fixtures, and equipment necessary for the operation of the Property.

Following completion of the improvements, DCCK will use the Property to carry out its exempt activities of operating a community kitchen and offering job training for individuals in the Washington, D.C. area who are experiencing poverty or are otherwise at risk. The rental payments from DCCK to the Corporation will be used to make debt service payments on the loan and to pay amounts owed by the Support Corporation to the owner of the Property under the lease.

DCCK loaned approximately \$13,668,750 (the "Leverage Loan") to Chase NMTC DCCK Investment Fund, LLC (the "Investment Fund"), an entity owned by Chase Community Equity, LLC, an affiliate of JPMorgan Chase Bank ("Investor"), and into which Investor invested approximately \$5,411,250 (the "Tax Credit Equity"). The Leverage Loan commenced on January 12, 2022 and will mature on September 1, 2046. The annual interest rate on the loan is 1.147%. Interest only payments are made up to June 2029, after which quarterly payments are made, including the amortization of the loan principal.

The Investment Fund used substantially all of the proceeds of the Leverage Loan and the Tax Credit Equity to make "Qualified Equity Investments" or "QEIs" in each of the following lenders (collectively, the "CDE Lenders"), as follows: (i) a QEI in CAHEC SUB-CDE XXI, LLC in the amount of \$8,000,000; (ii) a QEI in CNMC SUB-CDE 192, LLC in the amount of \$2,500,000; and (iii) a QEI in TRF NMTC Fund 57, LP in the amount of \$8,000,000. The CDE Lenders then collectively loaned \$18,500,000 (the "QLICI Loans") to the Support Corporation. Refer to Note 5 for details of the loans, including the dates they were entered into.

#### 5. MORTGAGES PAYABLE

As part of the NMTC program, the Support Corporation has entered into the following mortgage payable agreements:

- A mortgage of \$2,500,000 payable to CNMC SUB-CDE 192, at a 1% annual interest rate. The loan was entered into on January 12, 2022, and will mature on June 1, 2050. The loan will be interest only until September 2029, after which quarterly principal amortization payments will also be made.

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**5. MORTGAGES PAYABLE (Continued)**

- A mortgage of \$8,000,000 payable to CAHEC Sub-CDE XXI, LLC, at a 1% annual interest rate. The loan was entered into on January 12, 2022, and will mature on June 1, 2050. The loan will be interest only until September 2029, after which quarterly principal amortization payments will also be made.
- A mortgage of \$8,000,000 payable to TRF NMTC Fund 57, LP, at a 1.15% annual interest rate. The loan was entered into on January 12, 2022, and will mature on June 1, 2050. The loan will be interest only until September 2029, after which quarterly principal amortization payments will also be made.

The mortgages are collateralized by the Property and reserve funds held with JPMorgan Chase Bank.

Principal payments are due as follows:

|   |                             |
|---|-----------------------------|
| <b>Year Ending June 30, 2028 and Thereafter</b> | <b><u>\$ 18,500,000</u></b> |
|---|-----------------------------|

For the year ended June 30, 2022, there was no interest expense on the mortgages.

The loan agreements contain various covenants, which among other things, place restrictions on the Organization's ability to incur additional indebtedness and require the Organization to maintain certain financial ratios.

**6. LINE OF CREDIT**

The Organization maintains a \$2,500,000 bank line of credit which matures March 31, 2023. Amounts borrowed under this agreement bear interest at the bank's prime rate (4.75% at June 30, 2022). The line is secured by inventory, receivables and equipment. During the year ended June 30, 2022, there was no activity on the line of credit. There was no interest expense for the year ended June 30, 2022. The line of credit agreement contains various covenants, which among other things, place restrictions on the Organization's ability to incur additional indebtedness without prior written consent.

**7. BOARD DESIGNATED NET ASSETS**

As of June 30, 2022, 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> |
|--------------------------|----------------------------|

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2022:

|   |                             |
|---|-----------------------------|
| Culinary Job Training                           | \$ 360,000                  |
| Capital Campaign                                | <u>31,144,140</u>           |
| <b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b> | <b><u>\$ 31,504,140</u></b> |

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**8. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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:

|  |                            |
|--|----------------------------|
| Culinary Job Training                              | \$ 60,000                  |
| Capital Campaign                                   | 1,102,563                  |
| Development  | 125,000                    |
| Passage of Time                                    | <u>250,000</u>             |
| <b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b> | <b><u>\$ 1,537,563</u></b> |

**9. LIQUIDITY AND AVAILABILITY**

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

|   |                               |
|---|-------------------------------|
| Cash and cash equivalents   | \$ 15,591,022                 |
| Investments   | 6,118,858                     |
| Accounts receivable   | 1,884,101                     |
| Grants and contributions receivable   | <u>3,118,240</u>              |
| Subtotal financial assets available within one year   | 26,712,221                    |
| Less: Donor purpose restricted funds  | (31,504,140)                  |
| Less: Cash restricted for NMTC  | <u>(9,869,805)</u>            |
| <b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS<br/>FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b> | <b><u>\$ (14,661,724)</u></b> |

The Organization has a policy to structure their financial assets to be available and liquid as their obligations become due. The Organization has a line of credit agreement (as further discussed in Note 6) which allows for additional available borrowings up to \$2,500,000.

**10. CONTRIBUTED SERVICES AND MATERIALS**

During the year ended June 30, 2022, the Organization was the beneficiary of donated services and materials which allowed the Organization to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the contributed services and materials.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended June 30, 2022:

|   |                            |
|---|----------------------------|
| Donated food and beverage                       | \$ 474,350                 |
| Donated rent                                    | 413,296                    |
| Donated professional services                   | <u>203,652</u>             |
| <b>TOTAL CONTRIBUTED SERVICES AND MATERIALS</b> | <b><u>\$ 1,091,298</u></b> |

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**10. PROGRAM SERVICE SALES (Continued)**

The following programs and supporting services have benefited from these donated services for the year ended June 30, 2022:

|                        |                            |
|------------------------|----------------------------|
| Community Meals        | \$ 674,350                 |
| Development            | 163,296                    |
| Management and General | <u>253,652</u>             |
| <b>TOTAL</b>           | <b><u>\$ 1,091,298</u></b> |

**11. NOTE RECEIVABLE**

During the year ended June 30, 2022, DCCK loaned \$13,668,750 to Chase NMTC DCCK Investment Fund, LLC, an entity owned by Chase Community Equity, LLC, an affiliate of JPMorgan Chase Bank. The note is at an annual interest rate of 1.147% and will mature in September 2046. The note receivable is related to the NMTC, as discussed in Note 4. The borrower will make interest only payments until September 2029, after which quarterly principal amortization payments will also be made to DCCK.

The following is a schedule of required principal receipts under the aforementioned loan:

|   |                             |
|---|-----------------------------|
| <b>Year Ending June 30, 2028 and Thereafter</b> | <b><u>\$ 13,668,750</u></b> |
|---|-----------------------------|

**12. OPERATING LEASE**

During the year ended June 30, 2022, the Organization leased a office 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 was \$9,773 per month. The lease was not renewed upon expiration.

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, the Organization 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.

The Organization 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.

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 Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. During 2022, the Organization elected to early implement the ASU and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases.

**D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**12. OPERATING LEASE (Continued)**

The Organization also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. As a result, the Organization recorded a right-of-use asset, net of the landlord allowance, of \$18,906,736 and an operating lease liability of \$21,423,181, by calculating the present value using the discount rate of 5%. Rent expense during the year ended June 30, 2022 totaled \$1,267,344, including both purchased and donated space.

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

| <u>Year Ending June 30.</u> |                             |
|-----------------------------|-----------------------------|
| 2023                        | \$ 1,039,514                |
| 2024                        | 1,039,514                   |
| 2025                        | 1,039,514                   |
| 2026                        | 1,039,514                   |
| 2027                        | 1,039,514                   |
| Thereafter                  | <u>26,088,158</u>           |
|                             | 31,285,728                  |
| Less: Imputed interest      | <u>(9,862,547)</u>          |
|                             | 21,423,181                  |
| Less: Current portion       | <u>(186,021)</u>            |
| <b>LONG-TERM PORTION</b>    | <b><u>\$ 21,237,160</u></b> |

**13. 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. Organization 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, 2022, contributions to the Plan totaled \$206,353 and are included in personnel expenses in the Statement of Functional Expenses.

**14. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, Organization has evaluated events and transactions for potential recognition or disclosure through November 18, 2022, the date the consolidated financial statements were issued.

During October 2022, litigation was initiated against the Organization by an individual, relating to a vehicle accident that occurred in July 2020. Although the potential outcome of the case is unknown at present, the Organization has a general liability insurance policy with \$1 million in liability limits providing coverage for this matter.

## **SUPPLEMENTAL INFORMATION**



## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
AS OF JUNE 30, 2022

|  | <b>ASSETS</b>               |                             |                               |                             |
|--|-----------------------------|-----------------------------|-------------------------------|-----------------------------|
|  | <u>DCCK</u>                 | <u>DSC</u>                  | <u>Eliminations</u>           | <u>Total</u>                |
| <b>CURRENT ASSETS</b>  |                             |                             |                               |                             |
| Cash and cash equivalents                                      | \$ 3,324,111                | \$ 12,266,911               | \$ -                          | \$ 15,591,022               |
| Investments  | 6,118,858                   | -                           | -                             | 6,118,858                   |
| Accounts receivable, net of allowance<br>for doubtful accounts | 1,884,101                   | -                           | -                             | 1,884,101                   |
| Grants and contributions receivable                            | 3,118,240                   | -                           | -                             | 3,118,240                   |
| Due from related party   | 4,160,768                   | -                           | (4,160,768)                   | -                           |
| Inventory  | 107,294                     | -                           | -                             | 107,294                     |
| Prepaid expenses   | <u>385,162</u>              | <u>346,505</u>              | <u>-</u>                      | <u>731,667</u>              |
| Total current assets   | <u>19,098,534</u>           | <u>12,613,416</u>           | <u>(4,160,768)</u>            | <u>27,551,182</u>           |
| <b>FIXED ASSETS</b>  |                             |                             |                               |                             |
| Equipment  | 1,177,396                   | -                           | -                             | 1,177,396                   |
| Vehicles   | 1,482,820                   | -                           | -                             | 1,482,820                   |
| Leasehold improvements   | 573,287                     | 2,465,083                   | -                             | 3,038,370                   |
| Construction in progress                                       | <u>-</u>                    | <u>9,421,073</u>            | <u>-</u>                      | <u>9,421,073</u>            |
|  | 3,233,503                   | 11,886,156                  | -                             | 15,119,659                  |
| Less: Accumulated depreciation and<br>amortization             | <u>(2,565,572)</u>          | <u>-</u>                    | <u>-</u>                      | <u>(2,565,572)</u>          |
| Net fixed assets   | <u>667,931</u>              | <u>11,886,156</u>           | <u>-</u>                      | <u>12,554,087</u>           |
| <b>OTHER ASSETS</b>  |                             |                             |                               |                             |
| Security deposits  | 23,773                      | 519,757                     | -                             | 543,530                     |
| Right-of-use asset   | 4,510,099                   | 14,396,637                  | -                             | 18,906,736                  |
| Note receivable  | 13,668,750                  | -                           | -                             | 13,668,750                  |
| Investments, net of current portion                            | 4,500,000                   | -                           | -                             | 4,500,000                   |
| Rent receivable  | -                           | 36,291,000                  | (36,291,000)                  | -                           |
| Grants and contributions receivable, net<br>of current portion | 3,308,091                   | -                           | -                             | 3,308,091                   |
| Interest receivable  | <u>58,703</u>               | <u>-</u>                    | <u>-</u>                      | <u>58,703</u>               |
| Total other assets   | <u>26,069,416</u>           | <u>51,207,394</u>           | <u>(36,291,000)</u>           | <u>40,985,810</u>           |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 45,835,881</u></b> | <b><u>\$ 75,706,966</u></b> | <b><u>\$ (40,451,768)</u></b> | <b><u>\$ 81,091,079</u></b> |

D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
AS OF JUNE 30, 2022

LIABILITIES AND NET ASSETS

|   | <u>DCCK</u>                 | <u>DSC</u>                  | <u>Eliminations</u>           | <u>Total</u>                |
|---|-----------------------------|-----------------------------|-------------------------------|-----------------------------|
| <b>CURRENT LIABILITIES</b>              |                             |                             |                               |                             |
| Deferred rental income                  | \$ -                        | \$ 36,291,000               | \$ (36,291,000)               | \$ -                        |
| Accounts and grants payable             | 405,079                     | -                           | -                             | 405,079                     |
| Accrued salaries and related benefits   | 482,422                     | 20,084                      | -                             | 502,506                     |
| Deferred revenue                        | 4,132                       | -                           | -                             | 4,132                       |
| Due to related parties                  | -                           | 4,160,768                   | (4,160,768)                   | -                           |
| Operating lease liability               | <u>186,021</u>              | <u>-</u>                    | <u>-</u>                      | <u>186,021</u>              |
| Total current liabilities               | <u>1,077,654</u>            | <u>40,471,852</u>           | <u>(40,451,768)</u>           | <u>1,097,738</u>            |
| <b>LONG-TERM LIABILITIES</b>            |                             |                             |                               |                             |
| Mortgages payable                       | -                           | 18,500,000                  | -                             | 18,500,000                  |
| Operating lease liability               | <u>4,624,585</u>            | <u>16,612,575</u>           | <u>-</u>                      | <u>21,237,160</u>           |
| Total long-term liabilities             | <u>4,624,585</u>            | <u>35,112,575</u>           | <u>-</u>                      | <u>39,737,160</u>           |
| Total liabilities                       | <u>5,702,239</u>            | <u>75,584,427</u>           | <u>(40,451,768)</u>           | <u>40,834,898</u>           |
| <b>NET ASSETS</b>                       |                             |                             |                               |                             |
| Without donor restrictions:             |                             |                             |                               |                             |
| Board designated                        | 4,500,000                   | -                           | -                             | 4,500,000                   |
| Undesignated                            | <u>4,129,502</u>            | <u>122,539</u>              | <u>-</u>                      | <u>4,252,041</u>            |
| Total without donor restrictions        | 8,629,502                   | 122,539                     | -                             | 8,752,041                   |
| With donor restrictions                 | <u>31,504,140</u>           | <u>-</u>                    | <u>-</u>                      | <u>31,504,140</u>           |
| Total net assets                        | <u>40,133,642</u>           | <u>122,539</u>              | <u>-</u>                      | <u>40,256,181</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b><u>\$ 45,835,881</u></b> | <b><u>\$ 75,706,966</u></b> | <b><u>\$ (40,451,768)</u></b> | <b><u>\$ 81,091,079</u></b> |

## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

**CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

|  | <u>DCCK</u>         | <u>DSC</u>        | <u>Eliminations</u> | <u>Total</u>        |
|--|---------------------|-------------------|---------------------|---------------------|
| <b>WITHOUT DONOR RESTRICTIONS<br/>REVENUE AND SUPPORT</b>            |                     |                   |                     |                     |
| Contracts  | \$ 9,275,196        | \$ -              | \$ -                | \$ 9,275,196        |
| Grants and contributions   | 6,491,040           | -                 | -                   | 6,491,040           |
| Contributed services and materials                                   | 928,002             | 163,296           | -                   | 1,091,298           |
| Program service sales  | 1,435,507           | -                 | -                   | 1,435,507           |
| Special events, net of expenses                                      | 338,851             | -                 | -                   | 338,851             |
| Government grants  | 109,506             | -                 | -                   | 109,506             |
| Contributions - United Way   | 117,238             | -                 | -                   | 117,238             |
| Rental income  | -                   | 324,051           | (324,051)           | -                   |
| Loan interest revenue  | 73,600              | -                 | -                   | 73,600              |
| Other revenue  | 10,697              | -                 | -                   | 10,697              |
| Net assets released from donor<br>restrictions                       | <u>1,537,563</u>    | <u>-</u>          | <u>-</u>            | <u>1,537,563</u>    |
| Total without donor restrictions<br>revenue and support              | <u>20,317,200</u>   | <u>487,347</u>    | <u>(324,051)</u>    | <u>20,480,496</u>   |
| <b>EXPENSES</b>  |                     |                   |                     |                     |
| Program Services:  |                     |                   |                     |                     |
| Community Meals  | 6,191,666           | -                 | -                   | 6,191,666           |
| Healthy School Food  | 6,999,242           | -                 | -                   | 6,999,242           |
| Retail Cafes & Catering  | 1,327,043           | -                 | -                   | 1,327,043           |
| Workforce Development  | 1,207,848           | -                 | -                   | 1,207,848           |
| Healthy Corners  | 1,165,792           | -                 | -                   | 1,165,792           |
| Community Development and<br>Partnerships                            | 449,091             | -                 | -                   | 449,091             |
| Support Corporation  | <u>-</u>            | <u>365,423</u>    | <u>(324,051)</u>    | <u>41,372</u>       |
| Total program services   | <u>17,340,682</u>   | <u>365,423</u>    | <u>(324,051)</u>    | <u>17,382,054</u>   |
| Supporting Services:   |                     |                   |                     |                     |
| Development  | 1,458,804           | -                 | -                   | 1,458,804           |
| Management and General   | <u>2,189,895</u>    | <u>-</u>          | <u>-</u>            | <u>2,189,895</u>    |
| Total supporting services  | <u>3,648,699</u>    | <u>-</u>          | <u>-</u>            | <u>3,648,699</u>    |
| Total expenses   | <u>20,989,381</u>   | <u>365,423</u>    | <u>(324,051)</u>    | <u>21,030,753</u>   |
| Change in net assets without donor<br>restrictions before other item | (672,181)           | 121,924           | -                   | (550,257)           |
| <b>OTHER ITEM</b>  |                     |                   |                     |                     |
| Investment (loss) income, net  | <u>(267,826)</u>    | <u>615</u>        | <u>-</u>            | <u>(267,211)</u>    |
| <b>CHANGE IN NET ASSETS WITHOUT<br/>DONOR RESTRICTIONS</b>           | <u>\$ (940,007)</u> | <u>\$ 122,539</u> | <u>\$ -</u>         | <u>\$ (817,468)</u> |

D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

|   | <u>DCCK</u>                | <u>DSC</u>         | <u>Eliminations</u> | <u>Total</u>               |
|---|----------------------------|--------------------|---------------------|----------------------------|
| <b>WITH DONOR RESTRICTIONS<br/>REVENUE AND SUPPORT</b>  |                            |                    |                     |                            |
| Grants and contributions                                | \$ 10,732,142              | \$ -               | \$ -                | \$ 10,732,142              |
| Net assets released from donor<br>restrictions          | <u>(1,537,563)</u>         | <u>-</u>           | <u>-</u>            | <u>(1,537,563)</u>         |
| <b>CHANGE IN NET ASSETS WITH<br/>DONOR RESTRICTIONS</b> | <b><u>\$ 9,194,579</u></b> | <b><u>\$ -</u></b> | <b><u>\$ -</u></b>  | <b><u>\$ 9,194,579</u></b> |

## D.C. CENTRAL KITCHEN, INC. AND DCCK SUPPORT CORPORATION

CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022

|   | <u>DCCK</u>                 | <u>DSC</u>               | <u>Total</u>                |
|---|-----------------------------|--------------------------|-----------------------------|
| <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>                    |                             |                          |                             |
| Net assets at beginning of year                                 | \$ 9,569,509                | \$ -                     | \$ 9,569,509                |
| Change in net assets without donor restrictions                 | <u>(940,007)</u>            | <u>122,539</u>           | <u>(817,468)</u>            |
| <b>NET ASSETS WITHOUT DONOR RESTRICTIONS<br/>AT END OF YEAR</b> | <b><u>\$ 8,629,502</u></b>  | <b><u>\$ 122,539</u></b> | <b><u>\$ 8,752,041</u></b>  |
| <b>NET ASSETS WITH DONOR RESTRICTIONS</b>                       |                             |                          |                             |
| Net assets at beginning of year                                 | \$ 22,309,561               | \$ -                     | \$ 22,309,561               |
| Change in net assets with donor restrictions                    | <u>9,194,579</u>            | <u>-</u>                 | <u>9,194,579</u>            |
| <b>NET ASSETS WITH DONOR RESTRICTIONS<br/>AT END OF YEAR</b>    | <b><u>\$ 31,504,140</u></b> | <b><u>\$ -</u></b>       | <b><u>\$ 31,504,140</u></b> |