

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

*Year Ended December 31, 2008  
with Report of Independent Auditors*

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

*Year Ended December 31, 2008*

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# Reynolds & Franke, PC

CERTIFIED PUBLIC ACCOUNTANTS

## Report of Independent Auditors

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

We have audited the accompanying statement of financial position of Mobile Loaves & Fishes, Inc. as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mobile Loaves & Fishes, Inc. as of December 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

*Reynolds & Franke, PC*

April 23, 2009

Mobile Loaves & Fishes, Inc.

Statement of Financial Position

December 31, 2008

**Assets**

Current assets:

Cash and cash equivalents	\$	445,441
Restricted cash		4,404
Pledges receivable		71,900
Other receivables		2,300
Inventory		7,330
Notes receivable - current		4,641
Prepaid expenses		8,442
Total current assets		<u>544,458</u>

Property and equipment, less accumulated depreciation of \$492,575		470,364
Security deposit		1,800
Notes receivable – non - current		<u>23,925</u>

Total assets	\$	<u><u>1,040,547</u></u>
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**Liabilities and Net Assets**

Current liabilities:

Accounts payable and accrued expenses	\$	49,478
Line of credit		<u>60,500</u>
Total current liabilities		<u>109,978</u>

Total liabilities		<u><u>109,978</u></u>
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Net Assets:

Unrestricted net assets		854,265
Temporarily restricted net assets		<u>76,304</u>
Total net assets		<u><u>930,569</u></u>

Total liabilities and net assets	\$	<u><u>1,040,547</u></u>
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*See accompanying notes to the financial statements.*

Mobile Loaves & Fishes, Inc.

Statement of Activities  
For the year ended December 31, 2008

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Public support:			
Contributions from public-restricted	\$ -	\$ 323,737	\$ 323,737
Unrestricted contributions	1,373,593	-	1,373,593
In – kind contributions	181,304	14,786	196,090
Fundraising events	238,520	3,258	241,778
Rent income	5,200	-	5,200
Other income	(979)	338	(641)
Total public support	<u>1,797,638</u>	<u>342,119</u>	<u>2,139,757</u>
Other income:			
Interest income	1,495	-	1,495
Total other income	<u>1,495</u>	<u>-</u>	<u>1,495</u>
Net assets released from restrictions	293,238	(293,238)	-
Total income and reclassifications	<u>2,092,371</u>	<u>48,881</u>	<u>2,141,252</u>
Expenses:			
Program services	1,700,099	-	1,700,099
Fundraising	176,794	-	176,794
Management and general	95,104	-	95,104
Total expenses	<u>1,971,997</u>	<u>-</u>	<u>1,971,997</u>
Total change in net assets	<u>120,374</u>	<u>48,881</u>	<u>169,255</u>
Net assets:			
Beginning of year, as previously stated	725,568	27,303	752,871
Prior period adjustment	8,323	120	8,443
Beginning of year, restated	<u>733,891</u>	<u>27,423</u>	<u>761,314</u>
Net assets, end of year	<u>\$ 854,265</u>	<u>\$ 76,304</u>	<u>\$ 930,569</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses

For the year ended December 31, 2008

	Program Services	Fundraising	Management & General	Total
Advertising	\$ 13,391	\$ 3,208	\$ 75	\$ 16,674
Annual appeal expense	18,660	18,660	-	37,320
Automobile expense	73,159	-	97	73,256
Background check	1,286	-	-	1,286
Bank service charge	-	-	415	415
Miscellaneous	12,031	-	-	12,031
Charitable donations	7,751	-	-	7,751
Continuing education & training	-	1,278	742	2,020
Contract labor	64,083	-	-	64,083
Credit card and bank fees	10,663	-	-	10,663
Supplies	153,026	924	5,546	159,496
Dues and subscriptions	225	-	1,455	1,680
Facilities expense	47,517	-	-	47,517
Food distributed	464,064	-	-	464,064
Fundraising costs	-	101,202	-	101,202
Postage and delivery	17,488	-	42	17,530
Professional fees	50,976	6,298	8,260	65,534
IT expenses	101,973	-	-	101,973
Insurance	45,103	-	-	45,103
Payroll expenses	333,981	42,618	75,750	452,349
Printing and reproduction	3,753	-	-	3,753
Telephone	12,001	1,531	2,722	16,254
Travel, meals, and entertainment	8,845	-	-	8,845
Trailer expenses	47,112	-	-	47,112
License & taxes	1,801	-	-	1,801
Rent expense	73,754	-	-	73,754
T-shirt expense	1,075	1,075	-	2,150
Promotion expense	812	-	-	812
Total expenses before depreciation	1,564,530	176,794	95,104	1,836,428
Depreciation expense	135,569	-	-	135,569
Total expenses	\$ 1,700,099	\$ 176,794	\$ 95,104	\$ 1,971,997
<b>Percentage of total expenses</b>	86%	9%	5%	100.0%

Mobile Loaves & Fishes, Inc.

Statement of Cash Flows

For the year ended December 31, 2008

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 169,255
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	135,569
Loss on sale of property and equipment	1,946
Prior period adjustment	8,443
Increase in pledges receivable	(71,900)
Decrease in other receivables	15
Increase in inventory	(330)
Increase in prepaid expenses	(8,442)
Decrease in security deposit	60
Increase in accounts payable and accrued expenses	8,560
	<hr/>
Net cash provided by operating activities	243,176
	<hr/>
<b>Cash flows from investing activities:</b>	
Proceeds from sale of assets	17,800
Issuance of notes receivable	(3,841)
Collections on notes receivable	4,800
Purchase of property and equipment	(184,694)
Decrease in restricted cash	22,899
	<hr/>
Net cash used in investing activities	(143,036)
	<hr/>
<b>Cash flows from financing activities:</b>	
Proceeds from line of credit	75,500
Repayments on line of credit	(20,000)
	<hr/>
Net cash provided by financing activities	55,500
	<hr/>
Change in cash and cash equivalents	155,640
Cash and cash equivalents, beginning of year	289,801
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Cash and cash equivalents, end of year	\$ 445,441
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<b>Supplemental disclosures:</b>	
Interest paid	\$ 1,495
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See accompanying notes to the financial statements.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2008*

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

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

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

### **Note 2 – Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The financial statements of MLF are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2008

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

**Income Taxes**

Mobile Loaves and 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.

**Basis of Presentation**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

Net assets of MLF and changes therein are classified and reported as follows:

Unrestricted net assets – These types of net assets are not subject to donor-imposed stipulations. This also includes Board-designated net assets for specific purposes, since these restrictions may be reversed by the Board at anytime in the future.

Temporarily restricted net assets – These types of net assets are subject to donor-imposed stipulations, which limit their use by MLF to a specific purpose and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by MLF. Generally, the donors of these assets permit MLF to use all or part of the income earned on any related investments for general or specific use.

MLF did not have any permanently restricted net assets as of December 31, 2008.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements (continued)

*December 31, 2008*

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

#### **Cash Equivalents**

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

#### **Inventory**

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

#### **Contributions**

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the statement of activities as net assets released from restrictions.

#### **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.

## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

*December 31, 2008*

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

##### **Contributed Services**

Generally, when fair value of contributed professional services can be readily determined, a contribution received is recognized with an equal amount for expense incurred. Contributed services in the amount of \$17,108 meet the criteria for recognition in the financial statements for the year ended December 31, 2008. 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 11,705 volunteers contributed their time during 2008.

##### **Functional Allocation of Expenses**

The costs of providing the various promotional programs and other activities of the organization have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and supporting services benefited. Overhead costs have been allocated based on periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of MLF.

During 2008, MLF made purchases of property and equipment totaling \$184,694. All the property and equipment is used 100% on program services. The allocation of the property and equipment is reflected in the Statement of Functional Expenses through depreciation expense, which recognizes the cost of the property and equipment over their useful lives.

#### **Note 3 – Concentrations of Credit Risk**

MLF deposits cash receipts to nationally-recognized financial institutions. MLF maintains cash balances in multiple banks, which are each insured by the Federal Deposit Insurance Corporation (FDIC). Effective October 3, 2008, deposit insurance coverage by the FDIC was changed to (a) unlimited coverage for non-interest bearing checking accounts and low-interest bank accounts (less than 0.5% interest rate) and (b) \$250,000 for all other interest-bearing accounts. At December 31, 2008, MLF's uninsured balances totaled \$0. MLF has not experienced any losses in such accounts in the past.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2008

**Note 4 – Notes Receivable**

Through the Habitat on Wheels program, MLF created four promissory notes due to MLF for four participants in the Habitat on Wheels program. MLF maintains a security interest in all four of the travel trailers/fifth wheels. Notes receivable at December 31, 2008 consists of the following:

Date of note: 3/11/05, amount of note: \$6,000, interest 0%, payment terms are \$25 a month starting April 1, 2005 ending February 1, 2010, then one payment of \$4,525 on March 1, 2010.	\$ 4,875
Date of note: 5/17/05, amount of note: \$15,500, interest 0%, payment terms are \$25 a month starting June 1, 2005 ending April 1, 2010, then one payment of \$14,525 on May 1, 2010. During the year ended December 31, 2007, there was a write down of this note of \$4,000 due to exchange of trailer. All terms remain the same except the final payment due on May 1, 2010 changed to \$10,150.	10,425
Date of note: 11/18/05, amount of note: \$11,500, interest 0%, payment terms are \$200 a month starting January 1, 2006 ending August 1, 2011, then one payment of \$100 on September 1, 2011.	4,300
Date of note: 12/9/05, amount of note: \$7,500, interest 0%, payment terms are \$25 a month starting January 1, 2006 ending December 1, 2010, then one payment of \$6,000 on January 1, 2011.	<u>6,625</u>
Total	26,225
Less current portion	(3,300)
Non – current portion	<u>\$ 22,925</u>

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

Year ending December 31,	
2009	\$ 3,300
2010	16,925
2011	6,000
2012	-
2013	-
Total	<u>\$ 26,225</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2008

**Note 4 – Notes Receivable (continued)**

MLF created two promissory notes due to MLF for two participants whom purchased a vehicle. Notes receivable at December 31, 2008 consists of the following:

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.	\$ 1,920
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.	421
Total	2,341
Less current portion	(1,341)
Non – current portion	\$ 1,000

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

Year ending December 31,	
2009	\$ 1,341
2010	-
2011	1,000
2012	-
2013	-
Total	\$ 2,341

**Note 5 – Line of Credit**

On October 24, 2008, MLF renewed a line of credit of \$100,000 from a bank to expire on October 24, 2009. Interest is due monthly on the outstanding balance and is charged at the Wall Street Journal Prime Floating Rate (4.0% as of December 31, 2008). There is an outstanding balance of \$60,500 as of December 31, 2008.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2008

**Note 6 – Property and Equipment**

At December 31, 2008, property and equipment consisted of the following:

Vehicles	\$	568,157
Trailers		273,534
Computer equipment		34,437
Computer software		2,700
Storage unit		2,045
Furniture and equipment		1,310
Kitchen and other equipment		56,919
Website design		23,837
Total cost		<u>962,939</u>
Less: accumulated depreciation		<u>(492,575)</u>
Property and equipment, net	\$	<u>470,364</u>

Total depreciation expense was \$135,569 for the year ended December 31, 2008.

**Note 7 – Related Party Transactions**

St. John Nuemann Catholic Church (SJN) of Austin, Texas began a ministry program of providing food, clothing, and personal care items to the needy in the Austin community in 1998. This program grew through the generous volunteer efforts of SJN parishioners resulting in the formal organization of MLF in 2000 as a non-profit corporation under the laws of the State of Texas. SJN has also provided additional funds and non-cash contributions of food and clothing since MLF's formal beginning of operation. The church is expected to play a vital role in MLF's continued funding and other support.

MLF operates in a separate facility that includes storage, food preparation space, and parking for vehicles owned and provided free of charge by SJN. In addition, MLF rented office space from SJN under a month to month lease agreement for \$500 per month until May 2008. Rental expense to SJN was \$2,500 in 2008.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2008

**Note 7 – Related Party Transactions (continued)**

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. 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, and River United Methodist Communities (RIP) of Providence, Rhode Island, 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, SME, NO, SFA, CCJ, and RIP 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.

**Note 8 – Temporarily Restricted Net Assets**

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

	Beginning Balance	Donations Received	Released from Restrictions	Ending Balance
Temporarily Restricted Donations:				
Habitat on Wheels	\$ -	\$ 50,857	\$ (50,857)	\$ -
HOW Tenant Funds	6,333	23,527	(26,767)	3,093
HOW Village Fund	-	18,750	(18,750)	-
Future Operations	-	60,000		60,000
Building M Fund	-	16,800	(4,900)	11,900
Maintenance Employee Fund	12,621	9,702	(22,323)	-
Trucks - Consolidated	6,421	49,250	(55,671)	-
Disaster Relief	1,000	85,693	(86,693)	-
Other Program Services	1,048	27,540	(27,277)	1,311
	<u>\$ 27,423</u>	<u>\$ 342,119</u>	<u>\$ (293,238)</u>	<u>\$ 76,304</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2008

**Note 8 – Temporarily Restricted Net Assets (continued)**

In 2008, it was discovered that MLF's net assets at December 31, 2007 required restatement. The funds related to the restatement had not previously been used for unrestricted purposes. This discovery resulted in the following prior period adjustment:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at December 31, 2007, as originally reported	\$ 725,568	\$ 27,303	\$ -	\$ 752,871
Prior period adjustment	8,323	120	-	8,443
Balance at December 31, 2007, as restated	\$ 733,891	\$ 27,423	\$ -	\$ 761,314

**Note 9 – Employee Pension Plan**

During the year MLF initiated a qualified retirement plan. MLF will match the employee's elective deduction up to 5% of gross salary. Employees are eligible for employer match immediately upon employment. The match will vest 100% after an employee has completed three years of employment. Employer contributions for the year ended December 31, 2008 were \$10,827.

**Note 10 – Lease Commitments**

MLF has entered into a long-term lease agreement for office space with an expiration date of May 31, 2011. Future minimum lease payments at December 31, 2008 are as follows:

Year ending December 31,	
2009	\$ 13,200
2010	13,200
2011	5,500
2012	-
2013	-
Total minimum lease payments	\$ 31,900

Total lease expense included in facility expenses for the year ended December 31, 2008 was \$7,700.



# Reynolds & Franke, PC

CERTIFIED PUBLIC ACCOUNTANTS

April 23, 2009

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

In planning and performing our audit of the financial statements of Mobile Loaves & Fishes, Inc. as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Mobile Loaves & Fishes, Inc.'s internal control over financial reporting (internal control) as a basis for the designing of our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness.

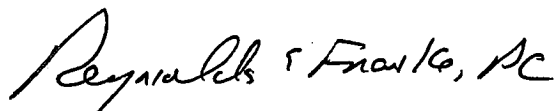
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

*None noted.*

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

*None noted.*

This communication is intended solely for the information and use of the Board of Directors, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Reynolds & Franke, PC

# Reynolds & Franke, PC

CERTIFIED PUBLIC ACCOUNTANTS

April 23, 2009

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

We have audited the financial statements of Mobile Loaves & Fishes, Inc. (MLF) for the year ended December 31, 2008, and have issued our report thereon dated April 23, 2009. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 30, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of MLF. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our meeting about planning matters on March 30, 2009.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by MLF are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed. We noted no transactions entered into by MLF during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of allocations related to functional expenses is based on analysis by MLF's management and staff. We evaluated the key factors and assumptions used to develop the allocations and determined that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense is based on the useful lives assigned to each fixed asset. We evaluated the key factors and assumptions used to develop the useful lives used in the calculation of depreciation expense and determined that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users. The most sensitive disclosure affecting the financial statements was:

The disclosure of MLF's temporarily restricted activity and a prior period adjustment in Note 8 of the financial statements. We evaluated the prior period adjustment and the current year activity and feel that the temporarily restricted balances and activity are properly reflected in the 2008 financial statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, an entry to record \$135,569 of depreciation expense for 2008 and an entry to properly recognize revenue and the applicable receivable for \$71,900 of future pledges were the only misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 23, 2009.

*Management Consultations with Other Independent Accountants*

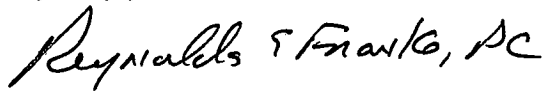
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MLF's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MLF's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Mobile Loaves & Fishes, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Reynolds & Franke, PC".

Reynolds & Franke, PC