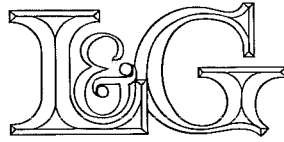


COACHELLA VALLEY RESCUE MISSION
INDIO, CALIFORNIA

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006



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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, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended December 31, 2007. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Coachella Valley Rescue Mission as of December 31, 2007 and 2006 and the changes in net assets and cash flows for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

April 21, 2008

COACHELLA VALLEY RESCUE MISSION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	2007	2006 (Restated)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 510,407	\$ 345,739
Restricted cash	115,423	21,509
Investments	25,539	-
Restricted investments	9,964	-
Accounts receivable	31,463	700
Pledges receivable	110,036	-
Contributions receivable	18,979	30,000
Restitution income receivable	27,068	30,268
Less: allowance for doubtful accounts	(27,068)	(30,268)
Prepaid expenses	13,177	16,386
Total current assets	834,988	414,334
PROPERTY AND EQUIPMENT		
Land	20,000	20,000
Building and improvements	413,506	384,404
Equipment and fixtures	163,619	153,287
Vehicles	89,094	72,104
	686,219	629,795
Less accumulated depreciation	(485,652)	(452,202)
	200,567	177,593
OTHER ASSETS		
Land held for development	752,116	752,116
Capitalized development costs	239,275	200,143
Total other assets	991,391	952,259
TOTAL ASSETS	\$ 2,026,946	\$ 1,544,186
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 20,707	\$ 14,599
Accrued expenses	8,629	1,007
Client funds payable	7,530	-
Total current liabilities	36,866	15,606
NET ASSETS		
Unrestricted	1,864,693	1,528,580
Temporarily restricted	125,387	-
Total net assets	1,990,080	1,528,580
TOTAL LIABILITIES AND NET ASSETS	\$ 2,026,946	\$ 1,544,186

(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, 2007
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Total</u>	<u>2006 (Memorandum Only)</u>
SUPPORT AND REVENUES				
Contributions and other cash donations	\$ 1,066,868	\$ 425,930	\$ 1,492,798	\$ 1,358,122
Special events	17,430	-	17,430	55,650
Program income	-	56,695	56,695	15,552
Grants and contracts	60,155	-	60,155	63,397
Non-cash donations	270,244	-	270,244	10,675
Sales	130,104	-	130,104	55,997
Other income	<u>19,827</u>	<u>-</u>	<u>19,827</u>	<u>18,472</u>
	<u>1,564,628</u>	<u>482,625</u>	<u>2,047,253</u>	<u>1,577,865</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Expiration and allocation of restrictions	<u>357,238</u>	<u>(357,238)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,921,866</u>	<u>125,387</u>	<u>2,047,253</u>	<u>1,577,865</u>
EXPENSES				
Program services	1,168,724	-	1,168,724	862,878
General and administrative	87,575	-	87,575	56,489
Fundraising	306,874	-	306,874	246,579
Special events	<u>10,084</u>	<u>-</u>	<u>10,084</u>	<u>22,251</u>
Total expenses	<u>1,573,257</u>	<u>-</u>	<u>1,573,257</u>	<u>1,188,197</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	4,191	-	4,191	3,526
Restitution income	3,200	-	3,200	4,700
Bad debt expense	(435)	-	(435)	-
Loss on sale of property and equipment	(4,338)	-	(4,338)	(2,090)
Loss on sale of investments	(489)	-	(489)	-
Unrealized gain on investments	106	-	106	-
Property tax expense	<u>(14,731)</u>	<u>-</u>	<u>(14,731)</u>	<u>(9,785)</u>
Total non-operating expense	<u>(12,496)</u>	<u>-</u>	<u>(12,496)</u>	<u>(3,649)</u>
INCREASE IN NET ASSETS	<u>336,113</u>	<u>125,387</u>	<u>461,500</u>	<u>386,019</u>
NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY STATED	<u>1,275,737</u>	<u>252,843</u>	<u>1,528,580</u>	<u>1,142,561</u>
RESTATEMENT OF PRIOR YEAR	<u>252,843</u>	<u>(252,843)</u>	<u>-</u>	<u>-</u>
NET ASSETS - BEGINNING OF YEAR, RESTATED	<u>1,528,580</u>	<u>-</u>	<u>1,528,580</u>	<u>1,142,561</u>
NET ASSETS - END OF YEAR	<u>\$ 1,864,693</u>	<u>\$ 125,387</u>	<u>\$ 1,990,080</u>	<u>\$ 1,528,580</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, 2007
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services	General and Administrative	Fundraising	Special Events	2007 Total	2006 (Memorandum Only)
Bank and credit card charges	\$ -	\$ 4,426	\$ 492	\$ -	\$ 4,918	\$ 4,519
Benevolence	120,297	-	-	-	120,297	11,465
Capital campaign	-	-	44,047	-	44,047	27,592
Contracted services	-	-	300	-	300	23,683
Donation expense	2,221	197	49	-	2,467	4,775
Employee benefits	33,969	3,019	755	-	37,743	17,331
Employee expenses	5,527	491	123	-	6,141	5,295
Salaries, wages and payroll taxes	484,687	9,892	-	-	494,579	438,644
Facility expenses	88,166	-	-	-	88,166	42,942
Food service	158,630	3,237	-	-	161,867	42,425
Fundraising direct mail	-	-	214,345	-	214,345	197,320
Insurance	33,058	8,815	2,204	-	44,077	36,842
Miscellaneous	282	175	-	-	457	1,508
Office supplies	6,614	37	698	-	7,349	7,500
Postage and delivery	2,031	1,016	7,109	-	10,156	15,148
Printing and reproduction	12,991	-	3,248	-	16,239	16,647
Professional fees	21,895	2,737	30,106	-	54,738	43,697
Professional development	5,693	-	300	-	5,993	1,883
Programs and case management	20,151	-	-	-	20,151	20,438
Rent and lease	34,569	1,260	180	-	36,009	34,458
Special events	-	-	-	10,084	10,084	22,251
Taxes	1,057	-	-	-	1,057	2,091
Travel and entertainment	3,527	274	118	-	3,919	10,441
Utilities	82,957	-	-	-	82,957	72,434
Vehicle	50,402	2,800	2,800	-	56,002	49,254
Total expenses before depreciation	<u>1,168,724</u>	<u>38,376</u>	<u>306,874</u>	<u>10,084</u>	<u>1,524,058</u>	<u>1,150,583</u>
Depreciation	<u>-</u>	<u>49,199</u>	<u>-</u>	<u>-</u>	<u>49,199</u>	<u>37,614</u>
TOTAL EXPENSES	<u>\$ 1,168,724</u>	<u>\$ 87,575</u>	<u>\$ 306,874</u>	<u>\$ 10,084</u>	<u>\$ 1,573,257</u>	<u>\$ 1,188,197</u>

(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, 2007
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2007</u>	<u>2006</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 461,500	\$ 386,019
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	49,199	37,614
Loss on sale of property and equipment	4,338	2,090
Noncash donations - net	(35,600)	(10,675)
(Increase) in investments	(35,503)	-
(Increase) decrease in accounts receivable	(30,763)	18,259
(Increase) in pledges receivable	(110,036)	-
(Increase) decrease in contributions receivable	11,021	(30,000)
(Increase) decrease in prepaid expenses	3,209	(7,648)
Increase (decrease) in accounts payable	6,108	(22,540)
Increase (decrease) in accrued expenses	7,622	(5,730)
Increase in client funds	7,530	-
Net cash provided by operating activities	<u>338,625</u>	<u>367,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(40,911)	(15,278)
Payment of capitalized development costs	<u>(39,132)</u>	<u>(89,976)</u>
Net cash used by investing activities	<u>(80,043)</u>	<u>(105,254)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	-	<u>(200,000)</u>
Net cash used by financing activities	<u>-</u>	<u>(200,000)</u>
NET INCREASE IN CASH	258,582	62,135
CASH - BEGINNING OF YEAR	<u>367,248</u>	<u>305,113</u>
CASH - END OF YEAR	<u>\$ 625,830</u>	<u>\$ 367,248</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash consisted of the following at December 31:		
Cash and cash equivalents	\$ 510,407	\$ 345,739
Restricted cash	<u>115,423</u>	<u>21,509</u>
	<u>\$ 625,830</u>	<u>\$ 367,248</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 near 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. The main sources of revenues are private donations and grants as well as reimbursements from the County of Riverside for services provided at the county overnight 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, 2007 and 2006.

The Organization records contributions as temporarily restricted if they are received with stipulations that limit their use either through purpose or time restrictions. When 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, 2007 and 2006, the Organization had \$125,387 and \$0 (restated), respectively, in temporarily restricted funds. (See note 4)

Unrestricted net assets are not restricted, 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.

Investments

The Organization receives donation of equity securities and their policy is to generally sell these securities upon notification of receipt. The investments are recorded at fair market value, which approximates the fair market value at time of donation (cost basis).

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. The Organization capitalizes assets with original costs greater than \$500 and estimated useful lives greater than one year. 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

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 \$342,885 and \$68,527 at December 31, 2007 and 2006, respectively. 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 2006 functional expenses amounts have been reclassified to conform to the 2007 financial statement presentation. The reclassifications do not affect net assets.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2007 and 2006 are as follows:

	<u>December 31, 2007</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Land	\$ 20,000	\$ -	\$ 20,000
Building and improvements	413,506	317,839	95,667
Equipment and fixtures	163,619	107,751	55,868
Vehicles	89,094	60,062	29,032
	<u>\$ 686,219</u>	<u>\$ 485,652</u>	<u>\$ 200,567</u>

COACHELLA VALLEY RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT – continued

December 31, 2006

	Cost	Accumulated depreciation	Net book value
Land	\$ 20,000	\$ -	\$ 20,000
Building and improvements	384,404	303,757	80,647
Equipment and fixtures	153,287	100,875	52,412
Vehicles	72,104	47,570	24,534
	\$ 629,795	\$ 452,202	\$ 177,593

4. NET ASSETS

At December 31, 2007 and 2006, the total net assets included \$125,387 and \$0 (restated), respectively, of temporarily restricted funds related to future expansion of the Organization's facilities and the costs related to the capital campaign. There were \$530,000 of temporarily restricted net assets expended during 2005 for the purchase of land (see Note 6). The previously stated December 31, 2006 temporarily restricted net assets of \$252,843 were revised to \$0 to reflect the final \$200,000 payment of the note payable for the original purchase of the land and other construction in progress payments made in 2006.

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 \$3,200 and \$4,700 during the years ended December 31, 2007 and 2006, 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 \$27,068 and \$30,268 representing the full amount of the outstanding receivable at December 31, 2007 and 2006, respectively. The Organization will record income as future collections are received.

6. NEW FACILITY

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. The land purchase was paid in full in 2006. This parcel of land will be used to build a new larger shelter to accommodate the increasing need of the homeless and needy population. In 2007 the Organization started a capital campaign called "Building New Beginnings" of which the focus is to raise \$12 million.

Total costs incurred towards this new facility consisted of the following at December 31:

	2007	2006
Land held for development	\$ 752,116	\$ 752,116
Capitalized development costs	239,275	200,143
	\$ 991,391	\$ 952,259

Capitalized development costs consist of architect fees, studies and design costs for the new facility.

COACHELLA VALLEY RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

7. **RETIREMENT PLAN**

The Organization has a 401(k) defined contribution benefit plan covering substantially all employees. The Organization made matching contributions of \$3,710 and \$1,826 for the years ended December 31, 2007 and 2006, respectively.