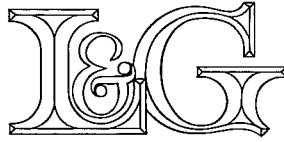


**COACHELLA VALLEY RESCUE MISSION**  
**INDIO, CALIFORNIA**

**INDEPENDENT AUDITORS' REPORT**  
**AND FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**



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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Coachella Valley Rescue Mission  
Indio, California

We have audited the accompanying statements of financial position of Coachella Valley Rescue Mission (the Organization) as of December 31, 2004 and 2003, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended December 31, 2004. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying statements of financial position referred to above present fairly, in all material respects, the financial position of the Coachella Valley Rescue Mission as of December 31, 2004 and 2003 and the changes in net assets and cash flows for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

February 25, 2005

**COACHELLA VALLEY RESCUE MISSION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 566,106	\$ 372,513
Grants and contracts receivable	21,777	14,152
Restitution income receivable	39,768	44,168
Less: allowance for doubtful accounts	(39,768)	(44,168)
Marketable securities	<u>15,365</u>	<u>31,523</u>
Total current assets	<u>603,248</u>	<u>418,188</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land	20,000	20,000
Building and improvements	380,453	375,472
Equipment and fixtures	125,521	118,571
Vehicles	73,688	67,745
Construction in progress	<u>39,383</u>	<u>15,942</u>
	639,045	597,730
 Less accumulated depreciation	 <u>(398,066)</u>	 <u>(361,048)</u>
	<u>240,979</u>	<u>236,682</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 844,227</u></b>	 <b><u>\$ 654,870</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 17,860	\$ 9,728
Accrued expenses	<u>6,594</u>	<u>7,619</u>
Total current liabilities	<u>24,454</u>	<u>17,347</u>
 <b>NET ASSETS</b>		
Unrestricted	402,225	388,808
Temporarily restricted	<u>417,548</u>	<u>248,715</u>
Total net assets	<u>819,773</u>	<u>637,523</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 844,227</u></b>	 <b><u>\$ 654,870</u></b>

(The accompanying notes are an integral part of these financial statements)

**COACHELLA VALLEY RESCUE MISSION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2004 Total</u>	<u>2003 Memorandum Only</u>
<b>SUPPORT AND REVENUES</b>				
Contributions and other cash donations	\$ 762,000	\$ 186,060	\$ 948,060	\$ 894,227
Non-cash donations	1,600	-	\$ 1,600	87,478
Program income	37,686	3,877	41,563	31,418
Grants and contracts	94,475	10,719	105,194	84,094
Other income	4,561	-	4,561	1,342
	<u>900,322</u>	<u>200,656</u>	<u>1,100,978</u>	<u>1,098,559</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Expiration and allocation of restrictions	<u>34,596</u>	<u>(34,596)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>934,918</u>	<u>166,060</u>	<u>1,100,978</u>	<u>1,098,559</u>
<b>EXPENSES</b>				
Program services	643,880	-	643,880	665,315
General and administrative	66,123	-	66,123	74,091
Fundraising	217,568	-	217,568	160,623
Total expenses	<u>927,571</u>	<u>-</u>	<u>927,571</u>	<u>900,029</u>
<b>NON-OPERATING INCOME</b>				
Interest income	1,670	2,773	4,443	2,626
Restitution income	4,400	-	4,400	44,568
Less: bad debt	-	-	-	(44,168)
Total non-operating income	<u>6,070</u>	<u>2,773</u>	<u>8,843</u>	<u>3,026</u>
<b>INCREASE IN NET ASSETS</b>	<u>13,417</u>	<u>168,833</u>	<u>182,250</u>	<u>201,556</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>388,808</u>	<u>248,715</u>	<u>637,523</u>	<u>435,967</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 402,225</u>	<u>\$ 417,548</u>	<u>\$ 819,773</u>	<u>\$ 637,523</u>

(The accompanying notes are an integral part of these financial statements)

**COACHELLA VALLEY RESCUE MISSION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2004 Total</u>	<u>2003 Memorandum Only</u>
Bank and credit card charges	\$ -	\$ 2,059	\$ 882	\$ 2,941	\$ 3,248
Benevolence	15,642	-	-	15,642	15,984
Facility expenses	36,541	4,060	-	40,601	73,955
Fundraising	-	-	188,674	188,674	133,095
Insurance	31,615	3,720	1,860	37,195	39,674
Miscellaneous	1,622	694	-	2,316	2,658
Office expenses	23,333	2,917	2,916	29,166	19,657
Professional fees	15,269	1,908	1,909	19,086	21,400
Program / case management	82,053	-	-	82,053	89,617
Salaries, wages and payroll	327,749	38,559	19,279	385,587	363,102
Taxes	2,290	254	-	2,544	1,230
Travel and entertainment	2,173	272	272	2,717	2,643
Telephone	8,646	1,017	509	10,172	8,648
Utilities	40,834	4,537	-	45,371	40,200
Vehicle	<u>22,797</u>	<u>1,266</u>	<u>1,267</u>	<u>25,330</u>	<u>32,262</u>
Total expenses before depreciation and non-operating expenses	<u>610,564</u>	<u>61,263</u>	<u>217,568</u>	<u>889,395</u>	<u>847,373</u>
Depreciation	33,316	3,702	-	37,018	44,777
Non-operating expenses	<u>-</u>	<u>1,158</u>	<u>-</u>	<u>1,158</u>	<u>7,879</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 643,880</u></b>	<b><u>\$ 66,123</u></b>	<b><u>\$ 217,568</u></b>	<b><u>\$ 927,571</u></b>	<b><u>\$ 900,029</u></b>

(The accompanying notes are an integral part of these financial statements)

**COACHELLA VALLEY RESCUE MISSION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>2004</u>	2003 Memorandum Only <u>Only</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase in net assets	\$ 182,250	\$ 201,556
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	37,018	44,777
Unrealized loss on sale of securities	816	2,477
Loss on disposition of fixed assets	342	5,402
Noncash donations - net	(1,600)	(87,478)
(Increase) decrease in receivables	(7,626)	14,684
Increase (decrease) in accounts payable	8,132	(21,825)
Increase in accrued expenses	<u>(1,025)</u>	<u>6,212</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>218,307</u>	<u>165,805</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(41,314)	(81,039)
Proceeds from sale of property and equipment	1,600	18,525
Proceeds from sale of marketable securities	<u>15,000</u>	<u>52,272</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(24,714)</u>	<u>(10,242)</u>
 <b>NET INCREASE IN CASH</b>	193,593	155,563
 <b>CASH - BEGINNING OF YEAR</b>	<u>372,513</u>	<u>216,950</u>
 <b>CASH - END OF YEAR</b>	<u>\$ 566,106</u>	<u>\$ 372,513</u>

(The accompanying notes are an integral part of these financial statements)

**COACHELLA VALLEY RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION**

The Coachella Valley Rescue Mission (the Organization) was organized on March 30, 1971 as a California non-profit Organization and is presently located in Indio. The primary purpose of the Organization is to operate a Christian mission and to provide food and shelter to the homeless in the Coachella Valley. Additionally, the Organization manages a cold weather shelter for the County of Riverside. The main sources of revenues are private donations and grants as well as reimbursements from the County of Riverside for services provided at the cold weather shelter.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Net Asset Classification

To ensure compliance with restrictions placed on its resources, the Organization's accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting reporting into funds established according to their nature and purposes. In financial statements, funds that have similar characteristics are combined into three net asset categories: permanently restricted, temporarily restricted and unrestricted.

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. There are no permanently restricted net assets at December 31, 2004 and 2003.

The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions. At December 31, 2004 and 2003, the Organization had \$417,548 and \$248,715, respectively, in temporarily restricted funds. (See note 4)

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**COACHELLA VALLEY RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

**Property and Equipment**

Property and equipment are stated at cost and are being depreciated using the straight-line and accelerated methods over their estimated useful lives. Donations of property and equipment are recorded at their estimated fair value.

The estimated useful lives of property and equipment are as follows:

Building and improvements	25 - 27.5 years
Equipment and fixtures	5 - 7 years
Vehicles	5 years

**Investment in Marketable Securities**

Investments consist of government debt securities and are stated at fair market value, which approximates cost.

**Credit Risk**

Financial instruments, which potentially subject the organization to concentrations of credit risk, consist principally of temporary cash investments and marketable securities. The Company maintains its cash in deposit accounts with high credit quality financial institutions which, at times, may exceed the federally insured limits of \$100,000. The bank balances in excess of the federally insured limits amounted to approximately \$326,738 at December 31, 2004. The Company has not experienced any losses in such accounts.

**Income Taxes**

The Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) and similar California statutes and therefore, has made no provision for income taxes.

**Reclassifications**

Certain reclassifications have been made to the 2003 comparative totals to conform to the 2004 presentation of expense allocations.

**3. PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2004 and 2003 are as follows:

December 31, 2004

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Building and improvements	\$ 380,453	\$ 277,762	\$ 102,691
Equipment and fixtures	125,521	77,573	47,948
Vehicles	<u>73,688</u>	<u>42,731</u>	<u>30,957</u>
	579,662	398,066	181,596
Construction in progress	39,383	-	39,383
Land	<u>20,000</u>	-	<u>20,000</u>
	<u>\$ 639,045</u>	<u>\$ 398,066</u>	<u>\$ 240,979</u>

**COACHELLA VALLEY RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**3. PROPERTY AND EQUIPMENT** - continued

<u>December 31, 2003</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Building and improvements	\$ 375,472	\$ 265,018	\$ 110,454
Equipment and fixtures	118,571	65,091	53,480
Vehicles	<u>67,745</u>	<u>30,939</u>	<u>36,806</u>
	561,788	361,048	200,740
Construction in progress	15,942	-	15,942
Land	<u>20,000</u>	<u>-</u>	<u>20,000</u>
	<u>\$ 597,730</u>	<u>\$ 361,048</u>	<u>\$ 236,682</u>

**4. NET ASSETS**

At December 31, 2004 and 2003, the total net assets consist of \$417,548 and \$248,715, respectively, of temporarily restricted funds related to a future expansion of the Organization's facilities (see note 6).

**5. RESTITUTION RECEIVABLE**

On May 13, 2003, a judgment in a criminal trial against a former executive director required restitution in the amount of \$44,568 to be paid back to the Organization. The full amount is payable in monthly installments of \$400. The Organization collected \$4,400 and \$400 during the year ended December 31, 2004 and 2003, respectively. For conservative purposes and due to the uncertainty surrounding the collectibility of the remainder of the restitution amount, the management established an allowance of \$39,768 and \$44,168 representing the full amount of the outstanding receivable at December 31, 2004 and 2003, respectively. The Organization will record income as future collections are received.

**6. SUBSEQUENT EVENTS**

In January 2005, the Organization purchased 7.76 acres of land adjacent to the existing facility for \$730,000 plus \$20,000 for an option paid in 2004. This parcel of land will be used to build a new, larger shelter to accommodate growing requests for services of the homeless and needy.

To finance this purchase, the Organization borrowed \$200,000 from a private lender in January 2005. This loan matures in January 2006 and bears an annual interest of 2%.

In addition, on February 10, 2005, the Organization opened a line of credit with VIB bank. This line of credit is for a maximum amount of \$100,000 and bears 3.71% interest annually. The Organization used \$93,700 of this credit towards the purchase of the land. Any outstanding amount of this line of credit is due on or before April 15, 2005. The Organization plans to repay it with proceeds received from the Winefest fundraiser occurring in March 2005.

The remainder of the land purchase price, in the amount of approximately \$436,000, was paid from funds previously restricted for this purpose.