

Audited Financial Statements
Mobile Loaves & Fishes, Inc.
Year Ended December 31, 2006
with Report of Independent Auditors

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

Year Ended December 31, 2006

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Reynolds & Franke, 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, 2006, 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, 2006, 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 & Franke, PC

June 12, 2007

Mobile Loaves & Fishes, Inc.

Statement of Financial Position

December 31, 2006

Assets

Current assets:

Cash and cash equivalents	\$ 299,237
Restricted cash	145,932
Other receivables	846
Inventory	15,700
Notes receivable - current	3,325
Total current assets	<u>465,040</u>

Property and equipment, less accumulated
depreciation of \$260,090

299,033

Security deposit

1,000

Notes receivable – non - current

33,500

Total assets

\$ 798,573

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$ 17,002
Loan from SJN Catholic Church	1,160
Total current liabilities	<u>18,162</u>

Total liabilities

18,162

Net Assets:

Unrestricted net assets	634,479
Temporarily restricted net assets	145,932
Total net assets	<u>780,411</u>

Total liabilities and net assets

\$ 798,573

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities
For the year ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
Public support			
Contributions from public-restricted	\$ -	\$ 210,168	\$ 210,168
Unrestricted contributions	676,706	-	676,706
In-kind contributions	65,364	9,831	75,195
Fundraising events	168,451	153,718	322,169
Rent income	2,544	-	2,544
Other income	521	-	521
Total public support	913,586	373,717	1,287,303
Other income			
Gain on sale of property and equipment	9,400	-	9,400
Interest income	5,149	-	5,149
Total other income	14,549	-	14,549
Net assets released from restrictions	415,962	(415,962)	-
Total income and reclassifications	1,344,097	(42,245)	1,301,852
Expenses			
Program services	924,763	-	924,763
Fundraising	119,126	-	119,126
Management and general	72,369	-	72,369
Total expenses	1,116,258	-	1,116,258
Total change in net assets	227,839	(42,245)	185,594
Net assets			
Beginning of year, as previously stated	460,330	130,391	590,721
Prior period adjustment	(53,690)	57,786	4,096
Beginning of year, restated	406,640	188,177	594,817
Net assets, end of year	\$ 634,479	\$ 145,932	\$ 780,411

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses For the year ended December 31, 2006

	Program Services	Fundraising	Management & General	Total
Advertising	\$ 12,686	\$ -	\$ -	\$ 12,686
Annual appeal expense	7,827	7,827	-	15,654
Automobile expense	26,743	-	-	26,743
Bank service charge	-	-	1,366	1,366
Miscellaneous	5,314	-	-	5,314
Charitable donations	17,491	-	-	17,491
Continuing education & training	-	-	1,731	1,731
Contract labor	35,924	-	-	35,924
Credit card and bank fees	9,989	-	-	9,989
Supplies	59,446	-	-	59,446
Dues and subscriptions	-	-	1,821	1,821
Facilities expense	28,799	-	-	28,799
Food distributed	246,753	-	-	246,753
Fundraising costs	-	72,898	-	72,898
Postage and delivery	12,332	-	-	12,332
Professional fees	34,750	6,129	43,700	84,579
IT expenses	52,210	-	-	52,210
Insurance	45,120	-	-	45,120
Payroll expenses	176,543	30,075	22,134	228,752
Printing and reproduction	12,443	-	-	12,443
Telephone	12,895	2,197	1,617	16,709
Travel, meals, and entertainment	18,789	-	-	18,789
License & taxes	2,493	-	-	2,493
Rent expense	32,148	-	-	32,148
T-shirt expense	3,027	-	-	3,027
Promotion expense	226	-	-	226
Total expense before depreciation	<u>853,948</u>	<u>119,126</u>	<u>72,369</u>	<u>1,045,443</u>
Depreciation expense	70,815	-	-	70,815
Total expenses	<u>\$ 924,763</u>	<u>\$ 119,126</u>	<u>\$ 72,369</u>	<u>\$ 1,116,258</u>
Percentage of total expenses	<u>83%</u>	<u>11%</u>	<u>6%</u>	<u>100.0%</u>

Mobile Loaves & Fishes, Inc.

Statement of Cash Flows

For the year ended December 31, 2006

Cash flows from operating activities:	
Change in net assets	\$ 185,594
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	70,815
Gain on sale of property and equipment	(9,400)
Prior period adjustment	4,096
Decrease in receivables	44,372
Increase in security deposit	(1,000)
Increase in inventory	(11,814)
Decrease in prepaid expenses and other current assets	6,981
Decrease in accounts payable and accrued expenses	<u>(45,421)</u>
Net cash provided by operating activities	<u>244,223</u>
Cash flows from investing activities:	
Proceeds from sale of assets	1,300
Collections on notes receivable	3,675
Purchase of property and equipment	(173,146)
Proceeds from sale of donated stock	15,066
Increase in restricted cash	<u>(15,541)</u>
Net cash used by investing activities	<u>(168,646)</u>
Cash flows from financing activities:	
Payments on loan from SJN Catholic Church	<u>(3,096)</u>
Net cash used by financing activities	<u>(3,096)</u>
Change in cash and cash equivalents	72,481
Cash and cash equivalents, beginning of year	<u>226,756</u>
Cash and cash equivalents, end of year	<u>\$ 299,237</u>
Supplemental disclosures:	
Noncash investing transaction:	
Notes receivable from sale of property and equipment	<u>\$ 40,500</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2006

Note 1 – Purpose of Organization

Mobile Loaves & Fishes, Inc. (MLF) is a social outreach ministry to the homeless and working poor. MLF's mission is "We provide 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, New Orleans, Louisiana, and Nashville, Tennessee communities. Volunteers drive MLF's trucks, all of which have been outfitted as catering vehicles, to specific areas around their respective communities distributing food, clothing and personal care items. It is the goal of MLF to expand its truck operations to every city throughout the United States that has a homeless and working poor population. MLF has a powerful set of tools that allow it to manage a large organization with few staff. These tools, the MLF Volunteer Management and Mapping System, are located at www.mlfnow.org and are accessible by the thousands of volunteers who serve.

Additionally, MLF has developed a revolutionary new housing initiative called Habitat on Wheels where gently used travel trailers are purchased and placed in RV Parks for the chronically homeless. This affordable, sustainable and permanent housing model is designed on a Housing First model. MLF currently has plans to develop its own community based on the RV community model.

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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

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*.

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, 2006.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

Cash Equivalents

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

Inventory

Inventory consists of donated kitchen appliances that are being sold on consignment. This inventory is recorded and valued at the expected sales price.

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.

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 2006 had approximately 7,600 volunteers who contributed their time each month.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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.

During 2006, MLF made purchases of property and equipment totaling \$173,146. All the property and equipment is used 100% on program services. The allocation of the property and equipment is reflected in the Statement of Functional Expenses through depreciation expense, which recognizes the cost of the property and equipment over their useful lives.

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 multiple banks, which are each insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006, MLF's uninsured balances totaled \$137,811. MLF has not experienced any losses in such accounts in the past.

Note 4 – Notes Receivable

Through the Habitat on Wheels program, MLF created four promissory notes due to MLF for four participants in the Habitat on Wheels program. MLF maintains a security interest in all four of the travel trailers/fifth wheels.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2006

Note 4 – Notes Receivable (continued)

Notes receivable at December 31, 2006 consists of the following:

Date of note: 3/11/05, amount of note: \$6,000, interest 0%, payment terms are \$25 a month starting April 1, 2005 ending February 1, 2010, then one payment of \$4,525 on March 1, 2010.	\$ 5,475
Date of note: 5/17/05, amount of note: \$15,500, interest 0%, payment terms are \$25 a month starting June 1, 2005 ending April 1, 2010, then one payment of \$14,525 on May 1, 2010.	15,025
Date of note: 11/18/05, amount of note: \$11,500, interest 0%, payment terms are \$200 a month starting January 1, 2006 ending August 1, 2011, then one payment of \$100 on September 1, 2011.	9,100
Date of note: 12/9/05, amount of note: \$7,500, interest 0%, payment terms are \$25 a month starting January 1, 2006 ending December 1, 2010, then one payment of \$6,000 on January 1, 2011.	<u>7,225</u>
Total	36,825
Less current portion	<u>(3,325)</u>
Non – current portion	<u>\$ 33,500</u>

Future minimum payments to be received from notes receivable are as follows:

Years ending December 31,	
2007	\$ 3,325
2008	3,300
2009	3,300
2010	20,900
2011	6,000
Total	<u>\$ 36,825</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2006

Note 5 – Property and Equipment

At December 31, 2006, property and equipment consisted of the following:

Vehicles	\$	333,786
Trailers		143,920
Computer equipment		9,780
Storage unit		2,045
Furniture and equipment		1,310
Kitchen and other equipment		44,445
Website design		23,837
Total cost		<u>559,123</u>
Less: accumulated depreciation		<u>(260,090)</u>
Property and equipment, net	\$	<u>299,033</u>

Total depreciation expense was \$70,815 for the year ended December 31, 2006.

Note 6 – Related Party Transactions

St. John Nuemann Catholic Church (SJM) 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 SJM parishioners resulting in the formal organization of MLF in 2000 as a non-profit corporation under the laws of the State of Texas. SJM 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.

MLF operates in a separate facility owned by SJM. Facilities include office, storage, food preparation space, and parking for the vehicles. The facilities are rented under a month to month lease agreement for \$500 per month. Rental expense to SJM was \$6,000 in 2006.

During 2004, SJM entered into an interest-free loan agreement with MLF to help cover the Executive Director's salary. Beginning in April 2004, SJM loaned MLF \$2,548 per month during 2004 and \$1,548 per month for January and February 2005. At December 31, 2006, the loan balance is \$1,160.

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,

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2006

Note 6 – Related Party Transactions (continued)

St. Mark the Evangelist (SME) of San Antonio, Texas, Trinity Episcopal Church (TEC) of New Orleans, Louisiana, and St. Francis of Assisi (SFA) of San Antonio, Texas, 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, TEC, and SFA parishioners. The church is expected to continue to play a significant role in hosting MLF activities. Volunteers from the church community are expected to continue to play a significant role in the continued funding and support of MLF.

Note 7 – 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:				
Habitat on Wheels	\$ 4,561	\$ 148,480	\$ (137,247)	\$ 15,794
Wheelchair for Ambot	-	789	(789)	-
Duane & Brandy Severance	-	10,730	(10,730)	-
Trucks - Consolidated	65,188	163,305	(132,849)	95,644
Development Director	56,476	-	(55,658)	818
Disaster Relief	61,452	50,373	(78,148)	33,677
Other Program Services	500	40	(540)	-
	<u>\$ 188,177</u>	<u>\$ 373,717</u>	<u>\$ (415,962)</u>	<u>\$ 145,932</u>

In 2006, it was discovered that MLF's net assets at December 31, 2005 required restatement. The funds related to the restatement had not previously been used for unrestricted purposes. This discovery resulted in the following reclassifications:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at December 31, 2005, as originally reported	\$ 460,330	\$ 130,391	\$ -	\$ 590,721
Reclassifications	(53,690)	57,786	-	4,096
Balance at December 31, 2005, as restated	<u>\$ 406,640</u>	<u>\$ 188,177</u>	<u>\$ -</u>	<u>\$ 594,817</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2006

Note 8 – Subsequent Events

In June 2007 The Center for Contemplative Justice at St. Augustine's Episcopal Chapel at Vanderbilt University in Nashville, Tennessee, became Mobile Loaves & Fishes second community located outside of Texas. The parishioners and volunteers of this church, along with the other communities help raise the funds necessary to outfit and operate catering trucks.