

Audited Financial Statements
Mobile Loaves & Fishes, Inc.
Year Ended December 31, 2005
with Report of Independent Auditors

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

Year Ended December 31, 2005

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Reynolds & Dowling, PC

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

Board of Directors
Mobile Loaves & Fishes, Inc.

We have audited the accompanying statement of financial position of Mobile Loaves & Fishes, Inc. as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 Mobile Loaves & Fishes, Inc. as of December 31, 2005, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Reynolds & Dowling, PC

July 24, 2006

Mobile Loaves & Fishes, Inc.

Statement of Financial Position

December 31, 2005

Assets

Current assets:

Cash and cash equivalents	\$	226,756
Restricted cash		130,391
Investments		15,066
Receivables		45,218
Inventory		3,886
Prepaid expenses and other current assets		6,981
Total current assets		<u>428,298</u>

Property and equipment, less accumulated
depreciation of \$194,752

229,102

Total assets

\$ 657,400

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$	62,423
Loan from SJN Catholic Church		4,256
Total current liabilities		<u>66,679</u>

Total liabilities

66,679

Net Assets:

Unrestricted net assets		460,330
Temporarily restricted net assets		130,391
Total net assets		<u>590,721</u>

Total liabilities and net assets

\$ 657,400

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities
For the year ended December 31, 2005

	Unrestricted	Temporarily Restricted	Total
Public support			
Contributions from public-restricted	\$ -	\$ 534,071	\$ 534,071
Unrestricted contributions	396,705	-	396,705
St. Thomas More Catholic Church	3,560	-	3,560
St. Mark the Evangelist	262	-	262
Fundraising events	296,528	-	296,528
Randall's good neighbor program	402	-	402
Other non-cash contributions	6,667	-	6,667
Total public support	704,124	534,071	1,238,195
Other income			
Interest income	311	-	311
Total other income	311	-	311
Net assets released from restrictions	459,582	(459,582)	-
Total income and reclassifications	1,164,017	74,489	1,238,506
Expenses			
Program services	744,352	-	744,352
Charitable donations	1,931	-	1,931
Fundraising	114,032	-	114,032
Management and general	58,302	-	58,302
Total expenses	918,617	-	918,617
Total change in net assets	245,400	74,489	319,889
Net assets			
Beginning of year, as previously stated	216,810	55,902	272,712
Prior period adjustment	(1,880)	-	(1,880)
Beginning of year, restated	214,930	55,902	270,832
Net assets, end of year	\$ 460,330	\$ 130,391	\$ 590,721

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses

For the year ended December 31, 2005

	Program Services	Charitable Donations	Fundraising	Management & General	Total
Food distributed	\$ 154,850	\$ -	\$ -	\$ -	\$ 154,850
Clothing distributed	13,965	-	-	-	13,965
Disaster relief	194,960	-	-	-	194,960
Habitat on Wheels	16,086	-	-	-	16,086
Donations	-	1,931	-	-	1,931
Advertising & marketing	1,424	-	-	-	1,424
Consulting	-	-	-	6,834	6,834
Contract labor	27,667	-	-	-	27,667
Credit card and bank fees	12,308	-	-	-	12,308
Equipment rental and maintenance	5,331	-	-	-	5,331
Equipment purchase	5,878	-	-	-	5,878
Fundraising events	-	-	104,610	-	104,610
Insurance	7,936	-	-	-	7,936
Miscellaneous	4,066	-	-	-	4,066
Postage and delivery	8,626	-	-	-	8,626
Printing and reproduction	10,338	-	-	-	10,338
Office expenses	7,300	-	-	-	7,300
Payroll expenses	101,370	-	8,516	17,045	126,931
Professional fees – accounting & legal	-	-	-	32,609	32,609
Facilities expenses	11,788	-	-	-	11,788
Rent	5,311	-	446	893	6,650
Travel & Meals	5,002	-	-	-	5,002
Supplies	5,570	-	-	-	5,570
License & Permits	755	-	-	-	755
Telephone	5,477	-	460	921	6,858
Vehicle expenses	21,420	-	-	-	21,420
Volunteer & board activities	154	-	-	-	154
Website	56,471	-	-	-	56,471
Total expense before depreciation	684,053	1,931	114,032	58,302	858,318
Depreciation expense	60,299	-	-	-	60,299
Total expenses	\$ 744,352	\$ 1,931	\$ 114,032	\$ 58,302	\$ 918,617

Percentage of total expenses	81%	0%	12%	7%	100.0%
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Total program services \$ 746,283

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Cash Flows

For the year ended December 31, 2005

Cash flows from operating activities:

Change in net assets	<u>\$ 319,889</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	60,299
Non-cash contribution of stock	(15,066)
Prior period adjustment	(1,880)
Increase in receivables	(41,125)
Decrease in security deposit	50
Increase in inventory	(500)
Increase in prepaid expenses and other current assets	(5,264)
Increase in accounts payable & accrued expenses	<u>21,215</u>
Total adjustments	<u>17,729</u>

Net cash provided by operating activities 337,618

Cash flows from investing activities:

Purchase of property and equipment	(168,796)
Increase in restricted cash	<u>(74,489)</u>

Net cash used by investing activities (243,285)

Cash flows from financing activities:

Proceeds from loan from SJN Catholic Church	3,095
Payments on loan from SJN Catholic Church	<u>(12,767)</u>

Net cash provided by financing activities (9,672)

Change in cash and cash equivalents 84,661

Cash and cash equivalents, beginning of year 142,095

Cash and cash equivalents, end of year \$ 226,756

Non-cash investing activity:

Donated stock	<u>\$ 15,066</u>
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See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

December 31, 2005

Note 1 – Purpose of Organization

Mobile Loaves & Fishes, Inc. (MLF) is a social outreach ministry to the homeless and indigent working poor. MLF's mission is "Providing food, clothing and dignity to our brothers and sisters in need". The mission is accomplished primarily through the daily distribution of meals, personal care items, and clothing to people in need throughout the Central Texas and New Orleans, Louisiana communities. Volunteers drive MLF's trucks, all of which have been outfitted as catering vehicles, to specific areas around Austin distributing food, clothing and personal care items. During 2005, MLF added two new programs. Habitat on Wheels was started to provide travel-trailer housing to the homeless. Disaster relief was started to help provide food and supplies to the victims of Hurricanes Katrina and Rita and begin reconstruction and cleanup efforts in their areas.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of MLF are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Income Taxes

MLF is a non-profit corporation exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), except to the extent of unrelated business income, if any. In addition, under IRC Section 509(a)(1), MLF is a public charity and, thus, donations to MLF qualify for the maximum allowable charitable deduction.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

Net assets of MLF and changes therein are classified and reported as follows:

Unrestricted net assets – These types of net assets are not subject to donor-imposed stipulations. This also includes Board-designated net assets for specific purposes, since these restrictions may be reversed by the Board at anytime in the future.

Temporarily restricted net assets – These types of net assets are subject to donor-imposed stipulations, which limit their use by MLF to a specific purpose and/or the passage of time. 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.

Permanently restricted net assets – These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by MLF. Generally, the donors of these assets permit MLF to use all or part of the income earned on any related investments for general or specific use.

MLF did not have any permanently restricted net assets as of December 31, 2005.

Cash Equivalents

MLF considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are recorded at their fair market value. Donated investments are recorded at fair value at the date of gift. At December 31, 2005, MLF's investment balance consisted entirely of the common stock of a publicly-held company.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Inventory

Inventories, which consist of MLF logo shirts and hats, are stated at the lower of cost or market determined by the first-in, first out method.

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. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the statement of activities as net assets released from restrictions.

Contributed Services

Generally, when fair value of contributed professional services can be readily determined, a contribution received is recognized with an equal amount for expense incurred. In addition, countless individuals volunteer their time and perform a variety of tasks that are essential to MLF in providing its program services, but these services do not meet the criteria for recognition as contributed services and are therefore not reflected in the financial statements. MLF receives hundreds of volunteer hours each week and by the end of 2005 had approximately 5,800 volunteers who contributed their time each month.

Contributions of Food, Clothing, and Other Non-cash Items

Contributions of food, clothing, and other non-cash items for use in assistance programs that meet the criteria for recognition are recorded at fair value. However, MLF receives a significant volume of these types of contributions from the general public, which are not recorded in the financial statements because fair value of the contributions cannot be readily determined.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment items in excess of \$1,000 are capitalized at cost, including costs of significant improvements. Donated fixed assets are recorded at estimated fair value of the date of receipt. Depreciation is computed on a straight-line basis using estimated useful lives of three, five, and seven years for the following categories: vehicles, computer equipment, kitchen and other equipment, and website design.

Functional Allocation of Expenses

The costs of providing the various promotional programs and other activities of the organization have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and supporting services benefited. Overhead costs have been allocated based on periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of MLF.

Note 3 – Concentrations of Credit Risk

MLF deposits cash receipts to nationally recognized financial institutions. MLF maintains cash balances in excess of \$100,000 in one bank, which is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2005, MLF's uninsured balances totaled \$188,812. MLF has not experienced any losses in such accounts in the past.

Note 4 – Related Party Transactions

St. John Nuemann Catholic Church (SJN) of Austin, Texas began a ministry program of providing food, clothing, and personal care items to the needy in the Austin community in 1998. This program grew through the generous volunteer efforts of SJN parishioners resulting in the formal organization of MLF in 2000 as a non-profit corporation under the laws of the State of Texas. SJN has also provided additional funds and non-cash contributions of food and clothing since MLF's formal beginning of operation. The church is expected to play a vital role in MLF's continued funding and other support, but there is no formal agreement or terms in place.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2005

Note 4 – Related Party Transactions (continued)

MLF operates in a separate facility owned by SJN. Facilities include office, storage, food preparation space, and parking for the vehicles. The facilities are provided under an annual lease agreement, expiring March 2006, for \$500 per month. Rental expense to SJN for 2005 totaled \$6,000.

During 2004, SJN entered into an interest-free loan agreement with MLF to help cover the Executive Director's salary. Beginning in April 2004, SJN loaned MLF \$2,548 per month during 2004 and \$1,548 per month for January and February 2005. MLF will repay SJN \$1,000 per month for the period from April 2004 to December in 2004, \$1,161 per month for the period from January 2005 to March 2006, and one final payment of \$774 in April 2006. At December 31, 2005, the loan balance is \$4,256.

St. Thomas More Catholic Church (STM) of Austin, Texas, St. Louis Catholic Church (STL) of Austin, Texas, the Downtown Ministry of Churches (DMC) of Austin, Texas, St. Mark the Evangelist (SME) of San Antonio, Texas, and Trinity Episcopal Church (TEC) of New Orleans, Louisiana have also become involved in the ministry program of MLF. The parishioners of these churches help raise the funds necessary to outfit and operate additional catering trucks. These trucks run daily per the operating routine of MLF and are supported by a large volunteer base of STM, STL, DMC, SME, and TEC parishioners. These churches are also expected to continue to play a significant role in the continued funding and support of MLF.

Note 5 – Property and Equipment

At December 31, 2005, property and equipment consisted of the following:

Vehicles	\$	256,323
Trailers		88,279
Computer equipment		9,780
Kitchen and other equipment		45,635
Website design		23,837
Total cost		423,854
Less: accumulated depreciation		(194,752)
Property and equipment, net	\$	<u>229,102</u>

Total depreciation expense was \$60,299 for the year ended December 31, 2005.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2005

Note 6 – Temporarily Restricted Net Assets

MLF received the following temporarily restricted support during the reporting period.

	Beginning Balance	Donations Received	Released from Restrictions	Ending Balance
Temporarily Restricted Donations:				
Funds to purchase Austin truck	\$ -	\$ 15,300	\$ (15,300)	\$ -
Disaster relief	-	355,236	(302,649)	52,587
Support for Development Director	-	72,800	(6,324)	66,476
Brick Paver & landscaping project	16,872	1,479	(18,351)	-
Wine Tasting 2005	6,190	-	(6,190)	-
SBC technology grant	16,550	-	(15,283)	1,267
Habitat on Wheels	10,000	85,362	(90,801)	4,561
Funds to purchase Houston truck	5,000	-	-	5,000
Other program services	1,290	3,894	(4,684)	500
	<u>\$ 55,902</u>	<u>\$ 534,071</u>	<u>\$ (459,582)</u>	<u>\$ 130,391</u>