

La Olla

de

La Casa de Don Pedro

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1 Executive Summary

"I need a food program that is well managed, customer oriented and responsive to the unique nutritional needs of the student population in our community. When I find a food program that offers those services, I'll sign up our school for life." Brenda Brown, Director of Bethany Academy, Newark, NJ.

Small community based preschool centers in the City of Newark and its surrounding cities are facing enormous challenges. In 1998, New Jersey Supreme Court issued a landmark ruling mandating full day early childhood education for all 3 and 4 year olds children in the State's 30 lowest performing school districts. Community preschools centers to step-in to fill the void. The transition from day care to early childhood education has some centers struggling to adapt while a few see new opportunities. The NJ Department of Education is responsible for implementing this directive and is imposing significant requirements upon community-based providers that contract with local districts. A center with 90 preschoolers is being viewed as the "effective and efficient" model for community provider centers in a universe that typically contains less than 90 students per center (only 15 out of 66 centers have more than 90 students). Among a host of new requirements hot meals are an essential component for all preschool programs, however, preparing meals internally is not cost effective for a small center; the regulations and paperwork for receiving funding from the U. S. Department of Agriculture are complicated and burdensome, and the logistics and physical space requirements for a kitchen strain the resources of small centers. The last thing a center needs when fighting for their survival is to worry about the kitchen.

Against this backdrop, La Casa de Don Pedro, an established community-based service and development corporation and local leader among Newark early childhood education centers, has identified an exciting business opportunity. La Casa is building a large new kitchen to meet its internal growth needs, and plans to use this additional capacity as the catalyst for *La Olla de La Casa de Don Pedro* (the Spanish translation for "the Pot" from the House of Don Pedro).

La Olla will free local childcare centers from the expense and hassle of food preparation, by delivering nutritious food that reflects the ethnic diversity of greater Newark. *La Olla* will handle all government reimbursement procedures and paperwork, saving its customers time, and more importantly, freeing scarce resources from serving a non-core educational function that would be unprofitable without the scale of a large and fully-employed kitchen.

La Olla will be a key partner in helping maintain access to community early childhood education, and will improve the quality of food available for youth. According the Educational Testing Service, nutrition has a critical impact on the development of a child's mind and body.

La Casa de Don Pedro has served Newark, primarily the north end of the city, for over 30 years, and is an experienced leader that offers high-quality early childhood education and development services. On a daily basis, our kitchen staff prepares between 415 and 540 breakfasts, lunches and dinners, and delivers them to our six locations. The organization has grown its program during this transformational time and now has the internal demand to justify a larger kitchen, and the scale to offer other community providers an alternative that fits their needs.

La Casa's third and newest early childhood education center will open in the fall of 2004, doubling the number of children we serve and making available a state-of-the-art food preparation facility that will enable us to centralize and improve our meal preparation. Internally, La Casa will prepare almost 200,000 meals for our own participants during the 2004-05 school year, growing to over 300,000 within five years as La Casa continues to open new centers. Externally, there are over 50 other preschool programs in Newark and its surrounding communities, offering a potentially rich market for our services.

A highly regarded and trusted early childhood education provider in Newark, La Casa is well-positioned to compete in this market, which is currently served by the City of Newark's Sun Up program and several for-profit vendors. Our market research indicates that customers' primary concerns are food freshness and the timeliness of delivery, areas where *La Olla* is designed to surpass the competition. Specifically, we will offer meal selections and family-style service that will attract customers who have been dissatisfied with the lack of choices in ethnically diverse region. *La Olla's* proximity to our customers will allow for timely delivery regardless of weather or traffic.

Already La Casa's other for-profit venture, LC HomeBuilders a construction company, has successfully gained customers based on La Casa's reputation as an advocate and ally in the community. In less than three years, the company has achieved annual sales of over \$2 million, the bulk of which come from non-profits similar to those in the early childhood sector.

La Olla will be structured as a separate not-for-profit corporation governed by a Board of Directors that includes two members of La Casa's executive management team. The venture will have an arms-length relationship with La Casa, with the objective of being self-sufficient and profit-generating, with excess profits being donated to La Casa for its larger mission.

	Yr1	Yr2	Yr3	Yr4	Yr5
Students Served	510	780	1030	1255	1590
Capacity Utilization	33%	49%	63%	78%	100%
Meals Cooked	230,650	344,550	464,600	571,700	744,000
Revenue	330,226	473,693	639,179	768,898	983,855
Expenses	382,128	450,586	555,917	611,617	712,888
Net Income	(51,902)	23,107	83,262	157,280	270,967
Investment	103,493	-	(55,000)	(48,493)	-
Cash Flow	1,657	(3,093)	6,356	91,674	231,802

An independent Managing Director, who will oversee the daily operations of the business and collaborate with La Casa's Executive Director in the area of sales and marketing. The Managing Director will employ a team of skilled individuals, most of whom will have worked in La Casa's current kitchen. La Casa's line of credit will supply roughly half of *La Olla's* initial \$115,000 investment, and the remainder will be a temporary provision of in-kind services by La Casa. Based on our projections, both investments will be repaid by the end of the fifth year as the chart above indicates. Break-even occurs in year 2, and annual income exceeds \$250,000 by year 5, when maximum capacity is reached.

2 Description of the Business

2.1 *A History of Serving the Community*

In 1972, ten families living in Newark's North Ward came together to discuss the issues they faced as recent Hispanic immigrants living in Newark. These new arrivals sought a place and means to achieve self-sufficiency and empowerment in a rapidly changing city. Addressing basic childcare needs was at the top of the agenda and La Casa founded the state's first bilingual, bicultural daycare serving over 60 children in 1974. Today, La Casa continues the tradition of service to the community through over 20 different programs and three affiliates that touched over 25,000 lives last year. The organization is divided into five divisions: Early Childhood Education, Youth and Family Services, Personal Development, Community Improvement and Community and Economic Development.

In 2001, as La Casa intensified its real estate development and rehabilitation efforts, it created LC HomeBuilder, a for-profit construction company. LC employs 15 full-time employees from the community on jobs throughout Northern New Jersey and is growing. LC HomeBuilder is currently building our third Early Childhood Education Center, which will open in the fall and serve 120 children. The new center is the focus of the next business venture – a commercial food preparation business that will meet the current needs of our own 465 pre-school and afterschool students as well as other community providers.

2.2 *The Venture*

This new business, named *La Olla de La Casa de Don Pedro* will begin by meeting La Casa's internal needs for fresh nutritious meals. La Casa's early childhood education services are following a citywide and statewide mandate that entitles every child in Newark to full-day pre-kindergarten. Our growing internal needs will serve as the initial launching point for the business and we expect to quickly expand it to other pre-kindergartens, afterschool programs and daycare centers throughout Newark and into several municipalities within a 10-mile radius of La Casa.

2.3 *Primary Market*

The initial market for this venture is La Casa de Don Pedro's Early Childhood Education, Afterschool Enrichment and Summer Day Camp programs. We serve over 450 children a year through these initiatives, growing at an average rate of about 25% every three years. Our current kitchen is 600 square feet and produces over 137,000 meals each year for children in the early childhood education and after-school programs. On a daily basis, our kitchen staff prepares between 415 and 540 breakfasts, lunches and dinners and delivers the meals to as many as six different locations. With our new Early Childhood Education Facility opening for the 2004-05 school year, our production will increase by over 40%. The facility will feature a 1,000 square foot state-of-the-art central kitchen that can easily handle the increased production, enabling us to grow the business to serve an external market.

2.4 Opportunities in Secondary Markets

There is enormous potential to sell our services to early childhood providers throughout Newark and the surrounding municipalities. In 1998 the New Jersey Supreme Court issued a decision known as the “Abbott Mandate.” Under court order, the State and the 30 lowest performing school districts are mandated to implement “whole school reform,” provide new educational facilities and offer preschool education for all 3 and 4 year-olds. The decision required all Abbott districts to fully comply with the mandate by 2004 and, as a result, the field of daycare in and around Newark has been completely transformed. The need is huge. Today there are 8,444 children in Newark who are eligible for preschool and only 6,000 slots available. The Newark School District offers only 935 preschool slots leaving the remaining slots to community organizations¹. There are another 6,000 eligible children in the five Abbott districts around Newark and over 70% of these spaces are provided by community centers.

Many of these providers do not have the capacity to prepare food in-house or will soon exhaust their capacity as they grow; forcing them to purchase food from a handful of outside vendors. Further, our calculations indicate that the economics of offering food under the Department of Agriculture’s free-lunch programs makes it inefficient for organizations with less than 500 students to produce internally (at a smaller scale, the reimbursement rates cannot cover the cost of food and preparation labor). This provides an excellent opportunity to create a food preparation business that meets La Casa’s internal needs while generating additional revenues from other community organizations providing early childhood education.

Nutritious breakfasts, lunches, snacks and dinners are prepared from scratch in La Casa’s kitchen every day and delivered to the centers hot and ready for family-style service. The overwhelming majority of students in Abbott Centers are eligible for the free and reduced lunch program sponsored by the Department of Agriculture which means that centers will receive the meals at little or no cost. Regulations under Abbott are subject to change, however we know that the requirement to serve breakfast and lunch to every child will not change. We will urge the large and small centers to leave the cooking to us as they work to remain in compliance with evolving educational regulations.

When the Abbott Mandate was passed, La Casa quickly and successfully reformatted its program to comply with the State’s educational requirements. A number of local “day care service” providers including Head Starts, churches, individuals and community groups also began revising their programs. They were given until 2004 to meet all teacher certification, curriculum, facility and nutritional requirements, although several are still struggling to meet the deadline. In the midst of meeting the compliance standards, many groups chose to provide the required meals through outside vendors. This has created a growing need for suppliers of hot, nutritious meals in Newark. While some surrounding municipalities are not required to provide full-day pre-kindergarten nor do they have the numbers of children that Newark must serve, our research indicates some additional opportunities. In addition to the providers in Newark, our services will target Abbott Centers in five surrounding cities including; East Orange, Elizabeth, Harrison, Irvington and Orange, which are all within a 10-mile radius of the central kitchen on First Street in Newark. All pre-kindergartens are required to provide food for their children, most of whom qualify for the free or reduced price lunch program in these areas.

¹ Source: The Newark Public Schools 2002-2003 School Year Report

2.5 The Business Model

The Department of Agriculture's Adult and Child Food Program (ACFP) provides free and reduced price food funding for eligible low-income children. Approximately 75% of the children in La Casa's current programs are eligible for full reimbursement and another 17% receive reimbursement at a reduced rate. Our surveys indicate that these statistics are similar throughout the local Abbott districts. The Department of Agriculture sets the funding rates for breakfast, lunch and dinner, however this program does not realistically cover the full costs of preparation, food purchase and service for anyone with a low volume of meals. Food preparation is highly scale dependent; the ability to gain maximum productivity out of labor and equipment is critical in order to succeed. An efficiently run kitchen, for example, can produce 1,000 meals with about the same overhead and labor as with 500 meals. Food cost is relatively low compared to the cost of labor, which generates an economy of scale and makes it extremely difficult to cover costs at small programs.

La Casa's 30 years of experience in the field of childcare has taught us important lessons about living within the confines of the DOA program and supplementing it with other funding as needed. Furthermore, the reporting requirements associated with the ACFP can be onerous and time-consuming. We have a good reporting team and fiscal department in place where smaller groups do not. These economies of scale and internal capacity give La Casa an edge over smaller programs and will serve our marketing efforts well.

Community providers who receive their meals from *La Olla* will sign a 1 year contract. *La Olla* will not charge its customers for the service, instead directly billing the Department of Agriculture as an approved "sponsor" of their program. Its customers will eliminate all food related expenses from their budget (typically a money loser) and *La Olla* will be able to control the reimbursement procedure to ensure accurate and timely payment. Customers will still be required to provide class lists and Department of Agriculture eligibility forms for each child to ensure that the reimbursement process runs smoothly, however, *La Olla* will look for ways to reduce or eliminate any burden (efforts that will also have benefits at La Casa). Each center will be assigned a time when they can expect delivery of breakfast and lunch/snack based upon their schedule and needs. Centers will receive a weekly menu complete with nutritional information that they can share with the parents. Every morning, a van will deliver a complete breakfast including beverages to the center in hot/cold containers. The lunch containers from the previous day will be collected during this visit. In the afternoon, our drivers will deliver lunch and snack at the appointed time. The meals are packaged in family-style containers so that the children are integrated into the experience of serving and enjoying their meal. This is an excellent socialization exercise and our research shows it is also the preferred method of serving for our target market.

2.6 Enterprise that Serves a Social Purpose

Providing daycare/early childhood education is La Casa de Don Pedro's premier program. Our primary objective is to create a supportive learning environment that embraces family values, respects heritage and cultural roots and motivates parents to become the child's most important

mentor and educator while preparing youngsters for the rigors of their future education. According the Educational Testing Service, nutrition has a critical impact on the development of a child’s mind and body. *La Olla’s* primary social purpose is to provide children with nutritious and appealing hot meals.

In addition, this venture enables us to employ members of our community and possibly place residents that La Casa works with in our workforce development programs. As a community development corporation, La Casa is concerned about job opportunities and career ladders. When it opens, *La Olla* will employ at least 5 full-time staff members. Many of the jobs created by La Casa are held by members of our community and past participants of our services. Our Personal Development Division offers adult education and workforce preparation courses to over 400 adults each year. We plan to use the kitchen as an internship site for our participants, possibly encouraging some interns to enter the food preparation industry. The training component is a separate enterprise from *La Olla*. – as an independent organization, *La Olla*. will use its own discretion as to when the use of trainees supports its business model.

2.7 Objectives

Concentrating on our internal market growth with very modest projections for capturing new markets, *La Olla* expects to grow quickly, reaching our capacity of about 1250 students within five years as the chart below indicates. After two years of a break-even cash operation, the business will have the scale to fund its own growth, repay its investment and begin to generate cash for La Casa.

La Olla’s Projected Growth Over 5 Years

	Year 1	Year 2	Year 3	Year 4	Year 5
Internal Demand:					
La Casa’s Centers	240	240	330	330	390
La Casa’s Afterschool	100	120	150	150	150
La Casa’s Summer Program	125	150	150	150	150
Total Internal	465	510	630	630	690
External Demand					
Number of External Centers	1	3	4	5	6
Average Center Size	45	60	60	75	90
Average Afterschool Size	0	15	20	25	30
Average Summer Program Size	0	15	20	25	30
Total External	45	270*	400	625	900
Maximum Simultaneous Meals/Day	410	615	800	980	12600
Maximum Students/Day	510	780	1040	1255	1590

* 3 centers, each with 60 in the school 15 afterschool, and 15 summer

2.8 Well-Positioned for Expansion

We have been preparing for this moment for 30 years and have the professional staff and relationships in place at all levels from food preparation to accounting. From 1972-1999, La Casa served approximately 60 children ages 2-5 and another 60-80 afterschool students. A kitchen was established in our childcare center located at 75 Park Avenue in Newark. When

Center 2 opened in 2000 and the afterschool program expanded, kitchen space became very tight. Minor renovations and additions eased the situation but it was only a matter of time before the kitchen would become untenable in its current location in light of the achieved and projected growth of the various youth programs. Construction on Center 3, a \$2.9 million development now in construction will be complete by September 2004 and all kitchen operations will be transferred. The base cooking staff is already in place and a roster of meals currently exists. We have excellent relationships with a number of food distributors who are ready to serve our expansion at any time. The Early Childhood Education Center vans are ready to increase meal pick-up and delivery and their travel routes can be easily expanded. The Fiscal office is also prepared to increase the volume of required reports and transactions as needed. There is an expertly trained and cross-trained staff in place to handle the financial end of this enterprise.

3 Industry Analysis

3.1 Context: The Abbott Mandate

The New Jersey Supreme Court issued a mandate in the landmark Abbott vs. Burke education case. In its ruling, the Court directed the State of New Jersey to implement full-day early childhood education for all 3 and 4 year-old children in State’s 30 most vulnerable school districts, noting that “intensive preschool and full-day kindergarten enrichment programs are necessary to reverse the educational disadvantages these children start out with.” Abbott also has a nutrition requirement that requires pre-schools to supply breakfast, lunch and a snack for all preschool children.

Newark is New Jersey’s largest city and is an Abbott district. There are five additional Abbott districts within a 10-mile radius of Newark (for a map of Newark’s centers and the surrounding towns, please see Appendix 9.1). As the chart below depicts, during the 2002-03 school year there were 17,172 children enrolled in Abbott pre-school classes within ten miles of Newark, representing 44% of all Abbott pre-school children. More than three-quarters (77%) of these children attended preschools run by community providers or organizations that are not part of the public school system. In addition to its status as the largest city in New Jersey, Newark is also the poorest. Essex County resembles a doughnut in terms of income level. Newark and most of the cities surrounding Newark have concentrated poverty while wealthy communities form rings along the outer edges. Ninety-percent of Newark’s school children qualify for the free or reduced price lunch program. The majority of centers we interviewed indicated similar statistics.

3.2 2002-2003 Abbott Preschool Enrollment, Municipalities Within 10 Miles of Newark

Municipality	Total Population	% of children under age 5	Total Abbott Preschool Enrollment	% BO Ed Enrollment	% Community Provider Enrollment	Median Household Income	% of families in poverty in 1999
Essex County	793,633	NA	13,074	37%	63%	\$44,944	15.6%
East Orange	69,824	7.9%	2,018	39%	61%	\$38,562	15.9%
Elizabeth	120,568	7.7%	3,820	59%	41%	\$38,370	15.6%
Harrison	14,424	6.5%	278	3%	97%	\$48,489	10.1%
Irvington	60,695	8.1%	1,724	2%	98%	\$36,575	15.8%
Newark	273,546	7.1%	8,444	15.5%	84.5%	\$26,913	28.4%
Orange	32,868	6.8%	888	1%	99%	\$40,852	9.2*
TOTAL 6 cities	571,925		17,172	28%	72%		

Sources: Association for Children of New Jersey and the Education Law Center

*2000 data

The centers’ enrollment varies greatly in size, however the Department of Education is contemplating eliminating all centers with fewer than 6 classrooms (90 students). For the last five years, dozens of community providers have been challenged by the Department of Education to meet the prescribed requirements including upgrading their teaching staffs, curricula and facilities. Some centers have voluntarily withdrawn from early childhood while others have been denied contract renewals. A select few have undertaken expansion so far. Meal

provision is not seen as a priority in light of these other demands. However good nutrition is required under Abbott as it is a proven component of a child's educational development.

We expect to target centers that have experience preparing meals for themselves but are now focusing on improving or expanding their operations. Furthermore, most small centers that prepare their own meals ultimately lose money because they do not have the scale that is necessary to be profitable. Department of Agriculture reimbursement rates are designed to cover the cost of food only; all other costs including preparation, equipment, utensils and other items are not included in the pre-set rates. While the Department of Education offers some funds for kitchen staff, they do not cover the real costs. We can document this to potential customers as part of the rationale for closing existing kitchens in favor of using *La Olla*. Providers who currently contract with a vendor will also be targeted – our selling point with these centers will focus on supporting a local business that offers fresh foods and convenient delivery times.

3.3 A Specialized Field

Funding for community-based pre-kindergarten providers is relatively fixed and the food service program sponsored by the Department of Agriculture is a staple of public education. The Abbott mandate requires schools to provide a full 10 hour day pre-kindergarten services, which includes breakfast, lunch and snack. In our region of New Jersey, the field of firms that prepare and sell breakfast, lunch, snack and dinners to daycare centers, afterschool programs and private schools appears to be somewhat limited. The Department of Agriculture's reimbursement regulations, nutritional requirements and shoestring budget keeps this field fairly specialized. Most school systems and a scattering of smaller firms are engaged. The data regarding the size and profitability of this industry is very limited and most early childhood providers we spoke to who use an outside vendor declined to name their vendor (further complicating our research). Fortunately, La Casa's many years of preparing our own meals for a growing population enables us to make relatively well-informed projections about the business.

There are a number of opportunities in this field, however some challenges also exist. The Department of Agriculture sets the funding rates for eligible children. The amount of funding collected varies based upon the income level of the children in attendance. Contracts to prepare meals are subject to strict regulation by the Department of Agriculture. While programs operate year-round under contract and are thus very predictable in volume, centers do need to deal with seasonal peaks in the summer. Summer day camp increase the enrollment and hours of children ages 5-12 who are served breakfast and lunch and a reduces dinners served through afterschool programs. *La Olla*. will supplement the staff with temporary employees and trainees enrolled in the La Casa's workforce development initiative during more busy times.

Early childhood providers prefer to serve fresh foods and hot meals since these meals might be the most nutrition the child receives in a day. Because prices are essentially set by the Department of Agriculture's reimbursement rates, achieving scale is the only way to achieve profitability. However, many centers are relatively small and still require the same level of service.

Some medium-sized vendors turn to cost saving measures such as preparing two hot meals and delivering them once a day, leaving one meal to sit for up to 6 hours before it is eaten (while our research showed a clear preference for fresh food). These companies also prepare more cold meals to reduce the need to deliver frequently.

Vendors can be challenged to offer more variety in the menu options to satisfy different ethnic palates. Preparing multiple meals every day adds complexity and reduces the benefits of scale. *La Olla* will not provide menu choice to its customers to help control costs, however, it will offer a varying menu that reaches across cultures. This will provide a learning opportunity in the classroom and still meet customer demand for variety (although at the tradeoff of choice).

Larger food preparation and distribution companies such as Aramark or Marriott have not entered the field, likely because of the limited pricing flexibility.

3.4 Dimensions of the Target Market

Our primary target market is within Newark and the five closest Abbott Districts. Each of these municipalities touch Newark borders within a 10 mile radius of our kitchen. In addition to the close proximity, we have chosen to target these localities because they are required to provide early childhood education and the vast majority of their students qualify for the free and reduced-price food program, ensuring reimbursement. These centers have populations with below-average household incomes and above-average poverty rates. As the table in 3.1 demonstrates, there are over 17,000 children enrolled in pre-school in these areas and 72% of them attend non-school district centers (or 12,297 children). This represents over 24,500 meals each day. In Newark there are about 8,500 children who are eligible for Pre-K and only 5,500 are enrolled in a program. The Newark School District serves only 935 of those enrollees leaving the rest of the slots to community organizations². Today there are 66 non-district provider sites in Newark serving almost 85% of the children currently enrolled and there are about 3,000 children who are not served at all.

3.5 Market Research

Our work in the field of Early Childhood Education gives us a strong sense of the business; however, we sought to better understand our customer base and administered a survey to Directors of Early Childhood Education Centers in Newark and the other five target cities. Twenty-one centers responded to the survey. The results confirmed many of our assumptions and helped better define our target customers. A copy of the survey can be found in Appendix 9.2, the survey results are in 9.3.

Slightly more than half (57%) of the respondents prepare their own meals, however more than one-third (42%) indicated that they would be interested in buying meals from a vendor. While most of the centers we questioned are not anticipating a change in their food needs, we believe that number is likely to change for Newark respondents if the Department of Education continues to pressure smaller centers close or consolidate.

² Source: The Newark Public Schools 2002-2003 School Year Report

Of the 9 centers that use a vendor, it was difficult to obtain the name of their vendor except in the case of centers using the city-run food program called Sun Up. Considered one of the largest players in the local food program industry, the Sun Up program was utilized by 46% of the centers we surveyed who named their vendor. Almost one-third of the respondents (31%) chose to keep the name of their vendor confidential while 23% indicated using Driscoll Foods, a regional vendor and food distributor. When the respondents were asked to name the favorite characteristic of their vendor, reliability and food variety were the overwhelming responses. However, respondents raised several concerns about their current vendors, ranging from “ethnic dishes not available” to “home-style cooking not available” to “poor quality of food.”. In particular, a number of respondents noted that fruits and vegetables were not fresh and did not represent the best available for the season. We will monitor produce quality closely to maintain performance on this visible component of quality. Additional responses are illustrated on the chart below.

Market Research Responses

Question	Satisfied	Unsatisfied	Neutral	Not Sure
Menu choices	76%	8%	16%	NA
Timeliness of meal delivery	88%	12%	-	NA
Are hot meals delivered hot?	88%	12%	-	NA
Billing is convenient	50%	38%	12%	NA
Cost is competitive	50%	-	25%	25%

3.6 Customer Needs

We have found the basic needs of our customers are simple: provide nutritious meals in a timely manner that fits the budget constraints. The same nutrition requirements apply uniformly to providers. Breakfast has three main components; 1) milk or other fluid 2) vegetable, fruit or juice 3) bread/bread alternate or cereal. Lunch must have the following 4 components: 1) milk or other fluid 2) vegetable, fruit or juice 3) bread/bread alternate 4) meat/meat alternate. The required afternoon snack must have 2 of the following 4 components: 1) milk or other fluid 2) vegetable, fruit or juice 3) bread/bread alternate or cereal 4) meat/meat alternate. There are no requirements regarding the timing of food service, however La Casa prefers to feed their children a minimum of every four hours. The locality of La Casa’s kitchen enables us to provide these meals in a timely and fresh manner. Variety is entirely up to the discretion of the provider and this is one basis upon which *La Olla* can compete.

3.7 Customer Desires

Based on our market research, we found that while many centers were generally happy with their current vendor, there are a few pressure points that offer *La Olla* a competitive advantage. Some of the larger food vendors (Sun Up) distribute their meals for individual consumption, not family style. Two-thirds of our respondents prefer family-style service, which allows the centers to use the meals as a learning and socialization activity, engaging the children in setting and clearing the table as well as teaching them manners while they are eating. *La Olla’s* meals are prepared for family style service. Another strong selling point for the business is our intention to facilitate the

reimbursement process, eliminating the customer complaint that billing was difficult, time consuming and a financial burden.

3.8 Competitive Advantages

La Olla currently prepares and delivers food to high volumes of children every day at six sites (two for breakfast and lunch, 4 for dinner). Meals vary every day of the month, offering children a wide selection of food types and flavors (with a specialty in Latin cuisines) that our competitors do not offer. The challenges associated with ramping up volume and delivery were faced and handled well when La Casa's second center opened in 2001. Consequently we are confident in our ability to make a smooth transition as we contract with new customers. Furthermore, La Casa has an excellent relationship and reputation with our food and supplies vendors, ensuring our ability to increase production quickly. Delivery is another critical component of this strategy and La Casa's fleet of 6 vans gives us an excellent infrastructure and back-up strength to meet schedule demands with few additional costs. Most local centers wish to support local vendors who employ local residents and offer high quality services at a competitive price.

La Casa is well known in the community as an advocate for community based organizations. We frequently interact with the leaders of other organizations, giving a natural sales channel. Our value proposition of reducing hassle is a unique positioning and well suited to our reputation. Finally, La Casa as a parent is a well-managed and innovative organization permitting flexibility to cover expenses in the beginning of the business operation.

If variety is the spice of life, then La Casa de Don Pedro is full of life. Our children hail from many different cultures, which necessitates creative meal choices to satisfy a wide range of palates. On any given day, a child may be served a croissant with strawberry preserves, white grape juice and milk for breakfast; fried chicken, mashed potatoes, carrots with corn, fruit cocktail, bread and butter and milk for lunch and; Lorna Doone cookies and fresh oranges as a snack. Another day the children might be served waffles with syrup, cheese, pineapple juice and milk for breakfast; "bistec" – steak, yellow rice and broccoli, apple sauce, bread and butter and milk for lunch and; animal crackers and fresh grapes as snack. We work hard to mix the children's home cultures with the cultures of fellow students. These menu selections set us apart from other providers in the area. Meals are served to the children family-style at small tables, promoting a social, family-friendly eating environment.

3.9 Likely Market Share and Growth Potential

La Olla has a capacity of about 1250 children per day, which means that the maximum external sales are to centers serving approximately 550 children. This can be achieved through working with 6 organizations with 90 students each, which we believe is easily feasible within 5 years. This represents less than 10% of the Newark market, and is even smaller when factoring in sales to neighboring communities.

3.10 *Competitive Analysis*

We identified our main competition through surveys and inquiries to our colleagues in the pre-school and afterschool fields. The profiles of our local competitors (attached) clearly indicate there is an opportunity for La Casa to reach an untapped yet broad ethnic clientele.

La Olla's principal competition is the City of Newark's Sun Up program. Considered the de facto food program for fledgling groups, Sun Up captures a great deal of the market with no marketing whatsoever. Some area providers have the perception that the City's program, Sun Up, is free. Under the guidelines of the Department of Agriculture's food program, Sun Up is a *sponsor*, providing food service and obtaining reimbursement for a number of *affiliates* (or centers). La Casa has sponsorship status; consequently, *La Olla* will use its sponsorship to attract affiliates as our customers in much the same fashion as Sun Up.

Driscoll Foods appears to be a strong for-profit competitor. In addition to providing a relatively high volume of service throughout New Jersey, the company is also a food distributor. This offers them a competitive edge with respect to the price of food (as there is no middleman). While our information about the extent of their market penetration in this area is limited, the providers we surveyed were relatively pleased with their service. The chart below shows how *La Olla* compares to our two main competitors, Sun Up and Driscoll Foods. Full competitor profiles are included in Appendix 9.4.

3.11 *La Olla vs. The Competition*

	Sun Up	Driscoll Foods	La Olla/ La Casa
Years in Business	30+	Unknown	30+
Region Served	Newark	Statewide	Greater Newark
Target Market	Preschool, daycare and after school	Preschool, daycare and after school & elderly	Preschool, daycare and after school
Daily Delivery Frequency for Preschool	Twice	Once	Twice
Has Own Kitchen Location	No*	Yes-East Orange	Yes-Newark
Offers Breakfast, Lunch, Dinner, Snack	Yes	Yes	Yes
Daily Kitchen Capacity- Number of meals served/day	Unknown	20,000 (hot) 40,000 (cold)	5,000
Service Style (family or individual)	Individual	Either	Family
Reimbursement	Directly to DOA	Bill Schools	Directly to DOA
Contract	Annual	Annual	Annual

* *Contracts with a vendor*

3.12 *Future Competition*

There are two potential non-profit competitors in the area. The Community Foodbank of New Jersey has a stellar reputation in the fight against poverty and has expanded into the field of food preparation with four special food programs. The year-round Food Service Training Academy graduates between 40-50 students, preparing them for a career in the food service industry. Their staff includes a head chef instructor, two chef apprentices and a cafe liaison who work out of a 3,000 square foot kitchen which enables them to prepare a minimum of 10,000 meals daily.

On an annual basis they provide 2.5 million pounds of food to various neighborhoods throughout New Jersey. They have been able to capture and maintain a large sector of the local corporate market with their catering services, a venture which came about based on a growing need and desire to provide an array of upscale service and menu options. They have not entered the realm of early childhood food preparation, although it is a potential enterprise for them in the future.

Babyland Family Services, a Newark child and family development organization founded in 1969 has announced its intention to compete in this market. They are in the midst of a capital campaign to build a new facility with a large commercial kitchen. Internally, Babyland delivers culturally sensitive meals to children and families in their nine centers throughout Newark. Babyland has been in existence slightly longer than La Casa and is known as an early childcare pioneer. Some of its centers are somewhat outdated and present some deficiencies in terms of complying with current Department of Education facility standards. Both the kitchen facilities and staff sizes of Babyland and *La Olla* will be roughly equal. With its own population base of about 350 children, Babyland has plans to extend its food services to daycare agencies in East Orange and Irvington in 2004, a market that La Casa intends to pursue as well. Complicating Babyland's situation is its break-away from another community development corporation two years ago. Since then, Babyland and its former parent company have been directly competing for their respective roles in the early childhood business as well as in other areas. This has placed considerable demands on Babyland's capacity overall as it continues to be challenged by the early childhood requirements and distracted by attempts to become a more comprehensive organization.

While these two agencies should be considered a mild threat, it is mitigated by the growing preschool community in Newark and surrounding areas. *La Olla* also has time on its side since we will launch this venture before any other community group, enabling us to set high standards of quality and punctuality.

3.13 Barriers to Entry

The Department of Agriculture (DOA) presents several barriers for other organizations who wish to prepare their own food or seek to start a similar venture. Every organization that wishes to participate in the DOA's food program must attend a two-day orientation session in Trenton. At this session, the DOA staff reviews all of the eligibility standards and the accompanying paperwork. They also discuss the logistics of starting one's own food program, counseling participants to carefully consider their options. Establishing one's own food program is a cash-intensive proposition, requiring programs to purchase food for 2-3 months before reimbursement begins. Organizations interested in becoming a sponsor-agency and preparing their own meals will experience some difficulties with the DOA's regulations as well as the tight food budget. There are various rules regarding fair practices, conflicts of interest and competitive bidding that make the terrain somewhat difficult to navigate successfully. La Casa has weathered this process, but it is definitely a test of mettle and resolve. In addition, since payment levels are set by the Department of Agriculture, this business is only profitable once centers reach scale and minimize costs. This presents a barrier to entry for the many small centers operating in the area.

4 Marketing Plan

4.1 Marketing Objectives

La Olla will begin meeting La Casa's internal need for meals in September 2004 and expects to recruit at least 45 preschool children from outside our own center by that time. Drawing upon our experience from La Casa's other successful business, LC HomeBuilder, we plan to recruit the first outside group via word-of-mouth. Two centers have already expressed interest in signing a contract with *La Olla*, based on the continuing networking of La Casa staff in the community. We will aim to achieve 100% customer retention with initiatives that set the business apart from other vendors such as special meals on noteworthy days (e.g., Women's History Month) and creating educational materials that teach children lessons while marketing the business (e.g., placemats with the food pyramid and *La Olla* logo).

4.2 Positioning in the Market

La Olla has a number of traits that distinguish us from the competition. *La Olla*'s parent organization, La Casa, is well-known and highly regarded as a leading provider of early childhood education. Furthermore, La Casa has emerged as the leading advocate and educator on behalf of community providers in Newark. This will appeal to customers who are facing increased regulations and pressure from the Board of Education since they appreciate the advocacy La Casa does on their behalf. The business' status as a homegrown vendor, employing local residents and keeping dollars local, will impress customers while our close proximity to them ensures timely delivery regardless of weather or traffic conditions. Our meal selection and service style will attract customers who have been dissatisfied with the lack of ethnic choices in our increasingly diverse region. Family-style service is the preferred mode of serving students.

- ★ **Status as a Provider:** La Casa is tuned into the changing educational needs in this industry and advocates for the rights of community providers.
- ★ **Local Vendor:** As a home-grown business, dollars stay closer to home. Catering to customers in Newark and surrounding cities ensures prompter, fresher delivery of foods and far less susceptibility to foul weather or traffic conditions.
- ★ **Ethnic Choices:** The menu features a blend of ethnic favorites to please the diverse communities of Newark.
- ★ **Family-Style Service:** Food is prepared and delivered in family-style portions.
- ★ **Social Enterprise:** Local residents are trained and employed by the business, keeping dollars in the community.

4.3 Marketing, Communications and Sales

La Olla's position as part of La Casa's family is an enormous boost to the business' reputation. Word-of-mouth and solicitation by members of La Casa's senior management team are the principal techniques utilized by our general contracting business, LC HomeBuilder, and it has

proven very effective. Furthermore, since a portion of the market includes centers that are currently preparing their meals in-house, one-on-one contact will be extremely important because many centers see La Casa’s program as a model. La Casa’s Executive Director and the Director of the Early Childhood Education Division will perform the majority of the selling tasks with support from *La Olla*’s Managing Director.

Additional marketing tools such as a uniform logo, attractive brochures, printed placemats and creative menus will also be employed. They will be distributed to La Casa’s vast network in the nonprofit, governmental and private sectors. We will also hold special events such as open houses and tastings to attract new customers. Audiences that will be targeted include:

- ★ **Non-Profit Networks** such as: Early Childhood Coalition, Newark Advocates for Children, Association for Children of New Jersey, Statewide Parent Advocacy Network, the Newark Community Development Network and others; These are parent organizations, trade associations, advocacy groups as well as funding sources that deal with early childhood and children concerns. We will market our products to them with the expectation that they will help us spread the word about La Casa’s new initiative.
- ★ **Child Services Providers** including: private daycare centers, community based preschools, charter schools, private schools, churches, afterschool programs and others;
- ★ **Funders Serving Children’s Programs** such as: Victoria Foundation, Prudential Foundation, Schumann Fund for NJ, Turrell Foundation, Hyde and Watson, Healthcare Foundation of NJ, funders and board members of potential customers have all been engaged in promoting collaborations and improving the efficiencies and effectiveness of the organizations they support. They have already expressed a great deal of enthusiasm about *La Olla* and many have offered to help spread the word.

4.4 Pricing

At La Casa, 75% of students are eligible for free lunch, and 17% are eligible for reduced price lunch. Generally in Newark, 90% of children qualify. The Department of Agriculture’s Adult and Child Food Program sets the reimbursement rates, found in the table below. Typically, centers provide meals to all children attending for free, regardless of eligibility for free or reduced price lunch. In order to be competitive, *La Olla* will follow this same principle, which is consistent with the standard used at La Casa centers. Ironically, this structure means that gross margins will decrease as the income of residents increases.

Department of Agriculture Reimbursement Rates

	Breakfast	Lunch	Snacks	Dinner
Free Lunch	\$1.17	\$2.14	\$0.58	\$2.19
Reduced Lunch	.90	1.79	0.30	1.79
No Subsidy	0	0	0	0

Food costs at La Casa have historically been \$1.26 per student per day (for its current mix of breakfast, lunch, snack and dinner). Food costs are not expected to change significantly as the business gains scale (economies of scale come through preparation and delivery labor, rather than raw materials). La Casa serves its meals on reusable dishes, however, it is expected that many customers will not have on site dishwashing facilities, leading to an additional cost of approximately \$0.05 / student per day for disposable dishes.

In addition to revenue from the Department of Agriculture, *La Olla* is expected to continue to receive funding from the Newark Public Schools which provides partial funding to childcare centers operating a kitchen facility as well as from the New Jersey Department of Human Services that provides parallel but less restrictive funding for early childhood development. *La Olla* will not be able to capture the Board of Education funding from its customers but they may be allowed to reprogram them for other educational needs.

Customers who do not operate a kitchen will likely see no difference in their costs from using *La Olla* compared to any other competitor. Customers who operate their own kitchens will likely achieve cost savings if they serve less than 500 meals per day³. In addition, these customers may be able to reallocate some of their funding for food preparation to other uses.

4.5 Customer Feedback

Quality control in all aspects of this venture from the freshness and taste of the food to the timeliness of the delivery and effectiveness of the reimbursement process will make or break this business. Customers (including La Casa) will be surveyed on a regular basis to determine our strengths, weaknesses and opportunities for improvement and expansion of the current market and product line.

³ There is no reason to expect that the break-even for customers is any lower than at La Casa, which requires 500 meals per day to break-even on Department of Agriculture reimbursements.

5 Operations

The basic operations of this venture are relatively routine as La Casa has been preparing its own food for many years and doubled food production when Center 2 opened in 2001. *La Olla* will open when La Casa’s Early Childhood Education Center 3 opens on First Street in Newark in September 2004. This center will feature a 1,000 square foot state-of-the-art commercial kitchen with a loading facility. Estimated capacity of a kitchen this size is to prepare 1,000 meals at a time. The kitchen will have two 6-burner stoves, a large dishwasher, three commercial refrigerators and one commercial-grade freezer. The kitchen has a large pantry and there will be ample counter space for prep-work. A copy of the kitchen’s floor plan is in Appendix 9.5. All of these items will be transferred to the business from La Casa as part of its start-up. Rent and maintenance costs will become the responsibility of *La Olla* when it incorporates.

5.1 Tasks and Implementation

TASK	TEAM MEMBERS	TIMING	ACTIVITIES
Customer Contracts	Managing Director	Annually	<input checked="" type="checkbox"/> Review contract with the customer and sign <input checked="" type="checkbox"/> Collect center schedule (including delivery times) class lists, and eligibility forms for DOA Food Program <input checked="" type="checkbox"/> Assign and confirm delivery times with customers
Menu Preparation	Managing Director and Nutritionist	Monthly	<input checked="" type="checkbox"/> Finalize monthly student load for all customers <input checked="" type="checkbox"/> Set the monthly menu and amounts in conjunction with nutritionist <input checked="" type="checkbox"/> Develop supplies list and check budget
Order Food	Managing Director	Routinely	<input checked="" type="checkbox"/> DiCarlo Distributors- Food Suppliers deliver goods about twice a month or as needed and are generally paid on a monthly basis <input checked="" type="checkbox"/> La Esperanza Baking- Bread suppliers deliver goods on a daily basis and are generally paid twice a month <input checked="" type="checkbox"/> David Alexander- Delivers milk and water 3 times a week and is generally paid twice a month.
Food Preparation	Managing Director, Head Cook, Kitchen Staff, trainees, etc.	3 times a day	<input checked="" type="checkbox"/> The kitchen staff does all necessary prep-work, cooking, packaging and helps to load the delivery vans. See Workforce/Production Rate chart below.
Food Distribution	Drivers	Varies	<input checked="" type="checkbox"/> Utensils and dishes are maintained and washed on-site (or paper/plastics will be delivered with each meal), serving boxes are picked up with each delivery. <input checked="" type="checkbox"/> Deliveries are made for breakfast between 8 and 8:30 AM. Lunch/snack deliveries take place between 11:30 and 12. Delivery times will be expanded as the volume of customers increases.
Facility and Equipment	Managing Director		<input checked="" type="checkbox"/> La Casa’s centers have dishwashers, serving equipment, refrigerators for snacks, refreshments, etc <input checked="" type="checkbox"/> Kitchen Equipment: -2 6-burner stoves -2 double-door refrigerators (1 additional refrigerator to be purchased) -1 small deep freezer (will be replaced by a

			commercial freezer) -1 commercial dishwasher, - transport containers. <input checked="" type="checkbox"/> Equipment accommodates preparation of 1,000 units of each meal. <input checked="" type="checkbox"/> The majority of the equipment is less than 5 years old with a useful life of 20 years <input checked="" type="checkbox"/> Cleaning supplies ordered from existing distributors (monthly)
Information Management and Billing	Managing Director, Fiscal Department	Weekly	<input checked="" type="checkbox"/> Train customers on <i>La Olla</i> /DOA reimbursement forms and eligibility. <input checked="" type="checkbox"/> Receives & reviews attendance sheet and customer sign off on vouchers <input checked="" type="checkbox"/> Prepare billing documents and send to the Department of Agriculture (work conducted by a La Casa employee and charged to <i>La Olla</i>) <input checked="" type="checkbox"/> Collect reimbursement (La Casa credits <i>La Olla</i>) <input checked="" type="checkbox"/> Remit payment to suppliers by La Casa and charged against <i>La Olla</i>)
TASK	TEAM MEMBER	TIMING	ACTIVITIES

We calculated the following **Workforce/Production Rate** for the head cook and kitchen staff:

# of Meals	Breakfast		Lunch		Dinner	
	# of Workers	Preparation Time	# of Workers	Preparation Time	# of Workers	Preparation Time
250	3	2 hours	3	2.5	3	25
500	4	2 hours	4	2.5	4	2.5
750	4	2 hours	4	3	4	3
1000	5	2 hours	5	3	5	3

5.2 *Delivery*

There is currently one van dedicated to food delivery. We estimate that we will be able to serve approximately five additional customers beyond our internal need before needing a second vehicle based on expanding the delivery time and planning the logistic of the routes. La Casa’s afterschool program has a fleet of vans that are generally not utilized before 2 PM during the school year and they can be pressed into service to meet our delivery needs for customers 6-8. Once we have eight external customers, we will purchase a second vehicle.

Deliveries are made for breakfast between 8 and 8:30 AM. Lunch/snack deliveries take place between 11:30 and 12. These times will be expanded as the volume of customers increases but each customer will be guaranteed a delivery time for hot breakfasts and lunches. The kitchen staff will assist with packaging the food for transport as well as loading and unloading the delivery vehicles.

CURRENT DELIVERY & MEAL SCHEDULE for La Casa’s Centers

Meal	Departure from Kitchen	Arrive at Center	Return to Kitchen	Meal Served
BREAKFAST	8:10 AM	8:25	8:40	8:30-8:50
LUNCH	11:30 AM	11:40	12:00 PM	12:-12:30
DINNER	4:30	4:45	5:10	5:00-5:30

DRIVER/VAN CAPACITY

Number of Meals	Driver Hours	Vans
250	6	1 Van
500	8	1 Van
750	12	2 Vans
1000	14	2 Vans

5.3 Dishwashers

La Olla will serves it meals using reusable dishes and utensils, which are washed at each center by childcare staff (using commercial dishwashers). This system serves two purposes:

- Saves the cost of paper products
- Eliminates the need to pick up dirty dishes in a separate trip

Most competitors use disposable dishes, which could provide a competitive distinction to *La Olla* in terms of presentation. However, if a center does not have a dishwasher, paper products will need to be used.

La Olla is considering offering its external customers a free dishwasher as an incentive to change suppliers. The customer would be required to sign a two-year contract. A commercial dishwasher, installation and dishes will cost \$2,100. Our research indicates that the larger the center, the quicker *La Olla* makes back its investment and begins saving on the cost of paper products. The break-even of this promotion (in number of months) is as follows:

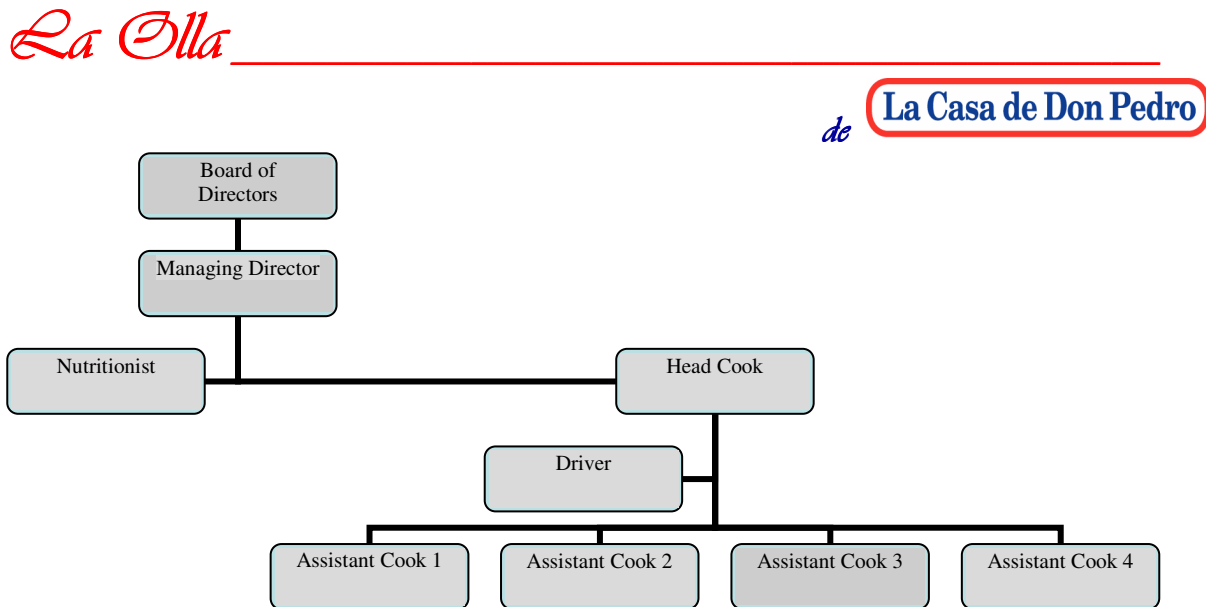
Number of Students	35	45	55	65	75	85	95	105	115	125
Months to Break-Even	17	13	11	9	8	7	6	6	5	5

6 Management

6.1 Structure

La Olla will likely be structured as a non-profit affiliate of La Casa de Don Pedro, because for-profits are not eligible to act as sponsors in the Department of Agriculture’s Food Program – a key competitive feature of the plan. The venture will be overseen by a Board of Directors consisting of no more than two La Casa staff members, the Executive Director and the Director of the Early Childhood Education Division. Three additional board members will be recruited to add professional expertise to the Board. This will likely include one attorney or accountant and two entrepreneurs from the food service industry.

The Board of Directors will work closely with the company’s executive, known as the Managing Director. The Managing Director will be hired to run the day-to-day operations of the business and supervise the kitchen staff. Menu preparation will be conducted in conjunction with a consulting nutritionist. An Organizational Chart is below.



6.2 Staffing

La Casa’s kitchen staff and management are experienced and stable forces, representing an average of 10-15 years in the fields of food preparation, early childhood development, workforce preparation and community development. Profiles of *La Olla*’s team members are included below.

- **Managing Director:** This role will be created specifically for this venture. A unique individual with experience managing a kitchen from staffing to ordering supplies to producing food is needed in addition to solid business acumen. The Managing

Director will be responsible for the day-to-day operation of the kitchen, reporting directly to *La Olla*'s Board of Directors. He/she will be in charge of marketing, signing new customers, supporting the job-training component, running the kitchen and ensuring on-time delivery of all meals. A full job description can be found in Appendix 9.6.

- *Nutritionist:* We will hire a nutritionist consultant for 8 hours a month to provide an assessment of our meal choices and provide suggestions as the nutritional value and menu suggestions.
- *Head Cook:* Evelyn Merced has worked with La Casa for over 10 years and has a food handling license as well as a great deal of experience. Her expertise will ensure a smooth transition when increasing production and training new staff.
- *Assistant Cooks:* Sandra Rodriguez and Carmen Irizarry All Assistant Cooks will assist with food preparation and delivery. Applicants will be drawn from the trainees pool as often as possible.
- *Driver(s):* Luis Santiago The driver must have a valid NJ Driver's License, a clean driving and police record and be able to follow directions. The Driver transports food, utensils and other related items to the centers per a pre-established route. As the point person with customers, the driver is also expected to demonstrate customer representative skills.
- *Temporary Assistance as Needed:* La Casa's Personal Development Division will provide interns from their programs to assist during high-volume and transitional periods.

In addition, *La Olla* will draw on La Casa's Board of Directors and key staff members to provide advice and oversight when needed.

6.3 Staffing and Compensation

La Olla will pay La Casa for the use of its administrative staff for reporting, financial and maintenance services. All other staff will be directly hired. The nutritionist will be a consultant and the majority of the remaining kitchen staff will be salaried.

Benefits	30% (incl taxes)			
Staffing	Salary	Benefits	Total	FTEs
Use of La Casa Staff				
CFO	75,000	22,500	97,500	0.0
Fiscal	30,000	9,000	39,000	0.2
Assistant Director	44,000	13,200	57,200	0.1
Maintenance	22,000	6,600	28,600	0.2
La Olla Staff				
Managing Chef	55,000	16,500	71,500	1.0
Head Cook	30,000	9,000	39,000	1.0
Drivers (rate per hour)	11.07	3.32	14.39	Variable
Kitchen Staff (rate per hour)	9.62	2.88	12.50	Variable
Nutritionist	4800	0	4,800	1.0

6.4 Relationship to Parent Organization

As a nonprofit affiliate of La Casa, *La Olla* will share space and some staff with La Casa, however it will pay the fair market rate for these services, negotiated at arms length. Financial records will be maintained separately with the ability to consolidate and disaggregate as may be desired or required. Annually, once all business expenses have been met, *La Olla's* board of directors will examine the surplus earnings and make a donation to La Casa accordingly. This organizational relationship has been used by La Casa in several instances to generate additional income. In exchange, the affiliates maintain independence of actions and liabilities while benefiting from La Casa's good reputation and accountability.

6.5 Board of Directors

- *La Casa's Executive Director:* Raymond Ocasio has over 30 years of community and housing development as well as organizational development experience. He has directed La Casa for the last six years, a period of phenomenal growth for the organization's core programs and operating budget. Mr. Ocasio also serves as president of LC HomeBuilder and Don Pedro Development Corporation, two of La Casa's economic engines. Mr. Ocasio will serve as President of the Board and will be responsible for providing guidance and policy direction for *La Olla*.
- *Early Childhood Education Division Director:* Martha Villegas has directed this division for over 10 years. She managed the division's transition from daycare to education and oversaw the development of Center 2. Ms. Villegas directs the kitchen staff and will serve as the primary customer for *La Olla*. Her vast experience with the Department of Agriculture's nutrition requirements and reimbursement program will provide considerable guidance in shaping the new venture.
- *Food Service Professionals (2):* Two individuals with proven experience in the field of food preparation, distribution, kitchen operations or management will be identified and recruited to join the board.

- *Professional Services:* La Casa has always found it valuable to recruit at least one board member with legal or accounting expertise. *La Olla's* board will do the same.

6.6 *Recruiting and Training the Right Team*

The Managing Director position is the pivotal role in *La Olla*. The candidate has not been identified, however we have several recommendations and extensive job description. The Board of Directors will be responsible for identifying and hiring this person. A Nutritionist Consultant also must be identified.

6.7 *Track Record and Commitment*

As one of the leading community development corporations in New Jersey, La Casa is constantly seeking innovative ways to create sustainable communities within and outside of the non-profit framework. *La Olla* is not La Casa's first business venture. We have a for-profit construction company, LC HomeBuilders, and two not for profit entities: Don Pedro Development Corporation and La Casa Federal Credit Union. These ventures have taken a great deal of nurturing and in-kind support to get off the ground.

6.8 *Other La Casa Ventures*

◆ **LC HomeBuilder** In 2001, La Casa started a construction firm, LC HomeBuilder, with support from the Resurgens Foundation a small local foundation. The company was created to support La Casa's development initiatives by permitting improved pricing and project management. The firm also provides stable jobs with 14 decent wages and benefits to members of our community. To date, LC HomeBuilder has about \$300,000 in working capital that represents the investment as provided by our foundation partner. LC HomeBuilder will eventually become self-sufficient; La Casa is providing fiscal oversight, some technical assistance around management and feeding the company construction process on a competitive basis.

LC Homebuilder construction projects include home renovations, new home development and commercial/community projects including several improvement and renovations for La Casa, other nonprofits and private owners. Sales / revenues grew from \$700K in its initial year, \$2.2 million in the second year and will reach a projected high of over \$3+ million in its third year.

◆ **Don Pedro Development Corporation** Don Pedro Development Corporation is a shell staffed by La Casa's personnel to develop residential and other economic projects. Successful ventures enable DPDC to reimburse La Casa for services rendered and generate additional income when appropriate. DPDC was created in the early 1990's.

In the last four years DPDC has developed projects with development costs over \$11 million and it currently has another \$9.5 million in active and committed projects as well as serving as consultant/advisor to other community groups for the development of residential projects.

◆ **La Casa Federal Credit Union** La Casa's Federal Credit Union was created in 1986 and is sponsored by La Casa. This 600-member enterprise has assets of \$900,000, of which \$500,000 are social investment deposits. The loan portfolio is about \$320,000 with assets not required for the membership lending invested in alternative instruments. The Credit Union is legally a separate entity but is not fully financially viable. As the sponsor La Casa provides operating assistance, management oversight and financial support.

6.9 *Business Acumen*

Beyond our experience with successful for-profit and non-profits business initiatives, La Casa has demonstrated acumen when it comes to taking calculated risks in order to stay at the forefront of its field. This is illustrated by La Casa's planned and effective actions to absorb a potential 25% reduction in class population and a corresponding funding reduction with the conversion from daycare to early childhood. We achieved this by planning and building four new classrooms, with another eight classrooms in construction and plans for developing future sites. La Casa accomplished this expansion with no government strategy or support to expand the operations of community providers.

La Casa has also ventured as a non-profit into the risky and unknown world of "performance based contracts" with the "Welfare to Work" or "WorkFirst" activities. For the last five years these initiatives have been successfully implemented and generated a positive return. The program is among the leading performers countywide in placing former welfare clients into meaningful employment.

The capacity assembled within La Casa has permitted the organization to grow its annual core budget from \$3.5 million in 1997 to \$10 million in FY 2003-04. The current numbers for FY 2003-04 call for a \$10 million core budget, \$4.4 million of development work, \$3.6 to-\$4 million from LC HomeBuilder sales and \$100,000 in revenues from the Credit Union. La Casa's 2004-05 core budget is anticipated to be within the \$12 million mark. La Casa's achievements were recognized in 2003 when we were ranked as the 10th largest Hispanic Nonprofit in the United States by *Hispanic Business Monthly Magazine*. La Casa was also recognized by the Local Initiative Support Corporation's "Inspirational Community Advocate" Award for Community Development Corporations.

7 Financing

7.1 Projected Income Statement

The business will lose money in its first year, however break-even will occur in the second year with cumulative break-even happening in the third year. Once the kitchen's meal-preparation capacity has been reached, the business is projected to earn more than \$250,000 annually.

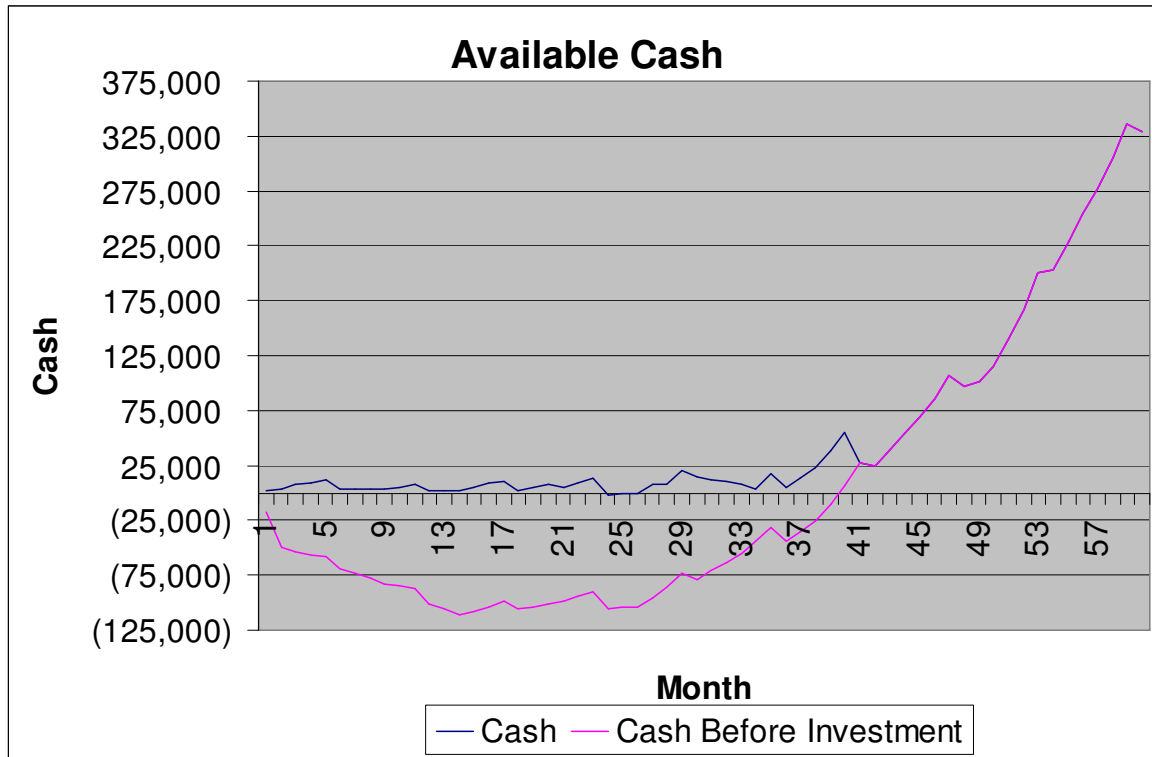
	Yr1	Yr2	Yr3	Yr4	Yr5
Sales					
TOTAL MEALS	230,650	344,550	464,600	571,700	744,000
TOTAL STUDENTS - School	285	420	570	705	930
TOTAL STUDENTS - After	100	165	230	275	330
TOTAL STUDENTS - Summer	125	195	230	275	330
Students Served	510	780	1030	1255	1590
Simultaneous Meals Cooked	410	615	800	980	1260
Revenue					
<i>DOA</i>					
Internal	218,900	228,641	302,451	302,451	345,000
External	35,457	162,975	226,699	354,217	510,073
<i>DOE / DHS</i>					
Internal	75,869	82,076	110,029	112,229	128,783
External	-	-	-	-	-
TOTAL REVENUE	330,226	473,693	639,179	768,898	983,855
Expenses					
<u>Salaries and Benefits</u>					
Allocated From La Casa	21,190	21,190	21,190	21,190	21,190
Direct	186,907	197,026	226,890	226,890	237,009
<u>Non Salary</u>					
Food and Paper Products	89,508	133,500	179,419	222,148	291,804
Rent and Utilities	18,500	18,500	18,500	18,500	18,500
Vehicle Use and Operation	13,000	13,000	26,000	26,000	26,000
Maintenance and Equipment	12,500	12,500	12,500	12,500	12,500
Marketing	2,500	2,500	2,500	2,500	2,500
Misc and Other	5,000	5,000	5,000	5,000	5,000
Administration Costs	33,023	47,369	63,918	76,890	98,386
TOTAL Expenses	382,128	450,586	555,917	611,617	712,888
NET INCOME	(51,902)	23,107	83,262	157,280	270,967

7.2 Cash Flow Timing

The Department of Agriculture reimburses organizations every 60 days, presenting a barrier for new organizations to finance. *La Olla* has considered this working capital requirement in its investment plan. The small supplemental funding we receive for operating costs from the New Jersey Department of Education is remitted to La Casa in monthly installments

7.3 Projected Cash-Flow Statement

CASH FLOW	Yr1	Yr2	Yr3	Yr4	Yr5
Operating Cash Flow					
NET INCOME	(51,902)	23,107	83,262	157,280	270,967
Add Equipment Depreciation	2,000	2,000	2,000	2,000	2,000
Less Additions to Working Capital	(47,225)	(22,241)	(20,781)	(19,113)	(31,165)
Less Interest on Line Used	(4,708)	(5,958)	(3,125)	-	-
OPERATING CASH FLOW	(101,836)	(3,093)	61,356	140,167	241,802
Investment Cash Flow					
Equipment Purchases	-	-	-	-	(10,000)
INVESTMENT CASH FLOW	-	-	-	-	(10,000)
Financing Cash Flow					
La Casa Support (In-Kind)	48,493	-	-	(48,493)	-
Access to Line of Credit	55,000	-	(55,000)	-	-
FINANCING CASH FLOW	103,493	-	(55,000)	(48,493)	-
CASH FLOW	1,657	(3,093)	6,356	91,674	231,802
End Available Cash	1,657	(1,436)	4,920	96,594	328,395
Maximum Balance Line of Credit	55,000	65,000	55,000	-	-
Minimum Available Cash	1,520	(1,436)	(425)	13,165	100,853



The projected financing is appropriate to maintain positive cash balances. The initial investment by La Casa will break-even and be returned after about 40 months.

The balance sheet and other financial data can be found in Appendices 9.7-9.10.

7.4 Investment Requirements

Investment support of about \$113,500 is required to sustain initial cash losses before profitability is reached.

7.5 Investment Sources and Uses

La Casa has agreed to temporarily suspend transfer payments for administration and salaries as an in-kind contribution. It is expected that this will be returned as a contribution to La Casa in the fifth year.

Sources and Uses	
Sources of Capital	
La Casa Support (in-kind)	\$48,493
Line of Credit Access	65,000
TOTAL	113,493
Uses of Capital	
Working Capital (funding receivables)	\$53,500
Expected Operating Losses	51,902
Cash Reserve	8,090
TOTAL	113,493

La Casa has also agreed to make available \$65,000 of its line of credit as a dedicated reserve for the business. The business will pay interest on this line. Access to this line will be suspended in the fourth year when it is no longer required.

7.6 Return on Investment

In return for its direct investment of about \$65K (and in-kind investment of \$50K), La Casa's investment will be returned and it may have access to an ongoing cash flow of over \$200K per year. Assuming La Casa is also able to access the cash generated after repayment of its support, then the Internal Rate of Return to La Casa is 7%⁴.

7.7 Social Value

While the purpose of this venture is primarily to earn a financial return on a resource that La Casa requires for its operations (the kitchen), there are some direct sources of social return.

- Providing nutrition to young people enhances their ability to learn. For many students, this will be their principal intake of nutrition on a given day
- Family-style eating is consistent with the model of care that La Casa uses in running its pre-schools
- Cost and time savings that external customers will receive from using food services will contribute to their sustainability during a time of great challenge for early childhood

⁴ This assumes ongoing constant cash flow post year 5 at a 20% discount rate.

centers in Newark. There are not enough places to meet the existing demand so all childcare centers are immensely valuable to the community

- Some employment will be created in the kitchen
- The kitchen will provide a placement opportunity for interns in La Casa training programs

The investment is not being pursued for social return so these benefits have not been measured or estimated.

7.8 *Strategic Factors*

It is important to recognize that La Casa will operate *La Olla* even if there is no profit generated:

- Food is required for its 540 childcare students
- The need for local employment and placement opportunities for La Casa training programs is consistent with La Casa’s mission
- La Casa values a mix of ethnic foods and family-oriented dining for its programs that are not available at traditional vendors
- Venturing into this social entrepreneurial venture is consistent with La Casa’s goal to become less dependent on funding from grants and contracts

7.9 *Break-Even*

Using the cost structure of the 2nd year of operation, slightly more than 500 students must be served to break-even. This can be achieved by La Casa’s internal demand by the 5th year (and will be close to achieved in the 3rd year). The food business is clearly driven by economies of scale, with the majority of costs being relatively fixed staff salaries and overhead.

Break-Even - Year 2 Cost Structure		Unit Costs	Aggregate
Fixed Costs			\$ 251,216
Variable Costs per Student	\$ 294		\$ 155,170
	Total		\$ 406,386
Average Revenue per Student	\$ 770		
Break-Even / Students	528		\$ 406,386

It is expected that other centers are experiencing similar economics, making the case strong for any center with under 500 students (the majority of centers in Newark) to outsource their kitchen operations.

7.10 *Exit Strategy*

The business is a separately incorporated non-profit. La Casa’s risk is limited to its initial investment plus the line of credit access it provides [approximately \$100K combined]. It is expected that the business will continue to operate even if it experiences financial losses due to the strategic and social benefits. Should La Casa decide to exit the business, it can be dissolved

and the food service can be reverted to an internal operation or the organization can contract with an external vendor.

If the business is performing well, La Casa could re-capitalize it as a for-profit subsidiary and sell shares to an investor or competitor however, it may lose its status as a Department of Agriculture sponsor as a result.

8 Risk Assessment and Contingency

Overall, we believe that the benefits far outweigh the risks associated with this venture and are prepared to open the business in September 2004. We are, however cognizant of a number of potential pitfalls and have considered strategies to prevent these occurrences as well as contingencies.

8.1 Risks, Prevention and Contingencies

RISK	PREVENTION STRATEGY	CONTINGENCY
Weak Sales (less than the projected 525 children required to break-even)	Strong sales plan and value proposition	We will cook for our own needs regardless of sales. If the company does not succeed, we can revert to former model. Other food preparation markets could be explored (senior citizen meals and private catering).
Unexpected Demand	La Olla will practice smart growth and will not take on more customers than it can adequately handle- in the event that we are not prepared for additional volume, the customer will be placed on a waiting list or subcontract.	We have the ability to ramp up our operations very quickly and can take customers off of a 'waiting list' quickly.
Weak Manager	Job description that spells out the importance of restaurant management experience. La Casa's staff and La Olla's Board of Directors are providing expertise and guidance.	The manager will be terminated. We have several staff members with experience in commercial catering who are able to fill-in on a short term basis until a new manager is found.
Driver Liability	All drivers undergo a through criminal and driver record background check.	La Olla/La Casa will be well-insured. The driver will be terminated and a new one hired. Other La Casa drivers will fill-in temporarily.
Change in the Price of Food	Less costly foods will be temporarily substituted (i.e.: rice, pasta) until prices come down or a more efficient supplier is found.	A list of alternate suppliers will be maintained. Direct purchasing from wholesales markets.
Vendor Provides Poor Quality Food	La Casa's current vendor has provided consistent quality and competitive prices for several years. Quality control will start with our own students.	The offending vendor will be replaced and the Managing Director will massage the relationships with our customers.
DOA Regulations Change/Prices Don't Increase	La Casa is an effective and well-known advocate with regards to early childhood policies.	La Casa/La Olla will lobby hard in favor of necessary policies. Adjustment of business model factors
Abbott/Department of Education Make Unwelcome Changes	La Casa's Executive Director is the head of a local advocates group that has successfully lobbied against unfavorable changes.	La Casa/La Olla and our partners will lobby in favor of appropriate policies.
Customer-Centers End Contract with La Olla	A 1-year contract will be in place.	La Olla will take every available opportunity to improve customer relations.
Interruptions in Daily Operations	There are backup drivers and cooks in the event that someone cannot come to work. The kitchen will keep a stock of dried food in the event of an unexpected interruption of supplies.	Undependable staff will not be tolerated. The kitchen is equipped to prepare non-cooked foods (sandwiches, cereal, etc) in the event of an emergency. Insurance will compensate for any losses.
Cash Flow/Financing Problems	La Casa will keep a \$65,000 line of credit open to La Olla.	La Casa has a larger line of credit that it can (and has) extend to subsidiaries. Social entrepreneurship funding can be solicited. Grant dollars can also be raised to offset unexpected costs.

8.2 Sensitivity Analysis

The chart below shows the impact on Year 5 profit if the number of meals sold changes or if the level of margin allowed by the DOA changes. The DOA margin accounts for change in the price of food or the DOA reimbursement rate. Currently the DOA pays \$4.80 over the cost of raw food for one child’s breakfast, lunch and dinner in one day.

At projected 5-year sales, the business can break even as long as the DOA margin is maintained at 50% or higher of the current allowable margin (up to \$4.80 above the daily cost of food). Similarly, the business can break-even with about 50% of projected sales. Even if both potential negative events occur simultaneously, the business case break even with significant variances from projection (about 30% less margin and 30% less volume). Since the business is expected to be operating at or near capacity, there is limited upside potential beyond projections – no more than about \$100K annually if the DOA were to significantly increase reimbursement rates or food costs were to decline substantially.

		SENSITIVITY OF YEAR 5 PROFIT TO CHANGE IN DOA MARGIN											
		40%	50%	60%	70%	80%	90%	100%	110%	120%	130%	140%	150%
SENSITIVITY OF YEAR 5 PROFIT TO CHANGE IN VOLUME OF MEALS	40%	(203,658)	(166,201)	(141,230)	(123,393)	(110,016)	(99,611)	(91,287)	(84,477)	(78,802)	(74,000)	(69,883)	(66,316)
	50%	(187,715)	(136,744)	(102,763)	(78,492)	(60,288)	(46,129)	(34,802)	(25,535)	(17,812)	(11,277)	(5,676)	(822)
	60%	(181,107)	(114,962)	(70,866)	(39,369)	(15,746)	2,628	17,327	29,353	39,375	47,855	55,124	61,423
	70%	(180,222)	(97,244)	(41,925)	(2,411)	27,224	50,273	68,713	83,800	96,372	107,010	116,129	124,032
	80%	(188,166)	(86,695)	(19,047)	29,273	65,513	93,699	116,249	134,698	150,073	163,082	174,233	183,897
	90%	(179,209)	(57,583)	23,500	81,417	124,854	158,639	185,667	207,780	226,208	241,801	255,167	266,750
	100%	(159,348)	(15,910)	79,716	148,020	199,248	239,092	270,967	297,047	318,780	337,169	352,932	366,592
	110%	(155,329)	11,582	122,857	202,338	261,949	308,314	345,405	375,753	401,042	422,441	440,783	456,679
	120%	(133,902)	58,142	186,172	277,622	346,209	399,555	442,231	477,148	506,246	530,867	551,971	570,261
	130%	(111,691)	107,146	253,038	357,246	435,402	496,190	544,821	584,609	617,766	645,822	669,870	690,712
	140%	(93,447)	153,843	318,703	436,460	524,778	593,469	648,423	693,385	730,853	762,557	789,731	813,283
	150%	(69,670)	207,733	392,668	524,764	623,837	700,893	762,538	812,975	855,006	890,570	921,054	947,473

Note: In the above chart, green represents and improvement from projected results, red represents a financial loss, and yellow represents performance above break-even, but below projections.

8.3 Best and Worst Case

Since the business is expected to be operated at or near capacity, there is limited upside potential beyond projections, unless costs have been significantly over-estimated. Fixed costs are expected to be around \$250K so a significant over-estimation may lead to an additional \$100K in annual profit.

In the worst case, *La Olla* may have no external sales, but it will still have the internal demand generated by La Casa. This demand is above break-even, however, any change in DOA reimbursement policies would lead to a loss. A negative change in DOA reimbursement policies is considered unlikely, however, should it occur, *La Olla* may be able to apply for supplemental food funding available from the Department of Education that has been targeted for centers unable to return the costs from their kitchen operations. If this funding is not available, La Casa can tap other budget revenue sources within the early childhood budget and/or it may decide to outsource its kitchen to a similar organization rather than endure sustained losses.

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9.1 Towns Within a 10 Mile Radius of Newark

See Hard Copy

9.2 Market Research Survey

Market Research Questionnaire

Preliminary Information
Agency Name: _____ **Type of Agency:** Pre-K Daycare Afterschool
Center Director _____

1. Do you currently prepare meals for your children on-site? Yes No (if NO, proceed to question 2)
 a. IF YES: Would you ever consider buying meals from a vendor? Yes No
 b. Why or Why Not?

If the customer will not consider buying meals from an outside vendor, end the survey.

2. Do you anticipate your food needs changing in the next 12-24 months?
 a. Do you expect the number of children to grow?

 b. Are you planning on starting a new program that will require feeding (if yes, please describe)?

 c. Are you opening any new locations?

 d. Any other changes?

3. What vendor do you currently work with and where are they located?

4. How did you choose your current vendor?

5. What do you like the most about working with your current vendor?

6. What do you like the least about working with your current vendor?

7. Now I'm going to ask you some questions about the service you receive, please rank it: Very Satisfied, Somewhat Satisfied, Neutral, Somewhat Unsatisfied, Very Unsatisfied.

Question	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Unsatisfied	Very Unsatisfied
Do you like the menu choices?					
Do you like the service style (family or					

individual circle one)?					
Are the meals delivered on-time?					
Are the meals hot when they are delivered?					
Is the billing/reporting convenient?					
Is the cost competitive?					

8. Are the meals delivered at convenient times?

9. Do you find that the menu choices satisfactory? Why/Why Not?

10. Do you have a contract with your vendor? YES _____ NO _____ IF YES, when does it expire? _____

11. Have you worked with other vendors in the past? YES _____ NO _____ IF YES, What factors influenced your decision to change vendors? _____

12. How often are you billed for meals? Weekly Bi-Weekly Monthly Quarterly OTHER _____

13. What percentage of your population is eligible for the Free Lunch Program? _____ How do you handle reimbursement from the Department of Agriculture? _____

14. How do you serve children meals? Individual Family Style
a. Did you choose this method or is it the way your vendor sells?

b. If INDIVIDUAL: Would you consider serving Family Style? Yes No

15. How many children are currently enrolled in your program? _____

PLEASE INCLUDE QUOTES FROM YOUR INTERVIEW

PURPOSE: La Casa has been working in Newark’s early childhood education and afterschool program fields for almost 30 years. We are currently considering a business venture to prepare and sell meals to local early childhood education and afterschool service providers in and around Newark. I would like to ask just a few questions about how you provide meals. This should not take more than 10 minutes.

9.3 Market Research Survey Results

Twenty-one centers responded to the survey over a period of three days. Twelve centers prepare meals on site, nine centers contract out, four centers would consider buying from a vendor. Fourteen of the respondents have centers in Newark.

SURVEY RESULTS

1. Do you currently prepare meals for your children on site?
 - 57% of centers answered Yes
 - 43% of centers answered No
 - a. IF YES: would you consider buying meals from a vendor?
 - b. 42% of centers answered Yes
 - c. 58% of centers answered No

* Centers that answered NO and are not working in a vendor relationship ended the survey at this point. 13 centers remained in the survey.

2. Do you anticipate your food needs to changing in the next 12-24 months?
 - 85% of centers answered NO
 - 15% of centers answered YES
 - a. Do you expect the number of children to grow?
 - 15% of centers answered YES
 - 85% of centers answered NO
 - b. Are you planning on starting a new program that will require feeding?
 - 15% of the centers answered YES
 - 85% of the centers answered NO
 - c. Are you opening any new locations or expecting any other changes?
 - 100% of the centers answered NO
3. What vendor do you currently work with and where are they located?
 - 46% of the centers considered “Sun Up” as a vendor
 - 23% of the centers use Driscoll Foods, located in Essex and Bergen counties?
 - 31% of centers chose to keep their vendor information confidential
 - One is currently working with the DOA to get food from Elizabeth City Schools (kids bring their own food for now until the relationship is established)
4. How did you choose your vendor?
 - Most centers did not answer this question
 - One center replied bid for contract

- Existing vendor relationship (school is part of YMCA and they use the YMCA's vendor)
5. What do you like the most about working with your current vendor?
 - All centers that answered this question said reliability and food variety
 6. What do you like least about working with your vendor?
 - Ethnic dishes not available, home style cooking not available (one center) and poor quality of food (two centers)

*** Six centers did not complete this portion of the survey**

- Do you like the menu choices?
 - 38% of centers are very satisfied
 - 38% of centers are somewhat satisfied
 - 1% of centers are somewhat unsatisfied
 - 16% of centers are neutral
- a. Do you like the service style (family or individual)?
 - 62% of the centers like the family style service
 - 38% of the centers like the individual style service
 - b. Are the meals delivered on time?
 - 88% of centers are very satisfied
 - 12% of centers are somewhat unsatisfied
 - c. Are the meals hot when they are delivered?
 - 88% of centers are very satisfied
 - 12% of centers are somewhat unsatisfied
 - d. Is the billing / reporting convenient?
 - 25% of centers are very satisfied
 - 25% of centers are somewhat satisfied
 - 38% of center are somewhat unsatisfied
 - 12% are neutral
 - e. Is the cost competitive?
 - 25% of centers are very satisfied
 - 25% of centers are somewhat satisfied
 - 25% of center are neutral
 - 25% of centers are not sure
7. Are the meals delivered at convenient times?
 - 88% of centers answered yes
 - 12% of centers answered sometimes

8. Do you find the menu choice satisfactory?
- 50% of the centers answered yes
 - 50% of the centers answered no
9. How often are you billed for meals?
- 50% of centers answered monthly
 - 38% of centers answered not sure
 - 12% of the centers answered biweekly
10. What percentage of your population is eligible for the Free Lunch Program?
- 95% of the total population is eligible for the Free Lunch Program
 - Five centers were not sure of the percentage of students that are eligible for the free lunch program).
 - Two centers answered 70%,
 - Two centers answered 75%,
 - One center answered 95%,
 - One center answered 97%,
 - Six centers answered 100%
- 10a. How do you handle reimbursement from the Department of Agriculture?
- 1 center said vendor contract
 - 4 said submit for reimbursement How many children are currently enrolled in your program?
 - 30, 45, 50, 54, 58, 60, 75, 75, 45, 60, 30

9.4 *Competitor Profiles*

COMPETITOR PROFILE: Sun Up Nutrition Program, City of Newark

Address:	94 Williams Street Newark, NJ 07102
Phone:	973-733-7608
Project Director:	Elizabeth Rainey

- Founded:** 1970's
- Service:** Provider of vended hot and cold breakfast, lunch and snacks to day care facilities in Newark, New Jersey
- Region Served:** Newark, New Jersey ONLY
- Customers:** Pre-kindergarten, daycare and afterschool programs
- Delivery:** Truck delivers breakfast and lunch separately. Food comes individually packaged, instructor assembles individual tray for students (no family style option offered). Sun Up's average estimated delivery per month = 6,480
- Payment:** As a Department of Agriculture Vendor, Sun Up submits reimbursement forms directly to the Department of Agriculture on behalf of the customer. Reimbursement is made directly to Sun Up. Eligibility forms are completed by the parent and the customer submits all forms to Sun Up.
- Reporting:** Sun Up provides monthly reports to show costs and amount of food delivered. Reports submitted to the State must show specific expenditures and attendance for each site. Students who are not eligible for the Free/Reduced program are absorbed into the cost (they are not charged separately).
- Vendor:** The Vendor is selected based on an open bidding process as mandated by the DOA. Vendor submits detailed information as per the requirements and is selected based on the lowest bid. Marmot of New York is the current vendor.
- Competitive Edge:** Longevity, the image as a "free City-sponsored program" and the Department of Agriculture's no-compete clause for all sponsors are Sun Up's greatest advantages.

COMPETITOR PROFILE: Driscoll Foods

Address:	150 N Park East Orange, NJ 07019
Phone:	973-672-9400

- Founded:** Unknown
- Service:** Provides hot and cold breakfast, lunch and dinners to early childhood centers, the elderly and other groups. Ethnic meals are provided as requested.
- Region Served:** Greater Newark, Central and Southern New Jersey
- Customers:** Preschools, elder-care programs and others as interested.
- Delivery:** Breakfast and lunch are combined in 1 delivery/day. Hot Breakfasts are delivered in the morning along with lunch and snack (left in a cambia container to keep it warm). Cold Breakfasts are delivered the day before with lunch. Dinner is delivered separately. Service style is Family-Style or Individual as requested by the customer.
- Payment:** All customers are billed directly on a monthly basis. The individual schools are responsible for preparing and submitting reimbursement forms to the Department of Agriculture.
- Reporting:** Students who are not eligible for the Free/Reduced program are absorbed into the cost (they are not charged separately).
- Competitive Edge:** Driscoll has capacity. They can prepare 20,000-40,000 meals a day and they have a wholesale food distribution affiliate.

9.5 Kitchen Floorplan

See Hard Copy.

9.6 Managing Director's Job Description



Managing Director Job Description and Duties

About the Company *La Olla* de La Casa de Don Pedro [the Spanish translation for “*the Pot*” from the House of Don Pedro] is a brand new company that is preparing and delivering hot, healthy meals to preschools and other institutions on a budget. Based in a brand new, state-of-the-art kitchen, *La Olla* will prepare and deliver breakfast and lunch to hundreds of children each day.

About the Opportunity As the public face of *La Olla*, the Managing Director will provide local leadership and strategic direction to this new initiative. This position requires a unique individual with proven experience running food-service business from marketing to reimbursement to staffing. This person is also responsible for managing the kitchen including hiring and supervising the staff; ordering supplies and; overseeing food preparation and timely delivery. The Managing Director will be responsible for the day-to-day operation of the kitchen, reporting directly to *La Olla*'s Board of Directors.

Qualifications The ideal candidate will have the following skills:

Management: Must have demonstrated ability to give clear direction as to what needs to be done, and monitoring performance against a predetermined deadline and/or measure of quality to ensure quality and timely completion of assignments.

Daily Operations: Manages the daily operations of the company through direct supervision of all employees. Has full Human Resource responsibility (selection, orientation, scheduling, training and development of employees, including initiating personnel actions, such as the hiring and termination of employees, scheduling). Negotiates with customers, manages vendor relationships and maintains budget.

Interpersonal Relations: The ability to develop and maintain professional, trusting, positive working relationships with clients, supervisors, kitchen staff, drivers, managers, customers, and vendors. Speaking clearly and politely to management, associates, vendors and customers when conveying information, and targeting the amount, style, and content of the information to the needs of the receiver.

Technical Knowledge: Ability to make sales presentations before new customers, negotiate and manage contracts with customers, vendors and staff in the operations of a large kitchen. Awareness of *La Olla*'s core customers, the students is important.

Diversity Awareness: The ability and willingness to be aware of, understand, respect, and value the diverse cultural, ethnic, gender, age, educational, professional, etc. backgrounds and styles of others.

Customer Focus: The ability and willingness to provide excellent service to external/internal customers and clients. This includes seeking to meet customer needs, expectations, and demands quickly and effectively; remaining calm and professional when dealing with difficult internal or external customers; reviewing complaints from internal/external customers and taking action to remedy the complaint; and treating the customer as valuable.

Stress Tolerance and Flexibility: The ability to work productively and effectively in a fast paced, stressful, demanding, and/or ambiguous work environment.

Planning: The ability to set priorities, plan, and coordinate work activities. This may include developing plans with long-range horizons based upon a sound knowledge of corporate expectations (policies, budgets, strategic plans.)

Responsibilities Include:

Oversees expenditures to control unit financials

Directs daily food service operations in order to provide quality products

Maintains and implements sanitary and food safety conditions and training to adhere to auditing procedures and statutory regulations

Develops a contract for customers that promotes partnership and fulfills the customers' needs and expectations

Accountable for the execution of product and service quality by maintaining highest level of delivery

Promotes and supports workplace diversity initiatives

Manages by providing positive and constructive feedback to employees in order to reward, coach, correct and motivate.

Oversees implementation of forms to ensure accurate compliance with state and local regulations.

Supervises and manages day-to-day work activities by delegating authority, assigning and prioritizing activities, and monitoring operating standards.

Maintains records and oversight on the computer.

Establishes a safe work environment for employees by performing safety audits and inspections, conducting safety-related training, and maintaining on-going communications with employees.

Manages the budget by increasing revenue and controlling costs, reviewing financial statements and tracking operating expenses.

Directs daily food service operations including: menu evaluation and planning, purchasing, inventory, receiving, food preparation and storage.

Maintains kitchen and storage facilities to meet/exceed sanitary conditions; monitors internal quality assurance and food safety audit process (including HACCP record keeping).

Education or Equivalent Experience: 3-5 Years of restaurant operations experience, preferably as supervisor/manager. College, Technical, Trade or Vocational Degree preferred, high school diploma or equivalency required. Must have or be willing to obtain a food handler's license.

Benefits

Excellent health, dental and retirement plans.

9.7 *Balance Sheet*

Balance Sheet					
	Yr1	Yr2	Yr3	Yr4	Yr5
Assets					
Cash	1,657	(1,436)	4,920	96,594	328,395
Accounts Receivable	65,167	94,173	122,184	147,232	187,658
<i>Total Short Term Cash</i>					
Equipment	10,000	10,000	10,000	10,000	20,000
Accumulated Depreciation	(2,000)	(4,000)	(6,000)	(8,000)	(10,000)
TOTAL ASSETS	74,824	98,737	131,103	245,826	526,053
Liabilities					
Accounts Payable	17,942	24,707	31,936	37,871	47,131
La Casa Support	48,493	48,493	48,493	-	-
Line of Credit	55,000	55,000	-	-	-
TOTAL LIABILITIES	121,435	128,199	80,428	37,871	47,131
ACCUMULATED SURPLUS (DEFICIT)	(46,611)	(29,462)	50,675	207,955	478,922

9.8 Monthly Detailed Financial Statements
Year 1

	Year 1											
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Revenue												
<i>DOA</i>												
Internal - Day	14,799	14,799	14,799	11,100	14,799	14,799	14,799	14,799	14,799	11,100	22,508	22,508
Internal - Evening	3,504	3,504	3,504	2,628	3,504	3,504	3,504	3,504	3,504	2,628	-	-
External - Day	3,083	3,083	3,083	2,312	3,083	3,083	3,083	3,083	3,083	2,312	3,083	3,083
External - Evening	-	-	-	-	-	-	-	-	-	-	-	-
<i>DOE / DHS</i>												
Internal	6,514	6,514	6,514	4,885	6,514	6,514	6,514	6,514	6,514	4,885	6,993	6,993
External	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	27,901	27,901	27,901	20,926	27,901	27,901	27,901	27,901	27,901	20,926	32,584	32,584
Staffing												
CFO	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Fiscal	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Assistant Director	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Managing Chef	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Head Cook	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maintenance	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Drivers (hours)	120	120	120	90	120	120	120	120	120	90	120	120
Kitchen Staff (hours)	360	360	360	270	360	360	360	360	360	270	360	360
Nutritionist	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Expenses												
Salaries and Benefits												
CFO	163	163	163	163	163	163	163	163	163	163	163	163
Fiscal	650	650	650	650	650	650	650	650	650	650	650	650
Assistant Director	477	477	477	477	477	477	477	477	477	477	477	477
Managing Chef	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958
Head Cook	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Maintenance	477	477	477	477	477	477	477	477	477	477	477	477
Drivers	1,727	1,727	1,727	1,295	1,727	1,727	1,727	1,727	1,727	1,295	1,727	1,727
Kitchen Staff	4,500	4,500	4,500	3,375	4,500	4,500	4,500	4,500	4,500	3,375	4,500	4,500
Nutritionist	400	400	400	400	400	400	400	400	400	400	400	400
Total - Salaries & Benefits	17,601	17,601	17,601	16,044	17,601	17,601	17,601	17,601	17,601	16,044	17,601	17,601
Other												
Food Costs	7,200	7,200	7,200	5,400	7,200	7,200	7,200	7,200	7,200	5,400	10,358	10,358
Paper Products	34	34	34	25	34	34	34	34	34	25	34	34
Rent	833	833	833	833	833	833	833	833	833	833	833	833
Telephone	125	125	125	125	125	125	125	125	125	125	125	125
Water	83	83	83	83	83	83	83	83	83	83	83	83
Pest Control	42	42	42	42	42	42	42	42	42	42	42	42
Gas/Electricity	125	125	125	125	125	125	125	125	125	125	125	125
Prop Insurance	333	333	333	333	333	333	333	333	333	333	333	333
Cleaning Supplies	83	83	83	83	83	83	83	83	83	83	83	83
Vehicle Use and Operation	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083
Marketing	208	208	208	208	208	208	208	208	208	208	208	208
Equipment Maintenance	208	208	208	208	208	208	208	208	208	208	208	208
Equipment Depreciation	167	167	167	167	167	167	167	167	167	167	167	167
Misc and Other	417	417	417	417	417	417	417	417	417	417	417	417
Kitchen Items	583	583	583	583	583	583	583	583	583	583	583	583
Administration Costs	2,790	2,790	2,790	2,093	2,790	2,790	2,790	2,790	2,790	2,093	3,258	3,258
Total - Others	14,316	14,316	14,316	11,810	14,316	14,316	14,316	14,316	14,316	11,810	17,942	17,942
TOTAL Expenses	31,917	31,917	31,917	27,854	31,917	31,917	31,917	31,917	31,917	27,854	35,543	35,543
Net Income	(4,016)	(4,016)	(4,016)	(6,928)	(4,016)	(4,016)	(4,016)	(4,016)	(4,016)	(6,928)	(2,959)	(2,959)
Operating Cash Flow												
NET INCOME	(4,016)	(4,016)	(4,016)	(6,928)	(4,016)	(4,016)	(4,016)	(4,016)	(4,016)	(6,928)	(2,959)	(2,959)
Add Equipment Depreciation	167	167	167	167	167	167	167	167	167	167	167	167
Less Additions to Working Capital	(13,585)	(27,901)	-	4,469	2,506	(6,975)	-	-	-	4,469	1,450	(11,658)
Less Interest on Line Used	(125)	(375)	(417)	(417)	(417)	(417)	(417)	(417)	(417)	(417)	(417)	(458)
OPERATING CASH FLOW	(17,559)	(32,125)	(4,266)	(2,709)	(1,760)	(11,241)	(4,266)	(4,266)	(4,266)	(2,709)	(1,760)	(14,909)
Investment Cash Flow												
Equipment Purchases	-	-	-	-	-	-	-	-	-	-	-	-
INVESTMENT CASH FLOW	-	-	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow												
La Casa Support (In-Kind)	4,079	4,079	4,079	3,382	4,079	4,079	4,079	4,079	4,079	3,382	4,548	4,548
Access to Line of Credit	15,000	30,000	5,000	-	-	-	-	-	-	-	-	5,000
FINANCING CASH FLOW	19,079	34,079	9,079	3,382	4,079	4,079	4,079	4,079	4,079	3,382	4,548	9,548
CASH FLOW	1,520	1,954	4,813	673	2,319	(7,162)	(187)	(187)	(187)	673	2,788	(5,362)
End Available Cash	1,520	3,474	8,288	8,960	11,280	4,118	3,931	3,745	3,558	4,231	7,018	1,657

Year 2

	Year 2											
	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Revenue												
DOA												
Internal - Day	14,799	14,799	14,799	11,100	14,799	14,799	14,799	14,799	14,799	11,100	24,049	24,049
Internal - Evening	4,205	4,205	4,205	3,154	4,205	4,205	4,205	4,205	4,205	3,154	-	-
External - Day	12,333	12,333	12,333	9,250	12,333	12,333	12,333	12,333	12,333	9,250	15,416	15,416
External - Evening	1,577	1,577	1,577	1,183	1,577	1,577	1,577	1,577	1,577	1,183	-	-
DOE / DHS												
Internal	7,035	7,035	7,035	5,276	7,035	7,035	7,035	7,035	7,035	5,276	7,621	7,621
External	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	39,949	39,949	39,949	29,962	39,949	39,949	39,949	39,949	39,949	29,962	47,087	47,087
Staffing												
CFO	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Fiscal	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Assistant Director	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Managing Chef	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Head Cook	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maintenance	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Drivers (hours)	160	160	160	120	160	160	160	160	160	120	160	160
Kitchen Staff (hours)	360	360	360	270	360	360	360	360	360	270	500	500
Nutritionist	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Expenses												
Salaries and Benefits												
CFO	163	163	163	163	163	163	163	163	163	163	163	163
Fiscal	650	650	650	650	650	650	650	650	650	650	650	650
Assistant Director	477	477	477	477	477	477	477	477	477	477	477	477
Managing Chef	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958	5,958
Head Cook	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Maintenance	477	477	477	477	477	477	477	477	477	477	477	477
Drivers	2,302	2,302	2,302	1,727	2,302	2,302	2,302	2,302	2,302	1,727	2,302	2,302
Kitchen Staff	4,500	4,500	4,500	3,375	4,500	4,500	4,500	4,500	4,500	3,375	6,250	6,250
Nutritionist	400	400	400	400	400	400	400	400	400	400	400	400
Total - Salaries & Benefits	18,176	18,176	18,176	16,476	18,176	18,176	18,176	18,176	18,176	16,476	19,926	19,926
Other												
Food Costs	10,611	10,611	10,611	7,958	10,611	10,611	10,611	10,611	10,611	7,958	15,538	15,538
Paper Products	135	135	135	101	135	135	135	135	135	101	169	169
Rent	833	833	833	833	833	833	833	833	833	833	833	833
Telephone	125	125	125	125	125	125	125	125	125	125	125	125
Water	83	83	83	83	83	83	83	83	83	83	83	83
Pest Control	42	42	42	42	42	42	42	42	42	42	42	42
Gas/Electricity	125	125	125	125	125	125	125	125	125	125	125	125
Prop Insurance	333	333	333	333	333	333	333	333	333	333	333	333
Cleaning Supplies	83	83	83	83	83	83	83	83	83	83	83	83
Vehicle Use and Operation	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083	1,083
Marketing	208	208	208	208	208	208	208	208	208	208	208	208
Equipment Maintenance	208	208	208	208	208	208	208	208	208	208	208	208
Equipment Depreciation	167	167	167	167	167	167	167	167	167	167	167	167
Misc and Other	417	417	417	417	417	417	417	417	417	417	417	417
Kitchen Items	583	583	583	583	583	583	583	583	583	583	583	583
Administration Costs	3,995	3,995	3,995	2,996	3,995	3,995	3,995	3,995	3,995	2,996	4,709	4,709
Total - Others	19,033	19,033	19,033	15,347	19,033	19,033	19,033	19,033	19,033	15,347	24,707	24,707
TOTAL Expenses	37,209	37,209	37,209	31,823	37,209	37,209	37,209	37,209	37,209	31,823	44,633	44,633
Net Income	2,740	2,740	2,740	(1,861)	2,740	2,740	2,740	2,740	2,740	(1,861)	2,453	2,453
Operating Cash Flow												
NET INCOME	2,740	2,740	2,740	(1,861)	2,740	2,740	2,740	2,740	2,740	(1,861)	2,453	2,453
Add Equipment Depreciation	167	167	167	167	167	167	167	167	167	167	167	167
Less Additions to Working Capital	(6,275)	(7,366)	-	6,302	3,685	(9,987)	-	-	-	6,302	2,222	(17,124)
Less Interest on Line Used	(500)	(542)	(542)	(542)	(500)	(500)	(500)	(500)	(500)	(458)	(458)	(458)
OPERATING CASH FLOW	(3,868)	(5,000)	2,365	4,066	6,092	(7,580)	2,407	2,407	2,449	4,149	4,384	(14,963)
Investment Cash Flow												
Equipment Purchases	-	-	-	-	-	-	-	-	-	-	-	-
INVESTMENT CASH FLOW	-	-	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow												
La Casa Support (In-Kind)	-	-	-	-	-	-	-	-	-	-	-	-
Access to Line of Credit	5,000	5,000	-	-	(5,000)	-	-	-	(5,000)	-	-	-
FINANCING CASH FLOW	5,000	5,000	-	-	(5,000)	-	-	-	(5,000)	-	-	-
CASH FLOW	1,132	(0)	2,365	4,066	1,092	(7,580)	2,407	2,407	(2,551)	4,149	4,384	(14,963)
End Available Cash	2,789	2,788	5,153	9,219	10,312	2,731	5,138	7,545	4,994	9,143	13,527	(1,436)

9.9 Annual Detailed Financial Statements

	Yr1	Yr2	Yr3	Yr4	Yr5
Revenue					
<i>DOA</i>					
Internal - Day	185,610	188,693	252,516	252,516	295,064
Internal - Evening	33,290	39,948	49,935	49,935	49,935
External - Day	35,457	147,995	200,067	312,604	450,150
External - Evening	-	14,981	26,632	41,613	59,923
<i>DOE / DHS</i>					
Internal	75,869	82,076	110,029	112,229	128,783
External	-	-	-	-	-
TOTAL REVENUE	330,226	473,693	639,179	768,898	983,855
Staffing					
CFO	0.02	0.02	0.02	0.02	0.02
Fiscal	0.20	0.20	0.20	0.20	0.20
Assistant Director	0.10	0.10	0.10	0.10	0.10
Managing Chef	1.00	1.00	1.00	1.00	1.00
Head Cook	1.00	1.00	1.00	1.00	1.00
Maintenance	0.20	0.20	0.20	0.20	0.20
Drivers (hours)	1,380	1,840	2,760	2,760	3,220
Kitchen Staff (hours)	4,140	4,420	5,750	5,750	6,030
Nutritionist	1.00	1.00	1.00	1.00	1.00
Expenses					
Salaries and Benefits					
CFO	1,950	1,950	1,950	1,950	1,950
Fiscal	7,800	7,800	7,800	7,800	7,800
Assistant Director	5,720	5,720	5,720	5,720	5,720
Managing Chef	71,500	71,500	71,500	71,500	71,500
Head Cook	39,000	39,000	39,000	39,000	39,000
Maintenance	5,720	5,720	5,720	5,720	5,720
Drivers	19,857	26,476	39,715	39,715	46,334
Kitchen Staff	51,750	55,250	71,875	71,875	75,375
Nutritionist	4,800	4,800	4,800	4,800	4,800
Total - Salaries & Benefits	208,097	218,216	248,080	248,080	258,199
Other					
Food Costs	89,120	131,880	177,229	218,726	286,877
Paper Products	388	1,620	2,190	3,422	4,928
Rent	10,000	10,000	10,000	10,000	10,000
Telephone	1,500	1,500	1,500	1,500	1,500
Water	1,000	1,000	1,000	1,000	1,000
Pest Control	500	500	500	500	500
Gas/Electricity	1,500	1,500	1,500	1,500	1,500
Prop Insurance	4,000	4,000	4,000	4,000	4,000
Cleaning Supplies	1,000	1,000	1,000	1,000	1,000
Vehicle Use and Operation	13,000	13,000	26,000	26,000	26,000
Marketing	2,500	2,500	2,500	2,500	2,500
Equipment Maintenance	2,500	2,500	2,500	2,500	2,500
Equipment Depreciation	2,000	2,000	2,000	2,000	2,000
Misc and Other	5,000	5,000	5,000	5,000	5,000
Kitchen Items	7,000	7,000	7,000	7,000	7,000
Administration Costs	33,023	47,369	63,918	76,890	98,386
Total - Others	174,031	232,369	307,837	363,538	454,690
TOTAL Expenses	382,128	450,586	555,917	611,617	712,888
Net Income	(51,902)	23,107	83,262	157,280	270,967
CASH FLOW					
	Yr1	Yr2	Yr3	Yr4	Yr5
Operating Cash Flow					
NET INCOME	(51,902)	23,107	83,262	157,280	270,967
Add Equipment Depreciation	2,000	2,000	2,000	2,000	2,000
Less Additions to Working Capital	(47,225)	(22,241)	(20,781)	(19,113)	(31,165)
Less Interest on Line Used	(4,708)	(5,958)	(3,125)	-	-
OPERATING CASH FLOW	(101,836)	(3,093)	61,356	140,167	241,802
Investment Cash Flow					
Equipment Purchases	-	-	-	-	(10,000)
INVESTMENT CASH FLOW	-	-	-	-	(10,000)
Financing Cash Flow					
La Casa Support (In-Kind)	48,493	-	-	(48,493)	-
Access to Line of Credit	55,000	-	(55,000)	-	-
FINANCING CASH FLOW	103,493	-	(55,000)	(48,493)	-
CASH FLOW	1,657	(3,093)	6,356	91,674	231,802
End Available Cash	1,657	(1,436)	4,920	96,594	328,395
Maximum Balance Line of Credit	55,000	65,000	55,000	-	-

9.10 Financial Assumptions

Revenue

Price

	Breakfast	Lunch	Snacks	Dinner	DAY	EVE
Free Lunch	1.17	2.14	0.58	2.19	3.89	2.19
Reduced Lunch	0.90	1.79	0.3	1.79	2.99	1.79
No Subsidy	0	0	0	0	0	0

Avg DOE / DHS Subsidy	Yr1	Yr2	Yr3	Yr4	Yr5
- La Casa	0.96	0.98	1.00	1.02	1.04
- External	-	-	-	-	-

Customers / Sales

	La Casa	External
% Free	75%	75%
% Reduced	17%	17%
% No Subsidy	8%	8%

	School
Days Open per Year - School	190
Days Open per Year - Summer	40
Average Absences	10%

	Yr1	Yr2	Yr3	Yr4	Yr5
LaCasa Internal - School	240	240	330	330	390
LaCasa Internal - Afterschool	100	120	150	150	150
LaCasa Internal - Summer	125	150	150	150	150
Number of External Centers	1	3	4	5	6
Average Size - School	45	60	60	75	90
Average Size - Afterschool	0	15	20	25	30
Average Size - Summer	0	15	20	25	30

Expenses

Benefits	30% (incl taxes)			
Staffing	Salary	Benefits	Total	FTEs
Use of La Casa Staff				
CFO	75,000	22,500	97,500	0.0
Fiscal	30,000	9,000	39,000	0.2
Assistant Director	44,000	13,200	57,200	0.1
Maintenance	22,000	6,600	28,600	0.2
La Olla Staff				
Managing Chef	55,000	16,500	71,500	1.0
Head Cook	30,000	9,000	39,000	1.0
Drivers (rate per hour)	11.07	3.32	14.39	Variable
Kitchen Staff (rate per hour)	9.62	2.88	12.50	Variable
Nutritionist	4800	0	4,800	1.0

Fixed Costs	
Rent	10000
Telephone	1500
Water	1000
Pest Control	500
Gas/Electricity	1,500
Prop Insurance	4,000
Cleaning Supplies	1,000
Vehicles	
Vehicles -Gasoline	3,000 per van
Vehicles - Insurance	3,500 per van
Vehicles - Other Costs	2,000 per van
Fleet Charges	4,500 per van
Marketing	2,500
Equipment Maintenance	2,500
Equipment Depreciation	2,000
Misc and Other	5,000
Kitchen Items	7,000

Variable Costs	
Food cost per day student	1.26
Paper products per day per student	0.05
% external using paper	75%
Administrative Cost	10% of revenue