

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2005
(With Comparative Totals for 2004)

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
FINANCIAL STATEMENTS
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(With Comparative Totals for 2004)

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Board of Directors
Mission Solano Rescue Mission, Inc.
Fairfield, California

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of Mission Solano Rescue Mission, Inc. (a nonprofit organization) 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 Mission Solano Rescue Mission, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from Mission Solano Resuce Mission, Inc.'s financial statements and, in my report dated April 5, 2005, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Solano Rescue Mission, Inc. as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 10, 2006, on my consideration of Mission Solano Rescue Mission, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of Revenue and Expense Summary for the year ended December 31, 2005 on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPM Accounting & Management Solutions

Lafayette, California
April 10, 2006

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 197,417	\$ 50,603
Grants receivable (note 3)	700,000	1,000,000
Unconditional promises to give (note 4)	242,608	126,000
Inventory	-	29,301
Prepaid expenses and deposits	1,000	5,142
Other current assets	-	939
Total current assets	1,141,025	1,211,985
Restricted cash (note 5)	991,240	-
Franchise fee (note 6)	92,500	-
Property and equipment, net of accumulated depreciation of \$48,066 (note 7)	65,592	48,524
Total assets	\$ 2,290,357	\$ 1,260,509
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 186,769	\$ 126,032
Accrued liabilities	16,716	3,082
Other payable	-	15,000
Notes Payable - current portion (note 8)	14,047	-
Total current liabilities	217,532	144,114
Notes Payable - net of current portion (note 8)	74,840	-
Total liabilities	292,372	144,114
Net assets:		
Unrestricted	266,606	(19,805)
Temporarily restricted (note 9)	1,731,379	1,136,200
Total net assets	1,997,985	1,116,395
Total liabilities and net assets	\$ 2,290,357	\$ 1,260,509

See accompanying notes to financial statements.

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005
(With Comparative Totals for 2004)

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues:				
Contributions	\$ 610,207	\$ -	\$ 610,207	\$ 470,338
Government grants (note 3)	700,000	-	700,000	-
Capital campaign contributions	-	606,162	606,162	1,146,200
Thrift store sales	276,900	-	276,900	306,251
Auto sales	230,878	-	230,878	147,407
Fundraising	77,118	-	77,118	96,837
Special events	70,702	-	70,702	116,717
Coffee roasting income	16,113	-	16,113	-
Advertising income	37,802	-	37,802	-
Other income	2,700	-	2,700	22,190
Net assets released from restrictions (note 9)	10,983	(10,983)	-	-
Total support and revenues	2,033,403	595,179	2,628,582	2,305,940
Expenses:				
Program services:				
Shelter/social enterprises	1,237,099	-	1,237,099	1,022,326
Support services:				
Administrative and general	343,579	-	343,579	93,497
Fund-raising/development	166,314	-	166,314	158,233
Total support services	509,893	-	509,893	251,730
Total expenses	1,746,992	-	1,746,992	1,274,056
Change in net assets	286,411	595,179	881,590	1,031,884
Net assets, beginning of year	(19,805)	1,136,200	1,116,395	84,511
Net assets, end of year	<u>\$ 266,606</u>	<u>\$ 1,731,379</u>	<u>\$ 1,997,985</u>	<u>\$ 1,116,395</u>

See accompanying notes to financial statements.

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005
(With Comparative Totals for 2004)

	2005						2004				
	Program and Social Enterprise Services					Supporting Services					
	Shelter Services	Thrift Store	Auto Sales	Franchise	Coffee Roasting	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total	Total
Salaries	\$ 138,714	\$ 145,588	\$ 57,423	\$ 18,988	\$ 25,998	\$ 386,711	\$ 204,292	\$ 46,628	\$ 250,920	\$ 637,631	\$ 383,116
Newsletter/development	152,008	-	-	7,552	-	159,560	-	-	-	159,560	63,759
Occupancy	36,600	97,137	28,458	-	-	162,195	-	-	-	162,195	82,757
Advertising	83,765	1,889	9,360	-	-	95,014	-	750	750	95,764	75,207
Professional fees	3,537	3,713	1,464	484	663	9,861	2,465	66,172	68,637	78,498	109,846
Office supplies	8,848	24,530	1,321	12,266	8,859	55,824	12,197	6,363	18,560	74,384	11,501
Employee benefits	8,982	14,264	1,330	490	-	25,066	20,419	5,642	26,061	51,127	39,407
Utilities	20,361	23,395	4,275	-	-	48,031	2,840	-	2,840	50,871	42,256
Payroll taxes	8,652	13,662	4,260	586	1,290	28,450	18,338	-	18,338	46,788	20,100
Food/event costs	45,629	-	-	-	-	45,629	-	-	-	45,629	34,331
Workman's compensation	11,666	14,707	970	92	449	27,884	7,466	2,473	9,939	37,823	-
Royalty fees	-	-	-	31,936	-	31,936	-	-	-	31,936	-
Telephone	2,908	6,309	1,529	722	1,391	12,859	14,926	3,218	18,144	31,003	25,329
Printing	560	1,049	-	491	387	2,487	13,684	14,824	28,508	30,995	17,875
Travel	11,799	3,280	3,096	789	11	18,975	3,825	2,482	6,307	25,282	3,278
Repairs and maintenance	6,239	10,204	486	85	-	17,014	4,776	2,000	6,776	23,790	12,485
Donor acquisition	22,800	-	-	-	-	22,800	-	-	-	22,800	41,053
Vehicle expense	6,797	991	7,645	-	-	15,433	3,983	2,395	6,378	21,811	15,274
Bank charges	-	4,791	-	-	-	4,791	12,628	781	13,409	18,200	3,314
Depreciation	5,146	5,401	2,130	704	964	14,345	3,586	-	3,586	17,931	18,034
Insurance	4,024	4,223	1,666	551	754	11,218	2,805	-	2,805	14,023	47,917
Lodging and Meals	988	40	15	2,432	-	3,475	5,626	3,681	9,307	12,782	11,276
Benevolence	12,227	-	-	-	-	12,227	-	-	-	12,227	2,100
Training and education	549	860	398	3,875	-	5,682	3,442	1,111	4,553	10,235	5,887
Postage	7,934	-	-	22	-	7,956	1,985	149	2,134	10,090	14,865
Leased equipment	4,728	-	-	-	-	4,728	1,182	-	1,182	5,910	5,303
Equipment rental	-	3,711	-	-	-	3,711	-	1,730	1,730	5,441	5,672
Dues and subscriptions	260	-	-	57	-	317	2,465	1,737	4,202	4,519	2,940
Outside services	-	-	-	-	-	-	-	4,064	4,064	4,064	6,676
Interest expense	-	-	-	2,283	-	2,283	-	-	-	2,283	-
Computer	-	-	-	-	-	-	649	114	763	763	5,723
Miscellaneous	607	-	-	-	-	607	-	-	-	607	3,881
Fees and registration	-	30	-	-	-	30	-	-	-	30	4,404
Contributions	-	-	-	-	-	-	-	-	-	-	8,464
Shelter program	-	-	-	-	-	-	-	-	-	-	3,451
Storehouse	-	-	-	-	-	-	-	-	-	-	8,100
Cost of sales thrift store	-	-	-	-	-	-	-	-	-	-	138,475
Total expenses	\$ 606,328	\$ 379,774	\$ 125,826	\$ 84,405	\$ 40,766	\$ 1,237,099	\$ 343,579	\$ 166,314	\$ 509,893	\$ 1,746,992	\$ 1,274,056

See accompanying notes to financial statements.

MISSION SOLANO RESCUE MISSION, INC.
STATEMENTS OF CASH FLOWS
(A California Nonprofit Corporation)
YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Cash flows from operating activities:		
Change in net assets	\$ 881,590	\$ 1,031,884
Adjustments to reconcile change in net assets to net cash used for operating activities		
Noncash donation	(35,000)	-
Depreciation	17,932	18,034
(Increase) decrease in assets:		
Grant receivable	300,000	(1,000,000)
Unconditional promises to give	(116,608)	(126,000)
Prepaid expenses	4,142	(5,142)
Inventory	29,301	(29,301)
Other assets	939	(939)
Other noncurrent assets - franchise fee	(92,500)	-
Increase (decrease) in liabilities:		
Accounts payable	60,737	36,780
Accrued liabilities	13,634	(6,079)
Other payable	(15,000)	15,000
	1,049,167	(65,763)
Net cash provided by (used for) operating activities		
Cash flows from investing activities:		
Purchase of furniture and equipment	-	(21,698)
Net increase of cash restricted for construction	(991,240)	-
	(991,240)	(21,698)
Net cash used for investing activities		
Cash flows from financing activities:		
Payment of notes payable	(3,613)	-
Investment in franchise	92,500	-
	88,887	-
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	146,814	(87,461)
Cash and cash equivalents, beginning of year	50,603	138,064
Cash and cash equivalents, end of year	\$ 197,417	\$ 50,603

See accompanying notes to financial statements.

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(1) ORGANIZATION AND NATURE OF ACTIVITIES

In 1998 the Bay Area Rescue Mission (BARM) spun off a leadership team to address the needs of the homeless population in Solano County. This event gave birth to Mission Solano Rescue Mission, Inc., (the Mission) a strategically operated 501(c)(3) non-profit entity focused on providing food, shelter and clothing as well as strategic educational, vocational and life skills training to the homeless population in Solano County. While the Mission is a faith-based organization, its services are provided to people of every color, ethnic origin, religion and age.

In June 2000, the Mission's Board of Directors adopted a strategic vision to build the Bridge to Life Center in Solano County. The lack of strategically focused transitional programs in Solano County is why the Bridge to Life Center is being built. The empowering programs at the Center will address the causes of homelessness, providing those with the desire to make changes in their life an opportunity to break the complex cycle of poverty.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

(b) Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Mission and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Mission and/or 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.

(c) Cash and Cash Equivalents

The Mission considers cash on hand, cash on deposit, and investments with original maturities of ninety days or less at the time of purchase to be cash and cash equivalents.

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(e) Inventory

The Mission has chosen not to value thrift store donated goods for inventory based on uncertainty of value and Statement of Financial Accounting Standards (SFAS) No. 116, which states: "A major uncertainty about the existence of value may indicate that an item received or given should not be recognized." Donated goods consist primarily of clothing, equipment, furniture and housing commodities that have been donated to the Mission. The Mission resells the donated goods to the public in thrift stores.

(f) Property and equipment

Property and equipment are stated at cost or, if donated, at estimated fair value on the date of the gift. The Mission capitalizes assets with a cost greater than \$500 and a life expectancy of more than one year. Maintenance and repair costs are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which are as follows:

Automobiles	5 years
Computer and equipment	3 - 5 years
Furniture and fixtures	7 years

Depreciation expense charged to operations was \$17,932 and \$18,034 for the years ended December 31, 2005 and 2004, respectively.

(g) Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Mission.

In 2005, the Mission received approximately 20,000 volunteer hours that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(h) Income Taxes

The Mission is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

(i) Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Mission that is, in substance, unconditional. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Support from government grants and other sources are recognized when earned.

(j) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Mission.

(k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(l) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Reclassification

Certain amounts previously reported in the 2004 financial statements were reclassified to conform to the 2005 presentation for comparative purposes.

(3) GRANTS RECEIVABLE

On November 15, 2005 the City of Fairfield Redevelopment Agency awarded grants to Mission Solano Rescue Mission, Inc. for the Bridge to Life Center.

The grants receivable are deemed to be fully collectible by management and are composed of the following amounts due December 31, 2005:

	2005	2004
Bridge to Life Center – project improvements	\$ 660,000	\$ -
Bridge to Life Center – project manager	40,000	-
Federal Home Loan Bank of San Francisco	-	1,000,000
Total grants receivable	\$ 700,000	\$ 1,000,000

(4) PROMISES TO GIVE

The Mission is currently holding the Rays of Hope Capital Campaign to build the Bridge of Life Center in Solano County. Promises to give are restricted to payment of the costs of building the facility. The promises to give as of December 31, 2005, are unconditional and due, \$153,608 in 2006 and \$89,000 over the following three years.

	2005	2004
Receivable in less than one year	\$ 153,608	\$ 42,166
Receivable in one to three years	89,000	83,834
Total unconditional promises to give	\$ 242,608	\$ 126,000

(5) RESTRICTED CASH

Restricted cash consists of monies awarded by the Federal Home Loan Bank of San Francisco and restricted to its use for The Bridge to Life Center. The monies are held in trust at the Solano Bank in Fairfield, California, which controls the funds as trustee of the account. Restricted cash totaled \$991,240 at December 31, 2005.

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(6) FRANCHISE FEE

The Mission (“Operating Franchisee”) has entered into a franchise agreement on July 8, 2005 with MailCoups (“Franchising Company”) for a term of 10 years. The initial franchise fee of \$92,500 was financed with a note payable (refer to note 8) paid in monthly installments of \$1,965.35.

During the term of the agreement, the Mission (“Operating Franchisee”) shall pay MailCoups a Royalty Fee of \$15.25 for each one thousand (1,000) envelopes mailed by the Franchisee. The Franchisee also shall pay MailCoups a Minimum Bimonthly Royalty Fee of \$15.25 for every 1,000 envelopes in Franchisee’s territory to which Franchisee was required to have mailed, but which was not mailed during that period. The Royalty Fee and Minimum Bimonthly Royalty Fee may be increased annually, by MailCoups at its sole discretion. The Royalty Fee shall not increase more than six percent (6%) annually during the term of the agreement. Royalty Fee expense totaled \$31,936 for the year ended December 31, 2005.

(7) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2005 consist of the following:

	2005	2004
Land	\$ 35,000	\$ -
Furniture and fixtures	5,275	5,275
Machinery and equipment	45,583	45,583
Automobiles	27,800	27,800
	113,658	78,658
Less: Accumulated depreciation	(48,066)	(30,134)
Property and equipment, net	<u>\$ 65,592</u>	<u>\$ 48,524</u>

There is no debt associated with the property and equipment.

(8) NOTES PAYABLE

	2005	2004
MailCoups, Inc., bearing an interest rate of 10%, due monthly through 2010	\$ 88,887	\$ -
Less: current portion	(14,047)	(-)
Long-term portion	<u>\$ 74,840</u>	<u>\$ -</u>

MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

(8) NOTES PAYABLE – continued

Scheduled principal payments on the note payable are as follows:

<u>Year Ended December 31,</u>	
2006	\$ 14,047
2007	16,859
2008	18,624
2009	20,575
2010	<u>18,782</u>
Total	<u>\$ 88,887</u>

(9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available at December 31, 2005 are available for the following purposes:

Bridge to Life Center	<u>\$ 1,731,379</u>
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Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors during the years ended December 31, 2005 as follows:

Bridge to Life Center	<u><u>\$ 10,983</u></u>
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MISSION SOLANO RESCUE MISSION, INC.
(A California Nonprofit Corporation)
SHELTER AND SOCIAL ENTERPRISES
REVENUE/EXPENSE SUMMARY
YEAR ENDED DECEMBER 31, 2005

	Shelter Services	Thrift Store	Auto Sales	Franchise	Coffee Roasting	Total Program Services
Revenues:						
Contributions	\$ 1,216,369	\$ -	\$ -	\$ -	\$ -	\$ 1,216,369
Government grants	700,000					700,000
Fundraising	77,118	-	-	-	-	77,118
Special events	70,702	-	-	-	-	70,702
Other income	2,700	-	-	-	-	2,700
Thrift store sales	-	276,900	-	-	-	276,900
Auto sales	-	-	230,878	-	-	230,878
Advertising income	-	-	-	37,802	-	37,802
Coffee roasting income	-	-	-	-	16,113	16,113
Total revenues	<u>2,066,889</u>	<u>276,900</u>	<u>230,878</u>	<u>37,802</u>	<u>16,113</u>	<u>2,628,582</u>
Expenses:						
Salaries	138,714	145,588	57,423	18,988	25,998	386,711
Newsletter/development	152,008	-	-	7,552	-	159,560
Occupancy	36,600	97,137	28,458	-	-	162,195
Advertising	83,765	1,889	9,360	-	-	95,014
Professional fees	3,537	3,713	1,464	484	663	9,861
Office supplies	8,848	24,530	1,321	12,266	8,859	55,824
Employee benefits	8,982	14,264	1,330	490	-	25,066
Utilities	20,361	23,395	4,275	-	-	48,031
Payroll taxes	8,652	13,662	4,260	586	1,290	28,450
Food/event costs	45,629	-	-	-	-	45,629
Workman's compensation	11,666	14,707	970	92	449	27,884
Royalty fees	-	-	-	31,936	-	31,936
Telephone	2,908	6,309	1,529	722	1,391	12,859
Printing	560	1,049	-	491	387	2,487
Travel	11,799	3,280	3,096	789	11	18,975
Repairs and maintenance	6,239	10,204	486	85	-	17,014
Donor acquisition	22,800	-	-	-	-	22,800
Vehicle expense	6,797	991	7,645	-	-	15,433
Bank charges	-	4,791	-	-	-	4,791
Depreciation	5,146	5,401	2,130	704	964	14,345
Insurance	4,024	4,223	1,666	551	754	11,218
Lodging and meals	988	40	15	2,432	-	3,475
Benevolence	12,227	-	-	-	-	12,227
Training and education	549	860	398	3,875	-	5,682
Postage	7,934	-	-	22	-	7,956
Leased equipment	4,728	-	-	-	-	4,728
Equipment rental	-	3,711	-	-	-	3,711
Dues and subscriptions	260	-	-	57	-	317
Interest expense	-	-	-	2,283	-	2,283
Miscellaneous	607	-	-	-	-	607
Fees and registration	-	30	-	-	-	30
Total expenses	<u>606,328</u>	<u>379,774</u>	<u>125,826</u>	<u>84,405</u>	<u>40,766</u>	<u>1,237,099</u>
Net income/(loss)	<u>\$ 1,460,561</u>	<u>\$ (102,874)</u>	<u>\$ 105,052</u>	<u>\$ (46,603)</u>	<u>\$ (24,653)</u>	<u>\$ 1,391,483</u>

See accompanying notes to financial statements.

Board of Directors
Mission Solano Rescue Mission, Inc.
Fairfield, California

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

I have audited the financial statements of Mission Solano Rescue Mission, Inc. (a nonprofit organization) as of and for the year ended December 31, 2005, and have issued my report thereon dated April 10, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Mission Solano Rescue Mission, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mission Solano Rescue Mission, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Lafayette, California
April 10, 2006