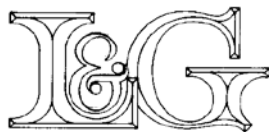


**COACHELLA VALLEY RESCUE MISSION**  
**INDIO, CALIFORNIA**

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

**DECEMBER 31, 2010 AND 2009**



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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, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended December 31, 2010. 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. The prior year summarized information has been derived from the Organization's 2009 financial statements and, in our report dated April 26, 2010, we expressed an unqualified opinion on those financial statements.

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, 2010 and 2009 and the changes in net assets and cash flows for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

*Lund & Guttry*

March 2, 2011

**COACHELLA VALLEY RESCUE MISSION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

	2010	2009
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,698,012	\$ 1,479,482
Restricted cash	808,194	257,428
Accounts receivable	20,815	25,368
Grants receivable	1,500,000	1,500,000
Restricted pledges receivable	237,640	428,168
Other receivables	3,388	58,672
Prepaid expenses	3,980	25,990
Total current assets	4,272,029	3,775,108
<b>PROPERTY AND EQUIPMENT</b>		
Land	20,000	20,000
Building and improvements	696,842	713,944
Equipment and fixtures	190,808	176,542
Vehicles	121,230	99,416
	1,028,880	1,009,902
Less accumulated depreciation	(576,592)	(555,744)
	452,288	454,158
<b>OTHER ASSETS</b>		
Land held for development	753,706	752,116
Capitalized development costs	1,070,149	942,361
Total other assets	1,823,855	1,694,477
<b>TOTAL ASSETS</b>	<b>\$ 6,548,172</b>	<b>\$ 5,923,743</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 45,170	\$ 53,387
Accrued expenses	24,244	20,061
Client funds payable	2,129	15,047
Deferred grant funds	1,523,750	1,512,500
Total current liabilities	1,595,293	1,600,995
<b>NET ASSETS</b>		
Unrestricted	3,279,045	3,292,152
Unrestricted - designated	628,000	345,000
Temporarily restricted	1,045,834	685,596
Total net assets	4,952,879	4,322,748
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,548,172</b>	<b>\$ 5,923,743</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, 2010**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009**

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Memorandum Only
<b>SUPPORT AND REVENUES</b>				
Contributions and other cash donations	\$ 1,455,035	\$ 691,237	\$ 2,146,272	\$ 2,086,632
Special events	36,506	-	36,506	30,285
Program income	153	37,059	37,212	57,383
Grants and contracts	157,447	146,144	303,591	374,503
Non-cash donations	539,638	-	539,638	706,131
Sales	167,431	-	167,431	157,899
Other income	50,998	-	50,998	42,887
	<u>2,407,208</u>	<u>874,440</u>	<u>3,281,648</u>	<u>3,455,720</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Expiration and allocation of restrictions	514,202	(514,202)	-	-
	<u>2,921,410</u>	<u>360,238</u>	<u>3,281,648</u>	<u>3,455,720</u>
<b>EXPENSES</b>				
Program services	1,748,333	-	1,748,333	1,651,571
General and administrative	115,396	-	115,396	176,267
Fundraising	547,422	-	547,422	524,042
Special events	10,240	-	10,240	16,028
Total expenses	<u>2,421,391</u>	<u>-</u>	<u>2,421,391</u>	<u>2,367,908</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Interest income	417	-	417	53
Bad debt expense	(4,327)	-	(4,327)	(66,232)
Write-off of capitalized development costs	(200,143)	-	(200,143)	-
Gain (loss) on sale of property and equipment	(6,533)	-	(6,533)	667
Loss on investments	(212)	-	(212)	(369)
Property tax expense	(15,127)	-	(15,127)	(10,344)
Gain (loss) on fire settlement, net	(4,201)	-	(4,201)	320,709
Total non-operating income (expense)	<u>(230,126)</u>	<u>-</u>	<u>(230,126)</u>	<u>244,484</u>
<b>INCREASE IN NET ASSETS</b>	<u>269,893</u>	<u>360,238</u>	<u>630,131</u>	<u>1,332,296</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>3,637,152</u>	<u>685,596</u>	<u>4,322,748</u>	<u>2,990,452</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,907,045</u>	<u>\$ 1,045,834</u>	<u>\$ 4,952,879</u>	<u>\$ 4,322,748</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, 2010**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009**

	2010					2009
	Program Services	General and Administrative	Fundraising	Special Events	Total	Memorandum Only
Bank and credit						
card charges	\$ -	\$ 9,235	\$ 1,026	\$ -	\$ 10,261	\$ 8,841
Benevolence	138,894	-	-	-	138,894	95,383
Capital campaign	-	-	182,090	-	182,090	217,956
Contracted services	-	-	300	-	300	1,343
Donation expense	4,619	411	103	-	5,132	2,787
Employee benefits	54,224	4,820	1,205	-	60,249	62,172
Employee expenses	4,270	380	95	-	4,744	1,507
Salaries, wages and						
payroll taxes	677,309	13,823	-	-	691,132	697,829
Facility expenses	69,747	-	-	-	69,747	80,076
Food service	443,423	9,049	-	-	452,472	341,106
Fundraising direct mail	-	-	307,649	-	307,649	249,771
Insurance	47,690	12,717	3,179	-	63,586	56,479
Miscellaneous	183	-	-	-	183	1,106
Licenses and permits	792	-	-	-	792	1,138
Office supplies	7,674	43	810	-	8,527	9,488
Postage and delivery	2,795	1,398	9,783	-	13,975	15,254
Printing and reproduction	9,179	-	2,295	-	11,474	16,654
Professional fees	25,079	3,135	34,483	-	62,697	54,713
Professional development	8,872	-	467	-	9,339	9,191
Programs and case						
management	32,038	-	-	-	32,038	29,546
Rent and lease	50,692	1,848	264	-	52,804	88,346
Special events	-	-	-	10,240	10,240	16,028
Taxes	1,919	-	-	-	1,919	1,408
Travel and entertainment	3,571	278	119	-	3,968	5,990
Utilities	101,384	-	-	-	101,384	107,510
Vehicle	63,979	3,554	3,554	-	71,088	77,040
Total expenses before depreciation	<u>1,748,333</u>	<u>60,689</u>	<u>547,422</u>	<u>10,240</u>	<u>2,366,684</u>	<u>2,248,662</u>
Depreciation	-	54,707	-	-	54,707	119,246
<b>TOTAL EXPENSES</b>	<u>\$ 1,748,333</u>	<u>\$ 115,396</u>	<u>\$ 547,422</u>	<u>\$ 10,240</u>	<u>\$ 2,421,391</u>	<u>\$ 2,367,908</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, 2010**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 630,131	\$ 1,332,296
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	54,707	119,246
Write-off of capitalized development costs	200,143	-
Noncash donations - net	-	(275,855)
(Increase) decrease in investments	-	1,566
(Increase) decrease in accounts receivable	4,553	(4,383)
(Increase) decrease in grants receivable	-	(1,500,000)
Decrease in restricted pledges receivable	190,528	41,934
(Increase) decrease in contributions receivable	-	177,334
(Increase) decrease other receivables	55,284	(54,149)
(Increase) decrease in prepaid expenses	22,010	(8,983)
Decrease in accounts payable	(8,217)	(35,086)
Increase in accrued expenses	4,183	7,965
Increase (decrease) in client funds	(12,918)	2,837
Increase in deferred grant funds	<u>11,250</u>	<u>1,500,000</u>
Net cash provided by operating activities	<u>1,151,654</u>	<u>1,304,722</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in property and equipment - net	(54,427)	(94,222)
Change in capitalized development costs - net	<u>(327,931)</u>	<u>(465,458)</u>
Net cash used by investing activities	<u>(382,358)</u>	<u>(559,680)</u>
 <b>NET INCREASE IN CASH</b>	769,296	745,042
 <b>CASH - BEGINNING OF YEAR</b>	<u>1,736,910</u>	<u>991,868</u>
 <b>CASH - END OF YEAR</b>	<u>\$ 2,506,206</u>	<u>\$ 1,736,910</u>
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash consisted of the following at December 31:		
Cash and cash equivalents	\$ 1,698,012	\$ 1,479,482
Restricted cash	<u>808,194</u>	<u>257,428</u>
	<u>\$ 2,506,206</u>	<u>\$ 1,736,910</u>

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

**COACHELLA VALLEY RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**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, 2010 and 2009.

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, 2010 and 2009, the Organization had \$1,045,834 and \$685,596, respectively, in temporarily restricted funds. (See note 6)

Unrestricted net assets are not restricted, or the donor-imposed restrictions have expired. Designated unrestricted net assets consists of Board of Directors designated building funds of \$628,000 and \$345,000 at December 31, 2010 and 2009, respectively.

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).

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.

**COACHELLA VALLEY RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

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

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.

Memorandum Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year, from which the summarized information was derived.

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. The Organization 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, 2010. The bank balances in excess of the federally insured limits amounted to approximately \$1,694,000 at December 31, 2010. The Organization does not expect any losses in such accounts.

**3. 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 2013. Future minimum annual lease payments as of December 31, 2010 are as follows:

2011	\$ 28,615
2012	25,919
2013	<u>3,600</u>
	<u>\$ 58,134</u>

**4. RETIREMENT PLAN**

The Organization has a 401(k) defined contribution benefit plan covering substantially all employees. The Organization made matching contributions of \$9,840 and \$8,067 for the years ended December 31, 2010 and 2009, respectively.

**COACHELLA VALLEY RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**5. PROPERTY AND EQUIPMENT**

A summary of property and equipment consisted of the following at December 31:

<u>December 31, 2010</u>			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Land	\$ 20,000	\$ -	\$ 20,000
Building and improvements	696,842	342,746	354,096
Equipment and fixtures	190,808	145,238	45,570
Vehicles	121,230	88,608	32,622
	<u>\$ 1,028,880</u>	<u>\$ 576,592</u>	<u>\$ 452,288</u>

<u>December 31, 2009</u>			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Land	\$ 20,000	\$ -	\$ 20,000
Building and improvements	713,944	369,087	344,857
Equipment and fixtures	176,542	113,382	63,160
Vehicles	99,416	73,275	26,141
	<u>\$ 1,009,902</u>	<u>\$ 555,744</u>	<u>\$ 454,158</u>

**6. NET ASSETS**

At December 31, 2010 and 2009, the total net assets included \$1,045,834 and \$685,596, respectively, of temporarily restricted funds related to future expansion of the Organization's facilities and the costs related to the capital campaign.

**7. 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 in part 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.

The Organization was awarded a grant from the Affordable Housing Program in May 2009 for \$1.5 million which is contingent on the construction start date within three years of the award date plus an additional one year extension being available. This \$1.5 million grant is reflected in the financial statements as a grant receivable and deferred grant funds as of December 31, 2010 and 2009. The campaign has raised a combined \$5.5 million and \$4.2 million of cash collected, pledges receivable and grants receivable as of December 31, 2010 and 2009, respectively. The Organization expects to receive the outstanding \$1.5 million grant in April 2011.

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

	<u>2010</u>	<u>2009</u>
Land held for development	\$ 753,706	\$ 752,116
Capitalized development costs	<u>1,070,149</u>	<u>942,361</u>
	<u>\$ 1,823,855</u>	<u>\$ 1,694,477</u>

**COACHELLA VALLEY RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**7. NEW FACILITY**– continued

Capitalized development costs consist of architect fees, studies and design costs for the new facility. The Organization wrote-off \$200,143 of previously capitalized development costs during the year ended December 31, 2010 relating to the original building design plans for the new facility which were scrapped and have no future value to the Organization.

Total estimated cost of construction is \$10,250,000 and is expected to be completed in November 2011. In January 2011, the Organization started construction on the new facility and the County of Riverside purchased two parcels of the land held for development from the Organization for \$1,852,000. The cost of the two parcels that was reduced from land held for development totaled \$503,250. The County of Riverside will be leasing back one of the parcels to the Organization for \$1 per year for 25 years with four renewals of 10 years each.

Also in January 2011, the Organization received a line of credit of \$1,600,000 which has an interest rate of 4.239% over the index rate (one month LIBOR) and has a maturity date of January 28, 2012. The line of credit was received to help the Organization cover the costs of construction if needed until the campaign has raised such funds. The Organization hopes to raise the remaining campaign funds so they will not have to draw on the line of credit.

**8. CASUALTY**

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. Orr Builders was hired as the contractor to reconstruct the damaged areas of the building and all property and equipment that was destroyed was replaced.

Total reimbursement by insurance company totaled \$535,188 and related expenses were \$214,479, resulting in a net gain of \$320,709 for the year ended December 31, 2009. The insurance reimbursement covered the cost of repairing and replacing the building and equipment as well as other related fire expenses. The contractor donated the costs associated with the reconstruction of the damaged areas which resulted in a noncash donation of \$268,000. The Organization also received various additional grants and contributions from the community as a result of the fire. There were \$4,201 of additional fire related expenses during the year ended December 31, 2010.

**9. SUBSEQUENT EVENTS**

The Organization evaluated all potential subsequent events as of March 2, 2011 when the financial statements were authorized and available to be issued. No additional subsequent events or transactions were identified after December 31, 2010 or as of March 2, 2011, other than those mentioned in Note 7, that require disclosure to the financial statements.