

MOBILE LOAVES & FISHES, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

MOBILE LOAVES & FISHES, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Mobile Loaves & Fishes, Inc. (a nonprofit organization) as of December 31, 2001, 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 of America. 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, 2001, 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.

Cooper Graci & Company, P.C.
Certified Public Accountants
Austin, Texas

September 12, 2002

MOBILE LOAVES & FISHES, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2001

ASSETS

Current assets		
Cash	\$	31,824
Pledges receivable		2,000
Other receivables		1,069
Prepaid expenses		7,142
Security deposit		50
		<hr/>
Total current assets		42,085
Property and equipment, less accumulated depreciation of \$31,911		 113,289 <hr/>
Total assets	\$	<u><u>155,374</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$	8,869
Payroll taxes payable		1,484
Other current liabilities		550
		<hr/>
Total Current Liabilities		10,903
Net assets		
Unrestricted		143,401
Temporarily restricted		1,070
		<hr/>
Total Net Assets		144,471 <hr/>
Total liabilities and net assets	\$	<u><u>155,374</u></u>

MOBILE LOAVES & FISHES, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support			
Contributions from the public	\$ 119,003	\$ 24,703	\$ 143,706
St. John Nuemann Catholic Church	9,260		9,260
Wine tasting & silent auction	28,563		28,563
Randall's good neighbor program	295		295
Other non-cash contributions	9,746		9,746
Net assets released from restrictions	<u>23,633</u>	<u>(23,633)</u>	<u>-</u>
Total public support	190,500	1,070	191,570
Revenue			
Interest & dividends	<u>965</u>		<u>965</u>
Total support and revenue	191,465	1,070	192,535
Expenses			
Program services	149,767		149,767
Charitable donations	9,258		9,258
Fund raising	9,326		9,326
Management and general	<u>50,230</u>		<u>50,230</u>
Total expenses	<u>218,581</u>	<u>-</u>	<u>218,581</u>
Total change in net assets	(27,116)	1,070	(26,046)
Net assets, beginning of year	<u>170,517</u>	<u>-</u>	<u>170,517</u>
Net assets, end of year	<u>\$ 143,401</u>	<u>\$ 1,070</u>	<u>\$ 144,471</u>

MOBILE LOAVES & FISHES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2001

	Program Services				Total
	Food & Clothing Distribution	Charitable Donations	Fund Raising	Management & General	
Food distributed	\$ 64,072	\$	\$	\$	\$ 64,072
Clothing distributed	12,039				12,039
Personal care items distributed	1,124				1,124
Bibles	1,574				1,574
Prayer books	209				209
Donations		9,258			9,258
Advertising & marketing			1,555		1,555
Contract labor	4,311			2,248	6,559
Credit card transaction fees				1,062	1,062
Fisher of men fishing expedition			4,090		4,090
Halloween bags	724				724
Insurance	1,395			2,650	4,045
Newsletter, mail outs, publications	4,135				4,135
Office Expenses				9,294	9,294
Payroll expenses	24,882		3,391	10,173	38,446
Professional fees - accounting & legal				15,275	15,275
Rent				950	950
Repairs & maintenance	1,405			5,115	6,520
Telephone	1,208			1,208	2,416
Thank you cards			290		290
Vehicle expenses	5,058				5,058
Volunteer & board activities				1,518	1,518
Total expenses before depreciation	122,136	9,258	9,326	49,493	190,213
Depreciation expense	27,631			737	28,368
Total expenses	\$ 149,767	\$ 9,258	\$ 9,326	\$ 50,230	\$ 218,581
 <i>Percentage of total expenses</i>	69%	4%	4%	23%	100%
<i>Total program servicers</i>	73%				

MOBILE LOAVES & FISHES, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2001

Cash flows from operating activities	
Change in net assets	\$ (26,046)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	28,368
Non-cash contributions received	(9,746)
Expenses related to non-cash contributions received	9,746
Increase in pledges receivable	(2,000)
Increase in other receivables	(1,069)
Increase in prepaid expenses	(2,591)
Increase in security deposits	(50)
Increase in accounts payable	1,810
Increase in payroll taxes payable	1,484
Increase in other current liabilities	550
Total adjustments	<u>26,502</u>
Net cash provided by operating activities	<u>456</u>
Cash flows from investing activities	
Purchase of catering truck	(36,886)
Purchase of kitchen equipment	<u>(18,758)</u>
Net use of cash by investing activities	<u>(55,644)</u>
Net decrease in cash	(55,188)
Cash at beginning of year	<u>87,012</u>
Cash at end of year	\$ <u><u>31,824</u></u>
Supplementary disclosures	
Interest received	\$ 965
Non-cash support received	
Socks donated for distribution	1,000
Discount on accounting fees	8,746

MOBILE LOAVES & FISHES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Mobile Loaves & Fishes, Inc. (MLF) is a social outreach ministry to the homeless and indigent working poor. MLF's mission is "Providing food, clothing and dignity to our brothers and sisters in need". This mission is accomplished primarily through the daily distribution of meals, personal care items, and clothing to people in need throughout the Austin, Texas community. Volunteers drive MLF's three trucks, two of which have been outfitted as catering vehicles and the third as a mobile closet, to specified areas around Austin distributing food, clothing and personal care items.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Contributions of Public Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. As conditions of a donor's restrictions are met, resulting in the release of all restrictions on a contribution or the income derived from the contribution, then net assets released from restriction are reclassified to unrestricted net assets and reported on 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 2001 had approximately 1300 volunteers who contributed their time each month.

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

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

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment items costing in excess of \$500 are capitalized at cost, including costs of significant improvements. Donated fixed assets are recorded at estimated fair value at the date of receipt. Depreciation is calculated on a straight-line basis for all capitalized assets using estimated useful lives of three, five, and seven years for the following categories: computer software and website design, vehicles and equipment, and furniture and fixtures, respectively.

Income Taxes

MLF is a non-profit corporation as described in Section 501 (c) (3) of the U.S. Internal Revenue Code and is exempt from federal and state income taxes. 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.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, the costs have been allocated among the programs and activities benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – CONCENTRATION OF CASH

MLF deposits cash receipts to a nationally recognized brokerage account and nationally recognized banks. Only certain accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$100,000. At December 31, 2001, all funds MLF had on deposit were fully insured.

NOTE C – PLEDGES RECEIVABLE

The majority of support received is from periodic donations from the public with no specified promises to give. Accordingly, revenue is generally recognized only when funds are actually received. However, MLF received a pledge for planned giving from an individual in November 2001 through a United Way 2001 campaign, which will be paid

in quarterly payments in 2002. This pledge is deemed to be a firm commitment to give and is recognized as revenue in the 2001 year, and is expected to be fully collectible.

NOTE D – RELATED PARTY TRANSACTIONS

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

MLF originally operated from shared space within SJN's facilities at no cost. MLF moved to a new separate facility in 2001, but SJN still owns the property. Facilities include office, storage, food preparation space, and parking for the vehicles. The facilities are provided under an oral agreement with SJN with no rent requirement, and with an unspecified term. The fair value of this arrangement is not readily determinable and is therefore not reported in the financial statements. During 2001 SJN provided in excess of \$80,000 worth of permanent improvements to the facilities in order to accommodate MLF's needs. Although MLF is the largest user of the building, other social outreach ministries of SJN use the facility.

NOTE E – PROPERTY AND EQUIPMENT

Depreciation expense recognized for the year ending December 31, 2001 was \$28,368. Property and equipment presented on the balance sheet consists of the following categories:

Vehicles	\$ 114,355
Computer equipment	2,565
Kitchen and other equipment	18,758
Website design	9,522
	<u>145,200</u>
Less accumulated depreciation	(31,911)
Total	<u><u>\$ 113,289</u></u>

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>Donations Received</u>	<u>Disbursed for Restricted Purpose</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily Restricted Donations				
Houston Flake	\$ 150	\$ (150)	\$ -	-
Kari Smith	8,458	(8,458)		-
Woodside Trail Boys Camp	1,070			1,070
Fisher of Men Fishing Expedition	4,600	(3,140)	(1,460)	-
Funds to purchase 2001 F-250 Truck	10,425	(10,425)		-
	<u>\$ 24,703</u>	<u>\$ (22,173)</u>	<u>\$ (1,460)</u>	<u>\$ 1,070</u>

NOTE G – OPERATING LEASES

MLF entered into a one-year non-cancelable operating lease agreement for a storage unit in February 2001. The lease was paid in advance in order to obtain a more favorable rate, including the provision that the last two months of January and February of 2002 would be rent-free. The lease for the space is renewable on a month-to-month basis at \$95 per month beginning March 1, 2002.

NOTE H – SUBSEQUENT EVENTS

During the first six months of 2002, MLF has purchased two additional catering trucks with grant money from the Ralph & Eileen Swett Foundation, the Foresight Foundation, and the Life Foundation. These two new trucks are to be hosted by the St. Thomas More Catholic Church and the St. Louis Catholic Church, both of Austin. Volunteer groups from these parishes have been formed to further the efforts of MLF to distribute meals, personal care items, and clothing to people in need throughout the Austin, Texas community. Each new church community will maintain their own commissary and raise funds to support their efforts. No additional funds will be used from other MLF operations.