

**- JUST FOOD, INC.
FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
DECEMBER 31, 2005 & 2004**



Independent Auditor's Report

Board of Directors Just Food, Inc.

We have audited the accompanying statement of financial position of Just Food, Inc. as of December 31, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Just Food, Inc. as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KBMG, LLC

KBMG, LLC

May 3, 2006

JUST FOOD, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005 & 2004

	2005	2004
ASSETS		
Cash	\$ 146,267	\$ 182,860
Grants receivable	7,000	17,235
Fixed assets, net of accumulated depreciation	10,536	51,162
Security deposits and other assets	-	5,106
	<u> </u>	<u> </u>
Total assets	<u>\$ 163,803</u>	<u>\$ 256,363</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 10,931	\$ 7,304
Deferred revenue	125,273	87,740
Loans payable	62,386	37,963
	<u> </u>	<u> </u>
Total liabilities	<u>198,590</u>	<u>133,007</u>
 Net assets		
Unrestricted	(45,849)	69,127
Temporarily restricted	11,062	54,229
	<u> </u>	<u> </u>
Total net assets	<u>(34,787)</u>	<u>123,356</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 163,803</u>	<u>\$ 256,363</u>

See accompanying notes to financial statements.

JUST FOOD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Total</u>	<u>2004 Total</u>
Revenues				
Foundation grants	\$ 155,732	\$ -	\$ 155,732	\$ 197,964
Corporate grants and other support	55,935	-	55,935	25,852
Government grants	70,833	-	70,833	100,000
Individual Donations	17,527	-	17,527	3,649
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	300,027	-	300,027	327,465
Net assets released from restrictions	43,167	(43,167)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Support	343,194	(43,167)	300,027	327,465
Expenses				
Program services				
Community supported agriculture	167,087	-	167,087	156,797
City farms	156,449	-	156,449	130,118
Education and outreach	29,219	-	29,219	32,340
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Total program services	352,755	-	352,755	319,255
Support Services				
General and administrative	57,051	-	57,051	47,588
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Total expenses	409,806	-	409,806	366,843
Loss on disposal of leasehold improvements	(48,364)	-	(48,364)	-
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Change in net assets	(114,976)	(43,167)	(158,143)	(39,378)
Net Assets- Beginning of Year	69,127	54,229	123,356	162,734
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Net Assets - End of Year	\$ (45,849)	\$ 11,062	\$ (34,787)	\$ 123,356
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See accompanying notes to financial statements

JUST FOOD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Community Supported Agriculture		Education and Outreach	TOTAL PROGRAM SERVICES	General and Administrative	TOTAL EXPENSES
Salaries	\$ 109,640	\$ 107,840	\$ 17,301	\$ 234,781	\$ 17,300	\$ 252,081
Payroll taxes and benefits	24,876	24,861	4,567	54,304	4,570	58,874
Rent	9,085	9,085		18,170	9,084	27,254
Professional fees	544	976	785	2,305	15,480	17,785
Insurance				-	3,197	3,197
Office expenses	4,630	3,670	3,335	11,635	956	12,591
Travel	2,398	3,618		6,016		6,016
CSA Subsidies	1,684			1,684		1,684
Supplies and other expenses	12,248	5,408	3,231	20,887	1,184	22,071
Depreciation				-	2,988	2,988
Interest expense				-	1,301	1,301
Telephone	1,982	991		2,973	991	3,964
Total expenses	\$ 167,087	\$ 156,449	\$ 29,219	\$ 352,755	\$ 57,051	\$ 409,806

See accompanying notes to financial statements.

JUST FOOD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

	2005	2004
Cash flows from operating activities		
Change in net assets	\$ (158,143)	\$ (39,378)
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities:		
Depreciation	2,988	11,172
Loss on disposal of leasehold improvements	48,364	
Changes in operating assets and liabilities		
(Increase) Decrease in grants receivable	10,235	(7,735)
(Increase) Decrease in security deposits	5,106	
Increase (Decrease) in accounts payable and accrued expenses	3,627	(8,252)
Increase (Decrease) in deferred revenue	37,533	(95,468)
Net cash provided by operating activities	<u>(50,290)</u>	<u>(139,661)</u>
Cash flows used by investing activities		
Purchase of fixed assets	(10,726)	(280)
Cash flows provided by financing activities		
Increase in loans payable	<u>24,423</u>	<u>(20,057)</u>
Net Increase (decrease) in cash	(36,593)	(159,998)
Cash, beginning of year	<u>182,860</u>	<u>342,858</u>
Cash, end of year	<u>\$ 146,267</u>	<u>\$ 182,860</u>

See accompanying notes to financial statements.

JUST FOOD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 & 2004

SUMMARY OF ACCOUNTING POLICIES

Organization

Just Food, Inc. is a non-profit organization that works to develop a just and sustainable food system in the New York City region. Just Food's primary programs are Community Supported Agriculture in New York City and The City Farms. Both offer workshops, training materials, and consultation to accomplish their goals.

Community Supported Agriculture helps to support family farms that are struggling to stay in business, while providing city folks, particularly in low-income neighborhoods, with access to good, affordable produce.

Just Food's City Farms program works to increase food production, marketing and distribution via community gardens throughout NYC.

Under an education and outreach program Just Food offers a newsletter and partners with other groups to offer conferences and networking opportunities for New York City communities which helps to build the community food security/food justice movement.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature or the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

JUST FOOD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 & 2004

Tax-exempt Status

The organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs. The Organization also receives a substantial amount of donated services from AmeriCorps*VISTA.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents are short - term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity (three months or less) that they present insignificant risk of changes in value because of changes in interest rates.

Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

JUST FOOD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 & 2004

Property and Equipment

As of December 31, 2005 and 2004, property and equipment consist of the following:

	<u>2005</u>	<u>2004</u>
Leasehold improvements	\$ -	\$ 75,202
Office equipment	<u>19,002</u>	<u>18,770</u>
	19,002	93,972
Accumulated depreciation	<u>8,466</u>	<u>42,810</u>
	<u>\$ 10,536</u>	<u>\$ 51,162</u>

OPERATING LEASE COMMITMENTS

On July 1, 2005 the organization moved their operations and entered into a new three year lease for office space. The monthly rental payment in 2005 under the new lease was \$2,083 per month.

LOSS ON DISPOSAL OF LEASEHOLD IMPROVEMENTS

The loss on disposal of leasehold improvements included on the accompanying statement of activities relates to the write off of the remaining book value of the leasehold improvements which the organization purchased while under their old lease. The old lease was due to expire in 2009. The organization had planned to write off the leasehold improvements at that time.

LOANS PAYABLE

In June, 2005 the organization signed a \$54,000 note payable with Equity Trust. The loan runs through July, 2010. The total monthly payment of principal and interest is \$1,019. The balance due on the loan at December 31, 2005 is \$49,186. Also included in loans payable is a loan made to the organization by a board member. The loan is a short term non interest bearing loan for \$25,000 which was used for operations. The balance due on the loan at December 31, 2005 was \$13,200.

JUST FOOD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 & 2004

TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets represents the remaining balance to be spent on a two year \$200,000 United States Department of Agriculture grant which ran through September 14, 2005. The funds are to be used to support the Community Supported Agriculture program.