

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

*Year Ended December 31, 2004
with Report of Independent Auditors*

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

Year Ended December 31, 2004

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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, 2004, 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, 2004, 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

November 10, 2005

Mobile Loaves & Fishes, Inc.

Statement of Financial Position
December 31, 2004

Assets

Current assets:

Cash and cash equivalents	\$	142,095
Restricted cash		55,902
Security deposit		50
Receivables		4,093
Inventory		3,386
Prepaid Expenses		1,717
Total current assets		<u>207,243</u>

Property and equipment, less accumulated depreciation of \$134,453		<u>120,605</u>
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Total assets	\$	<u><u>327,848</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$	41,208
Loan from SJN Catholic Church		13,928
Total current liabilities		<u>55,136</u>

Total liabilities		<u>55,136</u>
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Net Assets:

Unrestricted net assets		216,810
Temporarily restricted net assets		55,902
Total net assets		<u>272,712</u>

Total liabilities and net assets	\$	<u><u>327,848</u></u>
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See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities
For the year ended December 31, 2004

	Unrestricted	Temporarily Restricted	Total
Public support			
Contributions from public-restricted	\$ -	\$ 116,492	\$ 116,492
Unrestricted contributions	380,882	-	380,882
St. John Nuemann Catholic Church	7,452	-	7,452
St. Thomas More Catholic Church	4,642	-	4,642
St. Mark the Evangelist	8,053	-	8,053
Fundraising events	86,137	10,000	96,137
Randall's good neighbor program	318	-	318
Other non-cash contributions	4,892	-	4,892
Total public support	<u>492,376</u>	<u>126,492</u>	<u>618,868</u>
Other income			
Interest income	95	-	95
Total other income	<u>95</u>	<u>-</u>	<u>95</u>
Net assets released from restrictions	70,590	(70,590)	-
Total income and reclassifications	<u>563,061</u>	<u>55,902</u>	<u>618,963</u>
Expenses			
Program services	464,637	-	464,637
Charitable donations	260	-	260
Fundraising	59,028	-	59,028
Management and general	48,504	-	48,504
Total expenses	<u>572,429</u>	<u>-</u>	<u>572,429</u>
Total change in net assets	<u>(9,368)</u>	<u>55,902</u>	<u>46,534</u>
Net assets			
Beginning of year, as previously stated	226,296	-	226,296
Prior period adjustment	(118)	-	(118)
Beginning of year, restated	<u>226,178</u>	<u>-</u>	<u>226,178</u>
Net assets, end of year	<u>\$ 216,810</u>	<u>\$ 55,902</u>	<u>\$ 272,712</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses

For the year ended December 31, 2004

	Program Services				Total
	Food & Clothing Distribution	Charitable Donations	Fundraising	Management & General	
Food distributed	\$ 170,244	\$ -	\$ -	\$ -	\$ 170,244
Clothing distributed	7,430	-	-	-	7,430
Donations	-	260	-	-	260
Advertising & marketing	1,146	-	-	-	1,146
Consulting	-	-	-	1,600	1,600
Contract labor	23,686	-	-	5,000	28,686
Credit card and bank fees	4,544	-	-	-	4,544
Equipment rental and maint.	12,139	-	-	-	12,139
Equipment purchase	3,765	-	-	-	3,765
Fundraising expenses	-	-	55,527	-	55,527
Insurance	3,278	-	-	-	3,278
Interest expense	150	-	-	-	150
Miscellaneous	199	-	-	-	199
Postage and delivery	6,179	-	-	-	6,179
Printing and reproduction	12,304	-	-	-	12,304
Office expenses	7,230	-	-	-	7,230
Payroll expenses	76,999	-	3,115	10,096	90,210
Professional fees – accounting & legal	-	-	-	30,559	30,559
Facilities expenses	27,320	-	-	-	27,320
Rent	5,608	-	227	735	6,570
Travel & Meals	1,815	-	-	-	1,815
Supplies	6,160	-	-	-	6,160
License & Permits	340	-	-	-	340
Telephone	3,918	-	159	514	4,591
Vehicle expenses	17,040	-	-	-	17,040
Volunteer & board activities	3,346	-	-	-	3,346
Website	24,985	-	-	-	24,985
Total expense before depreciation	419,825	260	59,028	48,504	527,617
Depreciation expense	44,812	-	-	-	44,812
Total expenses	\$ 464,637	\$ 260	\$ 59,028	\$ 48,504	\$ 572,429
Percentage of total expenses	81%	0%	10%	9%	100.0%
Total program services	\$ 464,897				

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Cash Flows
For the year ended December 31, 2004

Cash flows from operating activities:	
Change in net assets	\$ 46,534
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	44,812
Prior period adjustment	(118)
Increase in other receivables	(919)
Increase in inventory	(3,386)
Increase in prepaid expenses	(1,717)
Increase in accounts payable & accrued expenses	22,033
Total adjustments	<u>60,705</u>
Net cash provided by operating activities	<u>107,239</u>
Cash flows from investing activities:	
Purchase of property and equipment	(35,202)
Increase in restricted cash	<u>(55,902)</u>
Net cash used by investing activities	<u>(91,104)</u>
Cash flows from financing activities:	
Proceeds from loan from SJN Catholic Church	22,928
Payments on loan from SJN Catholic Church	<u>(9,000)</u>
Net cash provided by financing activities	<u>13,928</u>
Change in cash and cash equivalents	30,063
Cash and cash equivalents, beginning of year	<u>112,032</u>
Cash and cash equivalents, end of year	<u>\$ 142,095</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

December 31, 2004

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 Austin, Texas community. 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.

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.

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*.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2004.

Cash Equivalents

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

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.

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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2004

Note 2 – Summary of Significant Accounting Policies (continued)

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 2004 had approximately 5,000 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.

Property and Equipment

Property and equipment items in excess of \$500 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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2004

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, 2004, MLF's uninsured balances totaled \$95,718. 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.

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 2005, for \$500 per month. These facilities were provided free of charge through March 2004 and thus an in-kind contribution for \$1,500 was recorded for the first three months of 2004. Rental expense for 2004 totaled \$6,570.

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 will loan MLF \$2,548 per month for the next year. MLF will repay SJN \$1,000 per month for the period from April 2004 to March 2005 and then \$1,548 per month for the period from April 2005 to March 2006. At December 31, 2004, the loan balance is \$13,928 and is classified as current.

St. Thomas More Catholic Church (STM), St. Louis Catholic Church (STL) of Austin, Texas, St. Mark the Evangelist (SME), and the Downtown Ministry of Churches (DMC) 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, SME, and DMC parishioners. These churches are also expected to continue to play a significant role in the continued funding and support of MLF.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2004

Note 5 – Property and Equipment

At December 31, 2004, property and equipment consisted of the following:

Vehicles	\$ 193,990
Computer equipment	9,780
Kitchen and other equipment	27,451
Website design	23,837
Total cost	<u>255,058</u>
Less: accumulated depreciation	<u>(134,453)</u>
Property and equipment, net	<u><u>\$ 120,605</u></u>

Total depreciation expense was \$44,812 for the year ended December 31, 2004.

Note 6 – Temporarily Restricted Net Assets

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

	<u>Donations Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily Restricted Donations:			
Funds to purchase socks	\$ 793	\$ (793)	\$ -
Server for web-based volunteer database project	5,000	(3,710)	1,290
Brick Paver & landscaping project	34,241	(17,369)	16,872
Wine Tasting 2005	10,000	(3,810)	6,190
SBC technology grant	16,550	-	16,550
Habitat on Wheels	10,000	-	10,000
Funds to operate catering trucks	266	(266)	-
Funds to purchase Houston catering truck	5,000	-	5,000
Funds to purchase Downtown Ministry of Churches catering truck	44,642	(44,642)	-
	<u>\$ 126,492</u>	<u>\$ (70,590)</u>	<u>\$ 55,902</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2004

Note 7 – Subsequent Events

Due to Hurricanes Katrina and Rita in 2005, MLF's operations have grown substantially due to MLF's efforts in providing aid to the hurricane victims. MLF plans to purchase a truck for New Orleans to continue providing aid to the hurricane victims and to further their ministry and volunteer efforts in the future.

In 2005, MLF took over autonomous control of the Wine Tasting fundraising event. In past years, MLF had split all event income and expenses with a local chapter of Knights of Columbus. Thus, MLF's fundraising event operations will reflect all income and expenses for the event in 2005.