

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

*Years Ended December 31, 2011 and 2010  
with Report of Independent Auditors*

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

*Years Ended December 31, 2011 and 2010*

**Contents**

Report of Independent Auditors .....	1
Financial Statements	
Statements of Financial Position .....	2
Statements of Activities.....	3-4
Statements of Functional Expenses .....	5-6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8-22

# Reynolds & Franke, PC

CERTIFIED PUBLIC ACCOUNTANTS

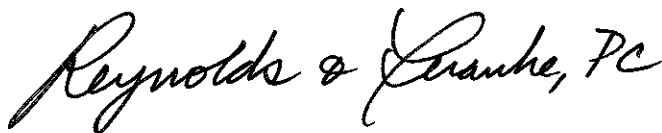
## Report of Independent Auditors

To the Board of Directors  
Mobile Loaves & Fishes, Inc.

We have audited the accompanying statements of financial position of Mobile Loaves & Fishes, Inc. (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



June 22, 2012

Mobile Loaves & Fishes, Inc.

Statements of Financial Position

December 31, 2011 and 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 449,508	\$ 533,567
Pledges receivable	13,247	12,469
Pledges receivable – restricted	5,000	92,202
Other receivables	3,646	2,188
Inventory	4,600	7,350
Notes receivable – current	3,923	6,444
Notes receivable – The Nashville Food Project	15,000	-
Prepaid expenses	9,987	553
Total current assets	<u>504,911</u>	<u>654,773</u>
Restricted cash	49,980	86,141
Property and equipment, net	515,284	479,684
Earnest money	23,600	-
Security deposit	6,779	6,280
Notes receivable – non-current	530	1,100
Total assets	<u>\$ 1,101,084</u>	<u>\$ 1,227,978</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 72,719	\$ 44,922
Accrued payroll expenses	49,004	42,105
Line of credit	40,000	-
Line of credit – related party	100,000	-
Note payable – current	13,237	-
Total current liabilities	<u>274,960</u>	<u>87,027</u>
Note payable – non-current	5,699	-
Total liabilities	<u>280,659</u>	<u>87,027</u>
Net Assets:		
Unrestricted net assets	765,445	962,608
Temporarily restricted net assets	54,980	178,343
Total net assets	<u>820,425</u>	<u>1,140,951</u>
Total liabilities and net assets	<u>\$ 1,101,084</u>	<u>\$ 1,227,978</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statements of Activities  
For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Public support:			
Contributions from public – restricted	\$ -	\$ 276,773	\$ 276,773
Unrestricted contributions	1,398,921	-	1,398,921
In-kind contributions	203,209	7,666	210,875
Direct mail contributions	247,231	1,760	248,991
Rent income	5,886	-	5,886
Job training income	5,035	-	5,035
Other income	2,146	-	2,146
Total public support	<u>1,862,428</u>	<u>286,199</u>	<u>2,148,627</u>
Special events:			
Special events income	136,798	-	136,798
Special events expense	(38,819)	-	(38,819)
Special events, net	<u>97,979</u>	<u>-</u>	<u>97,979</u>
Other income:			
Gains on sales of fixed assets, net	12,281	-	12,281
Interest income	378	-	378
Total other income	<u>12,659</u>	<u>-</u>	<u>12,659</u>
Net assets released from restrictions	409,562	(409,562)	-
Total support, income and reclassifications	<u>2,382,628</u>	<u>(123,363)</u>	<u>2,259,265</u>
Expenses:			
Program services	2,190,304	-	2,190,304
Fundraising	160,538	-	160,538
Management and general	176,659	-	176,659
Total expenses	<u>2,527,501</u>	<u>-</u>	<u>2,527,501</u>
Total change in net assets	(144,873)	(123,363)	(268,236)
Net assets:			
Beginning of year	962,608	178,343	1,140,951
Net assets transferred to The Nashville Food Project	(52,290)	-	(52,290)
Net assets, end of year	<u>\$ 765,445</u>	<u>\$ 54,980</u>	<u>\$ 820,425</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statements of Activities (continued)

For the year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Public support:			
Contributions from public – restricted	\$ -	\$ 588,941	\$ 588,941
Unrestricted contributions	1,407,448	-	1,407,448
In-kind contributions	46,849	12,148	58,997
Direct mail contributions	216,773	33,395	250,168
Rent income	8,317	-	8,317
Other income	383	-	383
Total public support	<u>1,679,770</u>	<u>634,484</u>	<u>2,314,254</u>
Special events:			
Special events income	127,747	-	127,747
Special events expense	(25,340)	-	(25,340)
Special events, net	<u>102,407</u>	<u>-</u>	<u>102,407</u>
Other income:			
Interest income	1,170	-	1,170
Total other income	<u>1,170</u>	<u>-</u>	<u>1,170</u>
Net assets released from restrictions	584,613	(584,613)	-
Total support, income and reclassifications	<u>2,367,960</u>	<u>49,871</u>	<u>2,417,831</u>
Expenses:			
Program services	1,905,825	-	1,905,825
Fundraising	127,163	-	127,163
Management and general	146,075	-	146,075
Total expenses	<u>2,179,063</u>	<u>-</u>	<u>2,179,063</u>
Total change in net assets	188,897	49,871	238,768
Net assets:			
Beginning of year	773,711	128,472	902,183
Net assets, end of year	<u>\$ 962,608</u>	<u>\$ 178,343</u>	<u>\$ 1,140,951</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statements of Functional Expenses

For the year ended December 31, 2011

	Program Services	Fundraising	Management & General	Total
Automobile expense	\$ 127,869	\$ -	\$ -	\$ 127,869
Direct mail expense	71,695	71,695	-	143,390
Marketing	7,081	11,503	-	18,584
Charitable donations	5,860	-	-	5,860
Continuing education & training	3,315	75	979	4,369
Contract labor	63,631	-	5,669	69,300
Credit card and bank fees	18,360	-	-	18,360
Supplies	59,090	-	6,177	65,267
Dues and subscriptions	4,771	210	-	4,981
Facilities expense	41,415	-	-	41,415
Food distributed	637,748	-	-	637,748
Postage and delivery	5,170	-	575	5,745
Professional fees	10,448	4,439	24,628	39,515
IT expenses	92,670	2,302	4,291	99,263
Insurance	72,339	6,330	11,795	90,464
Payroll expenses	625,566	61,092	113,833	800,491
Printing and reproduction	2,695	-	299	2,994
Telephone	10,601	1,035	1,929	13,565
Travel, meals, and entertainment	9,795	-	-	9,795
Trailer expenses	76,575	-	-	76,575
License & taxes	10,048	-	240	10,288
Rent expense	43,918	1,007	2,276	47,201
Miscellaneous expenses	7,014	-	2,468	9,482
Total expenses before depreciation	2,007,674	159,688	175,159	2,342,521
Depreciation expense	182,630	850	1,500	184,980
Total expenses	\$ 2,190,304	\$ 160,538	\$ 176,659	\$ 2,527,501
Percentage of total expenses	87%	6%	7%	100.0%

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statements of Functional Expenses (continued)

For the year ended December 31, 2010

	Program Services	Fundraising	Management & General	Total
Automobile expense	\$ 85,693	\$ -	\$ -	\$ 85,693
Direct mail expense	61,581	61,582	-	123,163
Marketing	26,159	-	-	26,159
Charitable donations	16,836	-	-	16,836
Continuing education & training	1,675	285	199	2,159
Educational seminars	24,277	-	-	24,277
Contract labor	44,628	-	8,414	53,042
Credit card and bank fees	18,136	-	-	18,136
Supplies	43,982	-	6,572	50,554
Dues and subscriptions	2,375	-	594	2,969
Facilities expense	24,721	-	-	24,721
Food distributed	471,136	-	-	471,136
Postage and delivery	5,275	-	586	5,861
Professional fees	14,390	3,825	10,260	28,475
IT expenses	91,032	2,144	4,162	97,338
Insurance	57,231	5,518	12,394	75,143
Payroll expenses	473,354	50,520	96,368	620,242
Printing and reproduction	6,637	58	405	7,100
Telephone	9,577	1,022	1,950	12,549
Travel, meals, and entertainment	18,445	-	-	18,445
Trailer expenses	70,444	-	-	70,444
License & taxes	4,221	-	-	4,221
Rent expense	54,183	1,659	3,221	59,063
Miscellaneous expenses	19,457	-	-	19,457
Special program expenses	86,950	-	-	86,950
Total expenses before depreciation	1,732,395	126,613	145,125	2,004,133
Depreciation expense	173,430	550	950	174,930
Total expenses	\$ 1,905,825	\$ 127,163	\$ 146,075	\$ 2,179,063
Percentage of total expenses	87%	6%	7%	100.0%

See accompanying notes to the financial statements.



# Mobile Loaves & Fishes, Inc.

## Statements of Cash Flows

*For the years ended December 31, 2011 and 2010*

	2011	2010
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (268,236)	\$ 238,768
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	184,980	174,930
Net assets transferred to The Nashville Food Project	(52,290)	-
Non-cash donation of land and building	(84,971)	-
Gains on sales of fixed assets	(12,281)	-
(Increase) decrease in pledges receivable	86,424	(61,171)
(Increase) decrease in other receivables	(1,458)	24,270
(Increase) decrease in inventory	2,750	23,904
(Increase) decrease in prepaid expenses	(9,434)	13,426
(Increase) decrease in security deposit	(499)	(3,580)
(Increase) decrease in earnest money	(23,600)	-
Increase (decrease) in accounts payable	27,797	(33,607)
Increase (decrease) in accrued payroll expenses	6,899	5,137
	(143,919)	382,077
<b>Cash flows from investing activities:</b>		
Issuance of notes receivable	(44,530)	(8,700)
Collections on notes receivable	32,520	3,995
Forgiveness of debt	-	10,725
Non-monetary write-down of notes receivable	101	-
Purchase of property and equipment, net	(170,444)	(214,717)
Proceeds from sales of fixed assets	47,116	-
(Increase) decrease in restricted cash	36,161	(1,169)
	(99,076)	(209,866)
<b>Cash flows from financing activities:</b>		
Proceeds from note payable	41,107	-
Repayments of note payable	(22,171)	-
Proceeds from line of credit	140,000	-
Repayments on line of credit	-	(99,511)
	158,936	(99,511)
Change in cash and cash equivalents	(84,059)	72,700
Cash and cash equivalents, beginning of year	533,567	460,867
	\$ 449,508	\$ 533,567
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 2,132	\$ 4,452

*See accompanying notes to the financial statements.*

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2011 and 2010*

### **Note 1 – Purpose of Organization**

Mobile Loaves & Fishes, Inc. (MLF) is a social outreach ministry to the homeless. MLF's mission is "We provide food and clothing, and promote dignity, to our homeless 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, Providence, Rhode Island, Nashville, Tennessee, Minneapolis, Minnesota, and New Bedford, Massachusetts 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.mlf.org](http://www.mlf.org) and are accessible by the thousands of volunteers who serve.

Additionally, MLF has developed a revolutionary new housing initiative called Community First! 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 of America.

#### **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 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

December 31, 2011 and 2010

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Income Taxes**

Mobile Loaves & Fishes, Inc. 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.

The most significant tax position of MLF is its determination of whether any amounts are subject to unrelated business income tax (UBIT). The IRS considers this “business income” (UBI) unrelated to the MLF’s tax exempt status. MLF had no UBI in 2011 and 2010, thus no provision has been included in these financial statements for any federal income tax liability. All significant tax positions have been considered by management and it has determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

MLF is required to file the Form 990 (Return of Organization Exempt from Income Tax), which is subject to examination by the Internal Revenue Service (IRS), generally up to three years from the later of the original due date or the date the tax return was filed. The Forms 990 for 2010, 2009 and 2008 are open to examination by the IRS as of December 31, 2011.

**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 *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958).

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 statements of activities as net assets released from restrictions.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2011 and 2010*

### **Note 2 – Summary of Significant Accounting Policies (continued)**

#### **Basis of Presentation (continued)**

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, 2011 and 2010.

#### **Fair Value of Financial Instruments**

MLF follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which relates to MLF's fair value disclosures related to financial assets and liabilities. FASB ASC 820 defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are three levels of inputs to fair value measurements - Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs.

MLF's financial instruments consist principally of cash and cash equivalents, restricted cash, accounts payable, accrued payroll expenses, line of credit, and line of credit – related party. MLF believes all of the financial instruments' recorded values approximate current market values due to the short maturity of these instruments.

#### **Reclassifications**

Certain 2010 audited amounts have been reclassified in order to conform with the 2011 financial statement presentation.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

*December 31, 2011 and 2010*

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Subsequent Events Review**

These financial statements considered subsequent events through June 22, 2012, the date the financial statements were available to be issued.

**Cash and Cash Equivalents**

MLF considers all liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. In addition, MLF considers donated investments which will be sold immediately to be cash equivalents.

**Accounts Receivable**

Accounts receivable are recorded at the amount MLF expects to collect on outstanding balances. MLF has not set up an allowance for uncollectible receivables at December 31, 2011 and 2010, because management estimates that the receivables are collectible, and write-offs are historically unusual and small.

**Inventory**

Inventory consists of donated kitchen appliances and vehicles that are being sold on consignment. This inventory is recorded and valued at the expected sales price. Inventory also includes donated grocery gift cards that may be purchased or given away. Grocery gift cards are recorded at their redemption value.

**Property and Equipment**

Property and equipment items in excess of \$1,500 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.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2011 and 2010*

### **Note 2 – Summary of Significant Accounting Policies (continued)**

#### **Donations and Contributions Receivable**

Contributions, including 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 statements of activities as net assets released from restrictions. As of December 31, 2010, MLF had received a promise to give of \$25,000, conditional upon the return of a signed grant agreement. This is not reflected as a receivable or as revenue for the year ended December 31, 2010. MLF did not have any conditional promises to give for the year ended December 31, 2011. Pledges receivable were \$18,247 and \$104,671, respectively, as of December 31, 2011 and 2010.

#### **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.

#### **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. Contributed services in the amount of \$12,136 and \$2,700, respectively, meet the criteria for recognition in the financial statements for the years ended December 31, 2011 and 2010. 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 MLF estimates that approximately 16,370 and 11,951 volunteers contributed their time during 2011 and 2010, respectively.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

**Note 2 – Summary of Significant Accounting Policies (continued)**

**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 statements 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 2011 and 2010, MLF made purchases of property and equipment totaling \$170,444 and \$214,717, respectively. Additionally, MLF received non-cash contributions of land and a building which were appraised at \$50,000 and \$34,971, respectively, for the year ended December 31, 2011. Approximately 99% of all property and equipment is used on program services. The allocation of the property and equipment is reflected in the statements of functional expenses through depreciation expense, which recognizes the cost of the property and equipment over their useful lives.

**Note 3 – Notes Receivable**

Through the Community First! (CF) program, MLF created two promissory notes due to MLF for one participant in the Community First! (CF) program. During the terms of the promissory notes, MLF maintains a security interest in all the travel trailers/fifth wheels. Notes receivable at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Date of note: 9/3/10, amount of note: \$8,100, interest 0%, payment terms are one payment of \$700 due September 8, 2010, 500 a month starting October 1, 2010 ending November 1, 2011, then one payment of \$400 on December 1, 2011. During 2011, a second promissory note was added for this trailer to add a refrigerator. Date of note: 4/12/11, amount of note: \$175, interest 0%, payment terms are one principal payment of \$175 due January 1, 2012.	\$ 175	\$ 5,900
Total current portion	<u>\$ 175</u>	<u>\$ 5,900</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

**Note 3 – Notes Receivable (continued)**

MLF created four promissory notes due to MLF for four participants who purchased a vehicle. During the terms of the promissory notes, MLF maintains a security interest in all the vehicles. Notes receivable at December 31, 2011 and 2010 consist of the following:

	2011	2010
Date of note: 12/9/2008, amount of note: \$1,920, interest 0%, payment terms are \$100 a month starting January 15, 2009 ending September 15, 2009, then one payment of \$20 on October 15, 2009 and one payment of \$1,000 on September 15, 2011. On 9/24/09, note balance was increased by \$1,543, and payment terms changed to one payment of \$150 on 9/30/10, semi-monthly payments of \$100 beginning on 10/15/09 and continuing through 8/15/10, one payment of \$43 on 8/31/10 and one payment of \$1,000 on 8/31/11.	\$ 1,243	\$ 1,243
Date of note: 2/11/2008, amount of note: \$921, interest 0%. Payment terms are \$100 a month starting March 11, 2008 and thereafter until the note balance is paid off.	-	101
Date of note: 8/23/2010, amount of note: \$600, interest 0%. Payment terms are one payment of \$100 due September 1, 2010, \$100 a month starting October 1, 2010 and thereafter until May 1, 2011, then one payment of \$100 on September 1, 2012.	100	300
Date of note: 5/2/11, amount of note: \$4,330, interest 0%. Payment terms are \$200 a month starting June 1, 2011 and thereafter until January 1, 2013, then one payment of \$330 on February 1, 2013.	2,935	-
Total	4,278	1,644
Less current portion	(3,748)	(544)
Non-current portion	\$ 530	\$ 1,100

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

Year ending December 31,	
2012	\$ 3,748
2013	530
Total	\$ 4,278



# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

December 31, 2011 and 2010

### Note 3 – Notes Receivable (continued)

During 2011, MLF entered into a promissory note with The Nashville Food Project (formerly the Center of Contemplative Justice (CCJ) of Nashville, Tennessee ministry of MLF) due to MLF for the purchase of two vehicles (see Note 8 – Related Party Transactions). During the terms of the promissory note, MLF maintains a security interest in both vehicles. The note receivable at December 31, 2011 and 2010 consisted of the following:

	2011	2010
Date of note: 7/15/11, amount of note: \$40,000, interest 0%. Payment terms are \$5,000 a month starting September 1, 2011 and thereafter until the promissory note is paid in full.	<u>\$ 15,000</u>	<u>\$ -</u>
Total current portion	<u>\$ 15,000</u>	<u>\$ -</u>

### Note 4 – Property and Equipment

At December 31, 2011 and 2010, property and equipment consisted of the following:

	2011	2010
Land	\$ 50,000	\$ -
Building	34,971	-
Vehicles	714,657	724,371
Trailers	458,874	407,384
Computer equipment	42,000	40,394
Computer software	5,100	2,700
Storage units/Teepees	8,847	5,945
Furniture and fixtures	1,310	1,310
Kitchen and other equipment	67,387	59,816
Website design	34,993	34,993
Total cost	<u>1,418,139</u>	<u>1,276,913</u>
Less: accumulated depreciation	<u>(902,855)</u>	<u>(797,229)</u>
Property and equipment, net	<u>\$ 515,284</u>	<u>\$ 479,684</u>

Total depreciation expense was \$184,980 and 174,930, respectively, for the years ended December 31, 2011 and 2010.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2011 and 2010*

### **Note 5 – Line of Credit**

On February 22, 2011, MLF entered into a line of credit for \$100,000 from a bank to expire on March 2, 2012. Interest is due monthly on the outstanding balance and is charged at a variable rate of prime plus 1.75% (5% at December 31, 2011). There is an outstanding balance of \$40,000 as of December 31, 2011. During 2012, this line of credit was renewed with a new maturity date of April 23, 2013.

On September 14, 2010, MLF entered into a revolving line of credit from a member of the Board of Directors to expire on September 14, 2012, which was extended from the original expiration date of September 14, 2011. Terms of this line of credit call for the credit limit to be \$70,000 initially and increasing to \$100,000 on October 25, 2010. The agreement follows MLF's conflict of interest policy and was approved by the Board of Directors. The annual interest rate is 4% and interest-only payments are due monthly on the outstanding balance beginning on September 30, 2010, and continuing on the last day of the month thereafter. In addition, the interest rate must remain equal or better than similar agreements and terms available from other persons or entities in the community, so the agreement remains in the best interest of MLF. There are outstanding balances of \$100,000 and \$0 as of December 31, 2011 and 2010, respectively.

### **Note 6 – Notes Payable**

In October 2011, MLF obtained a loan in the amount of \$41,107, to be repaid in monthly installments of \$1,215 over a three-year period, to finance the purchase of a truck. The interest rate is based on the highest prime rate as published in The Wall Street Journal on the last business day (currently 3.25%) of the month plus a margin of 0.75%, resulting in an initial interest rate of 4% based on a year of 360 days. The truck has been pledged to secure the loan. Monthly payments of principal and interest are \$1,215 beginning November 2, 2011 and ending on October 2, 2014. A total of \$22,171 of principal and interest was paid during 2011. On December 31, 2011, the balance due on the note payable was \$18,936.

The minimum annual principal and interest payments on the note payable are as follows:

<i>Year ending December 31,</i>	<b>Amount</b>
2012	\$ 13,237
2013	5,699
Total	<u>\$ 18,936</u>

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2011 and 2010*

### **Note 7 – Concentrations of Credit Risk**

Financial instruments which potentially subject MLF to credit risk principally consist of cash and cash equivalents. To minimize this risk, MLF places its temporary cash investments with high credit quality financial institutions. Effective December 31, 2010, deposit insurance coverage by the FDIC was changed to unlimited coverage for non-interest bearing checking accounts and \$250,000 per bank per entity for all other accounts. These new coverages will be effective until December 31, 2012. At December 31, 2011 and 2010, MLF had \$0 and \$76,971 in uninsured cash balances, respectively. MLF has not experienced any losses in such accounts in the past.

### **Note 8 – Related Party Transactions**

St. John Neumann 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. MLF operates in a separate facility that includes storage, food preparation space, and parking for vehicles owned and provided free of charge by SJN.

St. Thomas More Catholic Church (STM) of Austin, Texas, St. Louis Catholic Church (STL) of Austin, Texas, the Downtown Ministry of Churches (DAC) of Austin, Texas, Lake Hills Church (LHC) of Austin, Texas, Riverbend Church (RBC) of Austin, Texas, St. Margaret Mary (SMM) of Austin, Texas, Austin Ridge Bible Church (ARB) of Austin, Texas, St. Mark the Evangelist (SME) of San Antonio, Texas, Trinity Episcopal Church (NO) of New Orleans, Louisiana, St. Francis of Assisi (SFA) of San Antonio, Texas, Center of Contemplative Justice (CCJ) of Nashville, Tennessee, Open Table of Christ (OTC) of Providence, Rhode Island, St. Joan of Arc (SJA) of Minneapolis, Minnesota, and St. Paul United Methodist (SPM) of New Bedford, Massachusetts 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, DAC, LHC, RBC, SMM, ARB, SME, NO, SFA, CCJ, OTC, SJA, and SPM parishioners. The churches are expected to continue to play a significant role in hosting MLF activities and volunteers from each church community are expected to continue to play a significant role in the continued funding and support of MLF.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2011 and 2010*

### **Note 8 – Related Party Transactions**

In September 2011, all activities from the Center of Contemplative Justice (CCJ) of Nashville, Tennessee split off from MLF to become The Nashville Food Project (“NFP”), a Tennessee non-profit corporation. This resulted in \$52,290 of net assets being transferred from MLF to NFP. MLF agreed to provide assistance in starting NFP’s ministry to the homeless and indigent working poor. MLF entered into an agreement with NFP dated July 15, 2011, which consisted of the following: (a) MLF shall duly transfer the legal titles to the two trucks currently in NFP’s possession for a total sum of \$40,000 (see Note 3 – Notes Receivable), 30 days after NFP secures its 501(c)(3) status determination letter from the Internal Revenue Service which was effective September 28, 2011 (“effective date”), (b) MLF shall transfer by quit claim bill of sale any and all its interest in any tangible personal property and other assets physically located at and used in NFP’s ministry immediately prior to the effective date, and (c) MLF shall transfer any and all interest in the two bank accounts which previously belonged to CCJ on the effective date. Until the effective date, the financial statements of CCJ shall continue to be consolidated for accounting and tax purposes with MLF. In addition, NFP shall reimburse MLF monthly for (a) its assistance provided through the effective date in the accounting procedures and guidance by MLF charging a general overhead allocation of its expenses expressed as a percentage of gross income, which was agreed upon at 9%, and (b) any out-of-pocket expenses incurred by MLF for 2011 activities related to the CCJ/NFP ministry.

### **Note 9 – Employee Pension Plan**

In 2008, MLF initiated a qualified retirement plan. Employees were eligible for employer match immediately upon employment. MLF matched the employee’s elective deduction up to 5% of gross salary through May 31, 2009, but suspended employer matching contributions effective June 1, 2009 through December 31, 2010. Effective January 1, 2011, MLF removed the suspension and began matching the employee’s elective deduction up to 5% of gross salary again. Any matching contributions will vest 100% after an employee has completed three years of employment. Employer contributions for the years ended December 31, 2011 and 2010 were \$12,879 and \$0, respectively.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2011 and 2010*

### **Note 10 – Lease Commitments**

MLF has entered into a lease agreement for office space with an expiration date of May 31, 2014 and storage space with an expiration of August 1, 2012. Total facility expenses for the years ended December 31, 2011 and 2010, were \$20,763 and \$28,800, respectively, and included in-kind donated space for trailer refurbishing of \$0 and \$12,000, respectively. MLF has also entered into a lease agreement for equipment with an expiration date of February 14, 2016. Total equipment rent expenses for the years ended December 31, 2011 and 2010, were \$4,848 and \$0, respectively

Future minimum lease payments at December 31, 2011 are as follows:

Year ending December 31,	
2012	\$ 22,188
2013	17,988
2014	10,288
2015	4,788
2016	798
Total minimum lease payments	<u>\$ 56,050</u>

### **Note 11 – Commitments and Contingencies**

During November 2011, MLF entered into an agreement to purchase approximately 23.75 acres of land in Travis County, Texas. Per the agreement, which was modified in 2012, the purchase price by MLF at closing is estimated to be \$259,800. As of December 31, 2011, MLF has paid \$15,000 into escrow, which is nonrefundable, and \$2,100 of earnest money, which is refundable if MLF terminates within 140 days of the effective date of the agreement. Neither the escrow deposit nor the earnest money may be credited towards the purchase price on the closing date. The estimated closing date of the contract is August 13, 2012, which was extended from the original close date, and MLF has paid option fees during 2012 due to the extensions.

During August 2011, MLF entered into an agreement to purchase approximately 3.18 acres of land in Travis County, Texas. Per the agreement, the purchase price by MLF at closing is estimated to be \$51,249. As of December 31, 2011, MLF has paid \$5,000 into escrow, which is nonrefundable and cannot be credited towards the purchase price, and \$1,500 of earnest money. The earnest money is nonrefundable; however, it can be credited towards the purchase price at the closing date. The estimated closing date of the contract is August 15, 2012, which was extended from the original close date.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

*December 31, 2011 and 2010*

**Note 12 – Temporarily Restricted Net Assets**

MLF received the following temporarily restricted support for the year ended December 31, 2011:

	Beginning Balance	Donations Received	Released from Restrictions	Ending Balance
Temporarily Restricted Donations:				
Community First	\$ -	\$ 110,780	\$ (110,780)	\$ -
CF Tenant Funds	5,371	2,682	(6,575)	1,478
CF Trailer Funds	92,518	49,289	(122,193)	19,614
Maintenance Employee Fund	21,619	-	(21,619)	-
Trucks - Consolidated	1,135	-	(1,135)	-
Disaster Relief	89	-	-	89
LIFT	1,506	3,949	(362)	5,093
Micro-Enterprise Project	1,591	42,238	(27,741)	16,088
Other Program Services	4,978	14,073	(6,433)	12,618
Website	-	20,000	(20,000)	-
Garden Project	14,536	43,188	(57,724)	-
Time Restriction	35,000	-	(35,000)	-
	<u>\$ 178,343</u>	<u>\$ 286,199</u>	<u>\$ (409,562)</u>	<u>\$ 54,980</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

**Note 12 – Temporarily Restricted Net Assets (continued)**

MLF received the following temporarily restricted support for the year ended December 31, 2010:

	Beginning Balance	Donations Received	Released from Restrictions	Ending Balance
Temporarily Restricted Donations:				
Community First	\$ -	\$ 149,168	\$ (149,168)	\$ -
CF Tenant Funds	1,747	4,075	(451)	5,371
CF Trailer Funds	30,150	163,644	(101,276)	92,518
CF Development Fund	11,960	-	(11,960)	-
Building M Fund	3,500	-	(3,500)	-
Maintenance Employee Fund	9,744	56,960	(45,085)	21,619
Trucks - Consolidated	3,691	75,316	(77,872)	1,135
Disaster Relief	65	25	(1)	89
LIFT	1,335	375	(204)	1,506
Micro-Enterprise Project	14,316	-	(12,725)	1,591
Other Program Services	10,823	102,106	(107,951)	4,978
Karpophero Project	1,141	16,272	(17,413)	-
Website	-	10,000	(10,000)	-
Garden Project	-	21,543	(7,007)	14,536
Time Restriction	40,000	35,000	(40,000)	35,000
	<u>\$ 128,472</u>	<u>\$ 634,484</u>	<u>\$ (584,613)</u>	<u>\$ 178,343</u>

**Note 13 – Subsequent Events**

On January 3, 2012, all activities from the Trinity Episcopal Church (NO) of New Orleans, Louisiana (“Trinity”) split off from MLF. This resulted in \$11,888 of net assets being transferred from MLF to Trinity. MLF transferred all tangible assets to Trinity and Trinity purchased a truck from MLF in the amount of \$22,000 through a written promissory note. MLF reported a gain of approximately \$21,785 during 2012 on the sale of the truck to Trinity.

On May 26, 2012, MLF closed on the sale of land and a building in the amount of \$57,000. The property sold in 2012 was a non-cash contribution MLF received during the year ended December 31, 2011.



A 501(c)(3)  
nonprofit organization

We provide food and clothing, and promote dignity, to our homeless brothers and sisters in need.

BOARD OF DIRECTORS

Neal Nolan  
*Chairman*

Alan Graham  
*President*

Bruce Agness  
*Vice President  
Secretary*

J.P. "Pat" Patterson  
*Vice President*

Katie Zunker  
*Treasurer*

Amber Fogarty  
Meagan McCoy Jones  
Brian McClure  
Rob Reynolds  
Mark White

Jack Selman  
*Board Member Emeritus*

903 S. Capital of Texas Highway  
Austin, TX 78746  
(512) 328-7299  
Fax (512) 328-7223

[www.mff.org](http://www.mff.org)

June 22, 2012

Reynolds & Franke, PC  
6836 Austin Center Blvd  
Suite 250  
Austin, TX 78731

We are providing this letter in connection with your audits of the statements of financial position of Mobile Loaves and Fishes, Inc. as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, functional expenses and cash flows of Mobile Loaves and Fishes, Inc. in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, functional expenses and cash flows in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all assets and liabilities under the Organization's control.
2. We have made available to you all—
  - a. Financial records and related data.
  - b. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. There are no significant deficiencies, including material weaknesses in the design and operation of internal controls that could adversely affect the Organization's ability to record, process, summarize, and report financial data. There have been no significant changes in internal control since December 31, 2011.
6. There are no uncorrected financial statement misstatements that are material, either individually or in the aggregate, to the financial statements taken as a whole.

*"Taking the five loaves and the two fishes, and looking up to heaven, he said the blessing, broke the loaves, and gave them to the disciples, who in turn gave them to the crowds. They all ate and were satisfied, and they picked up the fragments left over - twelve wicker baskets full. "*

*Matthew 14: 19-20*



7. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the Organization involving—
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
10. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
11. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Organization is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances
12. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that *severe impact* means a significant financially disruptive effect on the normal functioning of the organization. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
14. Mobile Loaves and Fishes, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
15. There are no—
  - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with FASB *Accounting Standards Codification 450, Contingencies* (formerly Statement of Financial Accounting Standards No. 5), and we have not consulted a lawyer concerning litigation, claims, or assessments.

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB *Accounting Standards Codification 450, Contingencies* (formerly Statement of Financial Accounting Standards No. 5).
  - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
16. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
  17. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
  18. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.
  19. Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the balance sheet date, goods shipped on consignment or approval, or other types of arrangements not constituting sales.
  20. Adequate provision has been made for losses, costs, and expenses that may be incurred subsequent to the balance sheet date in respect of sales and services rendered prior to that date and for uncollectible accounts, discounts, returns, and allowances, etc., that may be incurred in the collection of receivables at that date.
  21. We have prepared and examined the functional allocation of expenses to program areas and they are reasonable.
  22. Except as disclosed in the footnotes to the financial statements, no other events have occurred subsequent to December 31, 2011 and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed: 

Title: CFO

Signed: 

Title: 