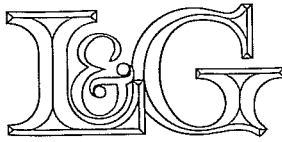


COACHELLA VALLEY RESCUE MISSION
INDIO, CALIFORNIA

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007



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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, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended December 31, 2008. 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, 2008 and 2007 and the changes in net assets and cash flows for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Lund & Guttery".

June 2, 2009

COACHELLA VALLEY RESCUE MISSION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 620,658	\$ 510,407
Restricted cash	371,210	115,423
Investments	1,566	25,539
Restricted investments	-	9,964
Accounts receivable	20,985	31,463
Pledges receivable	-	110,036
Restricted pledges receivable	470,102	-
Contributions receivable	177,334	18,979
Restitution income receivable	23,868	27,068
Less: allowance for doubtful accounts	(23,868)	(27,068)
Prepaid expenses	21,530	13,177
Total current assets	<u>1,683,385</u>	<u>834,988</u>
PROPERTY AND EQUIPMENT		
Land	20,000	20,000
Building and improvements	419,393	413,506
Equipment and fixtures	184,450	163,619
Vehicles	<u>119,752</u>	<u>89,094</u>
	743,595	686,219
Less accumulated depreciation	<u>(539,782)</u>	<u>(485,652)</u>
	<u>203,813</u>	<u>200,567</u>
OTHER ASSETS		
Land held for development	752,116	752,116
Capitalized development costs	<u>476,903</u>	<u>239,275</u>
Total other assets	<u>1,229,019</u>	<u>991,391</u>
TOTAL ASSETS	<u>\$ 3,116,217</u>	<u>\$ 2,026,946</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 88,473	\$ 20,707
Accrued expenses	12,096	8,629
Client funds payable	12,210	7,530
Deferred grant funds	<u>12,500</u>	<u>-</u>
Total current liabilities	<u>125,279</u>	<u>36,866</u>
NET ASSETS		
Unrestricted	2,149,626	1,864,693
Temporarily restricted	<u>841,312</u>	<u>125,387</u>
Total net assets	<u>2,990,938</u>	<u>1,990,080</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,116,217</u>	<u>\$ 2,026,946</u>

(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, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	2008 Total	2007 (Memorandum Only)
SUPPORT AND REVENUES				
Contributions and other cash donations	\$ 1,123,502	\$ 1,106,311	\$ 2,229,813	\$ 1,432,792
Special events	32,756	-	32,756	17,430
Program income	-	41,163	41,163	56,695
Grants and contracts	182,386	42,773	225,159	120,161
Non-cash donations	340,166	-	340,166	270,244
Sales	133,521	-	133,521	130,104
Other income	16,591	-	16,591	19,827
	<u>1,828,922</u>	<u>1,190,247</u>	<u>3,019,169</u>	<u>2,047,253</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Expiration and allocation of restrictions	474,322	(474,322)	-	-
Total support and revenues	<u>2,303,244</u>	<u>715,925</u>	<u>3,019,169</u>	<u>2,047,253</u>
EXPENSES				
Program services	1,460,768	-	1,460,768	1,168,724
General and administrative	101,248	-	101,248	87,575
Fundraising	431,692	-	431,692	306,874
Special events	15,405	-	15,405	10,084
Total expenses	<u>2,009,113</u>	<u>-</u>	<u>2,009,113</u>	<u>1,573,257</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	1,303	-	1,303	4,191
Restitution income	3,200	-	3,200	3,200
Bad debt expense	(435)	-	(435)	(435)
Loss on sale of property and equipment	-	-	-	(4,338)
Loss on sale of investments	(2,721)	-	(2,721)	(489)
Unrealized gain on investments	10	-	10	106
Property tax expense	(10,555)	-	(10,555)	(14,731)
Total non-operating expense	<u>(9,198)</u>	<u>-</u>	<u>(9,198)</u>	<u>(12,496)</u>
INCREASE IN NET ASSETS	<u>284,933</u>	<u>715,925</u>	<u>1,000,858</u>	<u>461,500</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,864,693</u>	<u>125,387</u>	<u>1,990,080</u>	<u>1,528,580</u>
NET ASSETS - END OF YEAR	<u>\$ 2,149,626</u>	<u>\$ 841,312</u>	<u>\$ 2,990,938</u>	<u>\$ 1,990,080</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, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services	General and Administrative	Fundraising	Special Events	2008 Total	2007 (Memorandum Only)
Bank and credit card charges	\$ -	\$ 4,436	\$ 493	\$ -	\$ 4,929	\$ 4,918
Benevolence	103,138	-	-	-	103,138	120,297
Capital campaign	-	-	162,088	-	162,088	44,047
Contracted services	-	-	300	-	300	300
Donation expense	4,292	382	95	-	4,769	2,467
Employee benefits	39,666	3,526	881	-	44,073	37,743
Employee expenses	4,805	427	107	-	5,339	6,141
Salaries, wages and payroll taxes	631,366	12,885	-	-	644,251	494,579
Facility expenses	65,640	-	-	-	65,640	88,166
Food service	288,516	5,888	-	-	294,404	161,867
Fundraising direct mail	-	-	217,666	-	217,666	214,345
Insurance	38,867	10,364	2,591	-	51,822	44,077
Miscellaneous	354	-	-	-	354	457
Office supplies	8,385	47	885	-	9,317	7,349
Postage and delivery	2,334	1,167	8,168	-	11,668	10,156
Printing and reproduction	12,255	-	3,064	-	15,319	16,239
Professional fees	22,688	2,836	31,195	-	56,719	54,738
Professional development	5,437	-	286	-	5,723	5,993
Programs and case management	26,350	-	-	-	26,350	20,151
Rent and lease	36,755	1,340	191	-	38,286	36,009
Special events	-	-	-	15,405	15,405	10,084
Taxes	10	-	-	-	10	1,057
Travel and entertainment	3,109	242	104	-	3,454	3,919
Utilities	102,416	-	-	-	102,416	82,957
Vehicle	64,387	3,577	3,577	-	71,541	56,002
Total expenses before depreciation	<u>1,460,768</u>	<u>47,116</u>	<u>431,692</u>	<u>15,405</u>	<u>1,954,981</u>	<u>1,524,058</u>
Depreciation	<u>-</u>	<u>54,132</u>	<u>-</u>	<u>-</u>	<u>54,132</u>	<u>49,199</u>
TOTAL EXPENSES	<u>\$ 1,460,768</u>	<u>\$ 101,248</u>	<u>\$ 431,692</u>	<u>\$ 15,405</u>	<u>\$ 2,009,113</u>	<u>\$ 1,573,257</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, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,000,858	\$ 461,500
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	54,132	49,199
Loss on sale of property and equipment	-	4,338
Noncash donations - net	(1,327)	(35,600)
(Increase) decrease in investments	33,937	(35,503)
(Increase) decrease in accounts receivable	10,478	(30,763)
(Increase) decrease in pledges receivable	110,036	(110,036)
(Increase) in restricted pledges receivable	(470,102)	-
(Increase) decrease in contributions receivable	(158,355)	11,021
(Increase) decrease in prepaid expenses	(8,353)	3,209
Increase in accounts payable	67,766	6,108
Increase in accrued expenses	3,467	7,622
Increase in client funds	4,680	7,530
Increase in deferred grant funds	12,500	-
Net cash provided by operating activities	659,717	338,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(56,051)	(40,911)
Payment of capitalized development costs	(237,628)	(39,132)
Net cash used by investing activities	(293,679)	(80,043)
NET INCREASE IN CASH	366,038	258,582
CASH - BEGINNING OF YEAR	625,830	367,248
CASH - END OF YEAR	\$ 991,868	\$ 625,830
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash consisted of the following at December 31:		
Cash and cash equivalents	\$ 620,658	\$ 510,407
Restricted cash	371,210	115,423
	\$ 991,868	\$ 625,830

(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, 2008 and 2007.

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, 2008 and 2007, the Organization had \$841,312 and \$125,387, 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 \$250,000 at December 31, 2008. The bank balances in excess of the federally insured limits amounted to approximately \$159,000 at December 31, 2008. 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.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2008 and 2007 are as follows:

December 31, 2008

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Land	\$ 20,000	\$ -	\$ 20,000
Building and improvements	419,393	312,123	107,270
Equipment and fixtures	184,450	151,039	33,411
Vehicles	<u>119,752</u>	<u>76,620</u>	<u>43,132</u>
	<u>\$ 743,595</u>	<u>\$ 539,782</u>	<u>\$ 203,813</u>

December 31, 2007

	<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	<u>89,094</u>	<u>60,062</u>	<u>29,032</u>
	<u>\$ 686,219</u>	<u>\$ 485,652</u>	<u>\$ 200,567</u>

COACHELLA VALLEY RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

4. NET ASSETS

At December 31, 2008 and 2007, the total net assets included \$841,312 and \$125,387, respectively, of temporarily restricted funds related to future expansion of the Organization's facilities and the costs related to the capital campaign.

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 during each of the years ended December 31, 2008 and 2007. For conservative purposes and due to the uncertainty surrounding the collectibility of the remainder of the restitution amount, the management established an allowance of \$23,868 and \$27,068 representing the full amount of the outstanding receivable at December 31, 2008 and 2007, 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:

	<u>2008</u>	<u>2007</u>
Land held for development	\$ 752,116	\$ 752,116
Capitalized development costs	476,903	239,275
	<u>\$ 1,229,019</u>	<u>\$ 991,391</u>

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

7. OPERATING LEASES

The Organization had three operating lease agreements for the leasing of the thrift store, photo copier and postage machine with various expiration dates through December 2012. Future minimum annual lease payments as of December 31, 2008 are as follows:

2009	\$ 31,064
2010	12,524
2011	8,815
2012	4,319
	<u>\$ 56,722</u>

8. RETIREMENT PLAN

The Organization has a 401(k) defined contribution benefit plan covering substantially all employees. The Organization made matching contributions of \$8,718 and \$3,710 for the years ended December 31, 2008 and 2007, respectively.

COACHELLA VALLEY RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS

9. SUBSEQUENT EVENT

On March 11, 2009, there was a major fire originating in the homeless shelter's laundry room. All clients and residents were evacuated safely and fire damage was controlled to the laundry, maintenance room, and 4 food storage rooms and contents were completely destroyed. Damage due to fighting the fire was evidenced throughout the administrative offices, kitchen, dining area and chapel. The Organization hired Bruce Tibert with Greenspan Co./Adjusters International as an owner representative adjuster for the Organization. The claim total has not been identified to this date, but the fire caused an estimated \$300,000 in damages. All of the Organizations operations were continued and temporarily housed at the Riverside County Fairgrounds in Indio, CA. On March 16, 2009 the Organization entered into a contract with Orr Builders to reconstruct the damaged areas of the building; this was completed on March 27, 2009. Replacement furnishings are being acquired and tentative return to full operations is April 6, 2009.