

**JUST FOOD, INC.
FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
DECEMBER 31, 2006 & 2005**

JUST FOOD, INC.
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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, 2006 and 2005, 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, 2006 and 2005, 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

February 16, 2007

JUST FOOD, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006 & 2005

	2006	2005
ASSETS		
Cash	\$ 155,725	\$ 146,267
Grants receivable	-	7,000
Fixed assets, net of accumulated depreciation	6,404	10,536
Other assets	1,435	-
	<u>163,564</u>	<u>163,803</u>
Total assets	<u>\$ 163,564</u>	<u>\$ 163,803</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 9,364	\$ 10,931
Deferred revenue	46,042	125,273
Loans payable	49,942	62,386
	<u>105,348</u>	<u>198,590</u>
Total liabilities	<u>105,348</u>	<u>198,590</u>
Net assets		
Unrestricted	16,748	(45,849)
Temporarily restricted	41,468	11,062
	<u>58,216</u>	<u>(34,787)</u>
Total net assets	<u>58,216</u>	<u>(34,787)</u>
Total liabilities and net assets	<u>\$ 163,564</u>	<u>\$ 163,803</u>

See accompanying notes to financial statements.

JUST FOOD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

Program Services

	Community Supported Agriculture	City Farms	Education and Outreach	TOTAL PROGRAM SERVICES	General and Administrative	TOTAL EXPENSES
Salaries	\$ 79,155	\$ 88,966	\$ 62,375	\$ 230,496	\$ 17,056	\$ 247,552
Payroll taxes and benefits	16,224	18,235	12,784	47,243	4,447	51,690
Rent	9,500	5,250	5,250	20,000	5,250	25,250
Accounting and bookkeeping					15,128	15,128
Consultants	6,086	10,835	2,796	19,717	11,150	30,867
Insurance					2,902	2,902
Office expenses	5,168	4,096	3,723	12,987	1,067	14,054
Travel	3,950	5,996	727	10,673	1,282	11,955
Supplies and other expenses	13,034	7,078	2,000	22,112	1,253	23,365
Depreciation					4,132	4,132
Interest expense					2,065	2,065
Telephone	1,559	1,622	1,550	4,731	1,565	6,296
Total expenses	\$ 134,676	\$ 142,078	\$ 91,205	\$ 367,959	\$ 67,297	\$ 435,256

See accompanying notes to financial statements.

JUST FOOD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

	2006	2005
Cash flows from operating activities		
Change in net assets	\$ 93,003	\$ (158,143)
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities:		
Depreciation	4,132	2,988
Loss on disposal of leasehold improvements	-	48,364
Changes in operating assets and liabilities		
(Increase) Decrease in grants receivable	7,000	10,235
(Increase) Decrease in other assets	(1,435)	5,106
Increase (Decrease) in accounts payable	(1,567)	3,627
Increase (Decrease) in deferred revenue	(79,231)	37,533
	<u>21,902</u>	<u>(50,290)</u>
Net cash provided by operating activities		
Cash flows used by investing activities		
Purchase of fixed assets	-	(10,726)
Cash flows provided by financing activities		
Increase (Decrease) in loans payable	(12,444)	24,423
	<u>(12,444)</u>	<u>24,423</u>
Net Increase (decrease) in cash	9,458	(36,593)
Cash, beginning of year	<u>146,267</u>	<u>182,860</u>
Cash, end of year	<u>\$ 155,725</u>	<u>\$ 146,267</u>

See accompanying notes to financial statements.

JUST FOOD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>	<u>2005 Total</u>
Revenues				
Foundation grants	\$ 417,267	\$ 37,500	\$ 454,767	\$ 155,732
Corporate grants and other support	18,310	-	18,310	55,935
Government grants	30,577	-	30,577	70,833
Individual Donations	24,605	-	24,605	17,527
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	490,759	37,500	528,259	300,027
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	7,094	(7,094)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Support	497,853	30,406	528,259	300,027
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses				
Program services				
Community supported agriculture	134,676	-	134,676	167,087
City farms	142,078	-	142,078	156,449
Education and outreach	91,205	-	91,205	29,219
	<hr/>	<hr/>	<hr/>	<hr/>
Total program services	367,959	-	367,959	352,755
	<hr/>	<hr/>	<hr/>	<hr/>
Support Services				
General and administrative	67,297	-	67,297	57,051
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	435,256	-	435,256	409,806
	<hr/>	<hr/>	<hr/>	<hr/>
Loss on disposal of leasehold improvements	-	-	-	(48,364)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	62,597	30,406	93,003	(158,143)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets- Beginning of Year	(45,849)	11,062	(34,787)	123,356
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets - End of Year	<u>\$ 16,748</u>	<u>\$ 41,468</u>	<u>\$ 58,216</u>	<u>\$ (34,787)</u>

See accompanying notes to financial statements

JUST FOOD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 & 2005

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, 2006 & 2005

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, 2006 & 2005

Property and Equipment

As of December 31, 2006 and 2005, property and equipment consist of the following:

	<u>2006</u>	<u>2005</u>
Office equipment	<u>\$19,002</u>	<u>\$19,002</u>
	19,002	19,002
Accumulated depreciation	<u>12,598</u>	<u>8,466</u>
	<u>\$ 6,404</u>	<u>\$ 10,536</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 2006 under the new lease was \$2,125 per month.

LOSS ON DISPOSAL OF LEASEHOLD IMPROVEMENTS

The loss on disposal of leasehold improvements included on the accompanying 2005 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, 2006 is \$40,042. 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, 2006 was \$9,900.

JUST FOOD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 & 2005

TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets consists of the following:

Booth Ferris Foundation	\$33,333
United States Department of Agriculture	<u>8,135</u>
Total	<u>\$41,468</u>