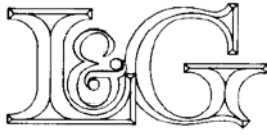


FOOD IN NEED OF DISTRIBUTION (FIND)
FOOD BANK

CATHEDRAL CITY, CALIFORNIA

ACCOUNTANTS' REVIEW REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2009 (REVIEWED) AND
2008 (AUDITED)



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ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Food In Need of Distribution (FIND) Food Bank
Cathedral City, California

We have reviewed the accompanying statement of financial position of Food In Need of Distribution (FIND) Food Bank (a non-profit organization), as of June 30, 2009 and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. These financial statements are the responsibility of FIND's management. The prior year summarized information has been derived from the FIND's 2008 financial statements and, in our report dated September 23, 2008, we expressed an unqualified opinion on those financial statements and we have not performed any auditing procedures since that date.

A review consists principally of inquiries of FIND's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Lund & Guttery

March 25, 2010

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	<u>2009</u> (Reviewed)	<u>2008</u> (Audited) (Memorandum Only)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 202,536	\$ 50,924
Certificates of deposit	126,521	35,582
Accounts receivable	33,029	23,956
Pledges receivable	28,000	37,833
Food inventories	<u>1,352,390</u>	<u>887,996</u>
Total current assets	<u>1,742,476</u>	<u>1,036,291</u>
PROPERTY AND EQUIPMENT		
Equipment	95,178	95,178
Computers and software	35,221	35,221
Vehicles	<u>181,590</u>	<u>182,810</u>
	311,989	313,209
Less: accumulated depreciation	<u>(202,546)</u>	<u>(169,295)</u>
Total property and equipment	<u>109,443</u>	<u>143,914</u>
OTHER ASSETS		
Rent deposits	<u>7,975</u>	<u>7,975</u>
TOTAL ASSETS	<u>\$ 1,859,894</u>	<u>\$ 1,188,180</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	<u>\$ 15,581</u>	<u>\$ 19,377</u>
NET ASSETS		
Unrestricted	440,729	242,974
Temporarily restricted	51,194	37,833
Temporarily restricted - in-kind	<u>1,352,390</u>	<u>887,996</u>
Total net assets	<u>1,844,313</u>	<u>1,168,803</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,859,894</u>	<u>\$ 1,188,180</u>

(See Accompanying Notes and Accountants' Review Report)

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009 (Reviewed)			2008 (Audited)	
	Unrestricted	Temporarily Restricted		Total	(Memorandum Only) Total
		Restricted Activity	In-kind Activity		
TOTAL PUBLIC SUPPORT AND REVENUES					
Support					
Organizations	\$ 330,818	\$ 23,861	\$ -	\$ 354,679	\$ 314,091
Contributions	<u>612,098</u>	<u>25,000</u>	<u>-</u>	<u>637,098</u>	<u>430,975</u>
Total support	<u>942,916</u>	<u>48,861</u>	<u>-</u>	<u>991,777</u>	<u>745,066</u>
In-kind					
In-kind food contribution	<u>-</u>	<u>-</u>	<u>11,558,135</u>	<u>11,558,135</u>	<u>10,951,653</u>
Total in-kind	<u>-</u>	<u>-</u>	<u>11,558,135</u>	<u>11,558,135</u>	<u>10,951,653</u>
Revenues					
Shared maintenance	370,445	-	-	370,445	305,396
Interest income	<u>2,541</u>	<u>-</u>	<u>-</u>	<u>2,541</u>	<u>5,230</u>
Total revenues	<u>372,986</u>	<u>-</u>	<u>-</u>	<u>372,986</u>	<u>310,626</u>
Total support, in-kind and revenues	1,315,902	48,861	11,558,135	12,922,898	12,007,345
Revenue released from restrictions	<u>11,129,241</u>	<u>(35,500)</u>	<u>(11,093,741)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>12,445,143</u>	<u>13,361</u>	<u>464,394</u>	<u>12,922,898</u>	<u>12,007,345</u>
EXPENSES					
Program services	12,085,620	-	-	12,085,620	11,764,359
Supporting services	<u>161,768</u>	<u>-</u>	<u>-</u>	<u>161,768</u>	<u>181,559</u>
TOTAL EXPENSES	<u>12,247,388</u>	<u>-</u>	<u>-</u>	<u>12,247,388</u>	<u>11,945,918</u>
INCREASE IN NET ASSETS	197,755	13,361	464,394	675,510	61,427
NET ASSETS, Beginning of year	<u>242,974</u>	<u>37,833</u>	<u>887,996</u>	<u>1,168,803</u>	<u>1,107,376</u>
NET ASSETS, End of year	<u>\$ 440,729</u>	<u>\$ 51,194</u>	<u>\$ 1,352,390</u>	<u>\$ 1,844,313</u>	<u>\$ 1,168,803</u>

(See Accompanying Notes and Accountants' Review Report)

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009 (Reviewed)				2008 (Audited)
	Program Services	Support Services			(Memorandum Only)
	Food Distribution	General & Administrative	Fund Raising	Total	Total
Salaries and wages	\$ 430,678	\$ 107,670	\$ -	\$ 538,348	\$ 456,588
Payroll taxes	31,823	7,956	-	39,779	39,265
Employee benefits	29,080	3,594	-	32,674	19,525
Professional fees	17,618	1,957	-	19,575	12,811
Outside services	23,083	2,565	-	25,648	120,231
Supplies	13,041	1,449	-	14,490	13,453
Telephone	7,492	836	-	8,328	7,790
Transportation	86,423	-	-	86,423	117,866
Postage	-	1,880	-	1,880	1,789
Printing	33,441	-	-	33,441	34,084
Occupancy	135,698	15,077	-	150,775	147,263
Insurance	12,337	1,371	-	13,708	15,187
Travel and conference	6,026	670	-	6,696	11,667
Dues and subscriptions	10,993	1,222	-	12,215	6,534
Purchase of food	118,322	-	-	118,322	200,387
Miscellaneous expenses	-	4,948	1,617	6,565	5,339
Total expenses before depreciation and in-kind	956,055	151,195	1,617	1,108,867	1,209,779
In-kind food distributions	11,093,741	-	-	11,093,741	10,697,536
Depreciation	35,824	8,956	-	44,780	38,603
Total functional expenses	<u>\$ 12,085,620</u>	<u>\$ 160,151</u>	<u>\$ 1,617</u>	<u>\$ 12,247,388</u>	<u>\$ 11,945,918</u>

(See Accompanying Notes and Accountants' Review Report)

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

		<u>2008</u>
	<u>2009</u>	<u>Audited</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>Reviewed</u>	<u>(Memorandum Only)</u>
Increase in net assets	\$ 675,510	\$ 61,427
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	44,780	38,603
Increase of in-kind food inventory	(464,394)	(254,117)
(Increase) decrease in:		
Accounts receivable	(9,073)	(5,131)
Pledges receivable	9,833	(7,500)
Accounts payable	(3,796)	10,544
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>252,860</u>	<u>(156,174)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in certificates of deposit	(90,939)	(35,582)
Purchase of property and equipment	<u>(10,309)</u>	<u>(116,883)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(101,248)</u>	<u>(152,465)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	151,612	(308,639)
CASH AND CASH EQUIVALENTS, beginning of year	<u>50,924</u>	<u>359,563</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 202,536</u>	<u>\$ 50,924</u>

(See Accompanying Notes and Accountants' Review Report)

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

FIND Food Bank (“FIND”) is a non-profit organization that was incorporated June 29, 1983 under the laws of the State of California. FIND receives food products through donations or direct procurement with donated funds, for network distribution to the needy, infirm, aged and infants. Food is donated from local food markets, growers and restaurants. Funds are also donated by the general public, government agencies and other charitable organizations. FIND’s primary distribution network area is the eastern Riverside County, California. FIND works closely with America’s Second Harvest; the nation’s largest hunger-relief organization.

Donated Materials and Services

Donated food products are redistributed by FIND to its charitable beneficiaries and, accordingly, these donations have been recorded in the financial statements as contributions at a predetermined estimated fair market value.

No amounts have been reflected in the financial statements for donated services provided by volunteers inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to FIND’s operations. Certain amounts of in-kind donations, for which there is an objective basis available to measure the value, have been reflected in the financial statements (See Note 8).

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the corresponding liability is incurred or commitment is made.

Financial Statement Presentation

FIND has adopted Generally Accepted Accounting Principles applicable to external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three applicable net asset categories follows:

Unrestricted Net Assets – Included are the revenues and expenses associated with the principal mission of FIND that are not restricted by donor stipulations.

Temporarily Restricted Net Assets – Included are contributions or grants wherein the donor has specified the use of the funds and for which donor imposed restrictions have not been met. When such stipulations have been met, the net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

Permanently Restricted Net Assets – Included are gifts which require, by donor restrictions, that the funds be used in the acquisition of a specific asset or held for investment purposes in accordance with donor restriction. There were no permanently restricted net assets at June 30, 2009 and 2008.

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Due to the agent pass-through nature of the food products received, inventories cost of goods sold is not recorded in the financial statements except as in-kind expense items. The donated inventory is valued at fair market value and is reflected as an increase to inventory and donation in-kind when received. The disbursed inventory is recorded as a reduction of inventory and an in-kind expense when acquired by local non-profit or other qualified agencies.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

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 FIND's financial statements for the prior year, from which the summarized information was derived.

Property and Equipment

Property and equipment are recorded at cost, or fair market value when donated. Betterments which materially add to the value of related assets or materially extend the useful life of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses. Property and equipment with a cost below \$500 are expensed in the period purchased.

Depreciation of equipment is provided on a straight-line method based on estimated useful lives as follows:

Equipment	5 – 7 years
Computers and software	3 years
Vehicles	5 years

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.

Income Taxes

FIND is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar California statutes, and therefore has made no provision for income taxes in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior Year Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current year financial statement presentation.

2. CERTIFICATES OF DEPOSIT

Certificates of deposit have initial maturities in excess of three months and consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
El Paseo Bank	<u>\$ 126,521</u>	<u>\$ 35,582</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable primarily consists of uncollected Shared Maintenance Fees from participating member agencies. At June 30, 2009 and 2008, accounts receivable was \$33,029 and \$23,956, respectively. FIND uses the direct write-off method for bad debts and believes that all of the accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts has been established.

4. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation as of June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 95,178	\$ 95,178
Computers and software	35,221	35,221
Vehicles	<u>181,590</u>	<u>182,810</u>
Total property and equipment	311,989	313,209
Less accumulated depreciation	<u>(202,546)</u>	<u>(169,295)</u>
Property and equipment net	<u>\$ 109,443</u>	<u>\$ 143,914</u>

5. LEASE

During 2009, FIND leased its office and warehouse facilities under a month to month lease agreement. Total amount paid for rent was \$131,502 and \$123,800 for the years ended June 30, 2009, and 2008, respectively. FIND moved to a newly constructed warehouse completed on November 23, 2009 (See note 9).

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

6. FOODS HELD FOR DISTRIBUTION

FIND in accordance with Generally Accepted Accounting Principles, has recorded food inventories in the financial statements. Food inventories have been valued at \$1.58 per pound for purposes of estimating the value of the food inventories. FIND is acting as an intermediary and therefore records the inventories at fair-market-value in the financial statements. The related in-kind revenue and expenses are also recorded in the financial statements at fair-market-value as temporarily restricted contributions.

7. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
July, 2009 – June, 2010 United Way (potential)	\$ 23,800	\$ -
July, 2008 – June, 2009 United Way	2,333	28,000
July, 2007 – June, 2008 United Way	-	2,333
July, 2007 – June, 2008 Jewish Federation	-	5,000
July, 2007 – June, 2008 Desert Healthcare	-	2,500
Other	<u>1,867</u>	<u>-</u>
Total	<u>\$ 28,000</u>	<u>\$ 37,833</u>

8. IN-KIND DONATIONS

During the years ended June 30, 2009 and 2008, FIND received in-kind donations from one major contributor.

FIND's Chief Executive Director salary is paid by Desert Projects, Inc. and FIND is charged \$1 per year for his services. These services were contributed beginning on November 1, 2005 and amounted to \$82,000 for the year ended June 30, 2008. This arrangement concluded December 31, 2007 and no in-kind donations were recorded at June 30, 2009. The \$82,000 was included in organizations support on the accompanying statement of activities.

9. SUBSEQUENT EVENTS

During July 2009, there was a fire originating in the administrative offices of FIND's facility located in Cathedral City California. Many furnishings, supplies, and records were destroyed as a result of the fire. Since the warehouse portion of the building was undamaged, FIND was able to continue operations immediately. Estimated fire damages and related expenses of approximately \$93,000 were recovered through a settlement with the insurance company.

FIND (FOOD IN NEED OF DISTRIBUTION) FOOD BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

9. SUBSEQUENT EVENTS (continued)

FIND continued to operate out of the Cathedral City facility until November 23, 2009 when they relocated to their newly constructed warehouse. FIND was able to secure several pledges amounting to \$3.4 million towards the construction of a new building, which was completed in November 23, 2009 with estimated costs of \$5.4 million. As a result of the construction commitments, FIND entered into an interest only loan in November 2009 with Palm Desert National Bank in the amount of \$2 million, with an interest rate of 5.75% until the maturity date of December 2011.

FIND evaluated all potential subsequent events as of March 25, 2010 when the financial statements were authorized and available to be issued. No subsequent events or transactions other than the events described above were identified after June 30, 2009 or as of March 25, 2010 requiring additional disclosure to the financial statements.