

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

*Year Ended December 31, 2007  
with Report of Independent Auditors*

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

*Year Ended December 31, 2007*

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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, 2007, 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, 2007, 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 14, 2008

Mobile Loaves & Fishes, Inc.

Statement of Financial Position

December 31, 2007

**Assets**

Current assets:

Cash and cash equivalents	\$	289,801
Restricted cash		27,303
Other receivables		2,315
Inventory		7,000
Notes receivable - current		3,300
Total current assets		<u>329,719</u>

Property and equipment, less accumulated  
depreciation of \$361,942

		440,985
Security deposit		1,860
Notes receivable – non - current		<u>26,225</u>

Total assets \$ 798,789

**Liabilities and Net Assets**

Current liabilities:

Accounts payable and accrued expenses	\$	40,918
Line of credit		5,000
Total current liabilities		<u>45,918</u>

Total liabilities 45,918

Net Assets:

Unrestricted net assets		725,568
Temporarily restricted net assets		27,303
Total net assets		<u>752,871</u>

Total liabilities and net assets \$ 798,789

*See accompanying notes to the financial statements.*

Mobile Loaves & Fishes, Inc.

Statement of Activities  
For the year ended December 31, 2007

	Unrestricted	Temporarily Restricted	Total
Public support:			
Contributions from public-restricted	\$ -	\$ 139,191	\$ 139,191
Unrestricted contributions	861,046	-	861,046
In – kind contributions	76,081	32,890	108,971
Fundraising events	235,982	15,000	250,982
Rent income	4,990	-	4,990
Other income	1,155	2,233	3,388
Total public support	<u>1,179,254</u>	<u>189,314</u>	<u>1,368,568</u>
Other income:			
Interest income	7,417	-	7,417
Total other income	<u>7,417</u>	<u>-</u>	<u>7,417</u>
Net assets released from restrictions	310,743	(310,743)	-
Total income and reclassifications	<u>1,497,414</u>	<u>(121,429)</u>	<u>1,375,985</u>
Expenses:			
Program services	1,184,721	-	1,184,721
Fundraising	118,572	-	118,572
Management and general	103,355	-	103,355
Total expenses	<u>1,406,648</u>	<u>-</u>	<u>1,406,648</u>
Total change in net assets	<u>90,766</u>	<u>(121,429)</u>	<u>(30,663)</u>
Net assets:			
Beginning of year, as previously stated	634,479	145,932	780,411
Prior period adjustment	323	2,800	3,123
Beginning of year, restated	<u>634,802</u>	<u>148,732</u>	<u>783,534</u>
Net assets, end of year	<u>\$ 725,568</u>	<u>\$ 27,303</u>	<u>\$ 752,871</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses

For the year ended December 31, 2007

	Program Services	Fundraising	Management & General	Total
Advertising	\$ 9,573	\$ 4,103	\$ -	\$ 13,676
Annual appeal expense	6,301	6,301	-	12,602
Automobile expense	54,625	-	-	54,625
Background check	1,288	-	-	1,288
Bank service charge	-	-	283	283
Miscellaneous	18,457	-	742	19,199
Charitable donations	3,552	-	-	3,552
Continuing education & training	-	-	2,128	2,128
Contract labor	15,324	-	-	15,324
Credit card and bank fees	10,187	-	-	10,187
Supplies	53,894	-	-	53,894
Dues and subscriptions	-	-	1,036	1,036
Facilities expense	20,253	-	-	20,253
Food distributed	326,791	-	-	326,791
Fundraising costs	-	74,481	-	74,481
Postage and delivery	11,303	-	-	11,303
Professional fees	40,154	-	61,350	101,504
IT expenses	127,852	-	-	127,852
Insurance	33,013	-	-	33,013
Payroll expenses	241,726	32,255	36,209	310,190
Printing and reproduction	16,787	-	-	16,787
Telephone	10,731	1,432	1,607	13,770
Travel, meals, and entertainment	12,990	-	-	12,990
Trailer expenses	40,413	-	-	40,413
License & taxes	2,748	-	-	2,748
Rent expense	20,152	-	-	20,152
T-shirt expense	733	-	-	733
Promotion expense	239	-	-	239
Total expenses before depreciation	1,079,086	118,572	103,355	1,301,013
Depreciation expense	105,635	-	-	105,635
Total expenses	\$ 1,184,721	\$ 118,572	\$ 103,355	\$ 1,406,648
Percentage of total expenses	85%	8%	7%	100.0%

Mobile Loaves & Fishes, Inc.

Statement of Cash Flows  
For the year ended December 31, 2007

**Cash flows from operating activities:**

Change in net assets	\$ (30,663)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	105,635
Loss on sale of property and equipment	253
Prior period adjustment	3,123
Increase in receivables	(1,469)
Increase in security deposit	(860)
Decrease in inventory	8,700
Increase in accounts payable and accrued expenses	23,916

Net cash provided by operating activities

108,635

**Cash flows from investing activities:**

Proceeds from sale of assets	4,500
Collections on notes receivable	3,300
Purchase of property and equipment, net	(248,340)
Decrease in restricted cash	118,629

Net cash used by investing activities

(121,911)

**Cash flows from financing activities:**

Proceeds from line of credit	5,000
Payments on loan from SJN Catholic Church	(1,160)

Net cash provided by financing activities

3,840

Change in cash and cash equivalents  
Cash and cash equivalents, beginning of year

(9,436)  
299,237

Cash and cash equivalents, end of year

\$ 289,801

**Supplemental disclosures:**

Interest paid	\$ 718
Noncash transaction:	
Write down of note due to trade of trailers	\$ 4,000

*See accompanying notes to the financial statements.*

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*December 31, 2007*

### **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.mlfnw.org](http://www.mlfnw.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, 2007

**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, 2007.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

*December 31, 2007*

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

**Cash Equivalents**

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

**Inventory**

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

**Property and Equipment**

Property and equipment items in excess of \$1,500 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, 2007

**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 \$14,755 meet the criteria for recognition in the financial statements for the year ended December 31, 2007. 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 2007, MLF estimates that approximately 9,500 volunteers contributed their time each month.

**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 2007, MLF made purchases of property and equipment totaling \$262,803. All the property and equipment is used 100% on program services. The allocation of the property and equipment is reflected in the Statement of Functional Expenses through depreciation expense, which recognizes the cost of the property and equipment over their useful lives.

**Note 3 – Concentrations of Credit Risk**

MLF deposits cash receipts to nationally recognized financial institutions. MLF maintains cash balances in excess of \$100,000 in multiple banks, which are each insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, MLF's uninsured balances totaled \$29,754. MLF has not experienced any losses in such accounts in the past.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2007

**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, 2007 consists of the following:

Date of note: 3/11/05, amount of note: \$6,000, interest 0%, payment terms are \$25 a month starting April 1, 2005 ending February 1, 2010, then one payment of \$4,525 on March 1, 2010. \$ 5,175

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. 10,725

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. 6,700

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. 6,925

Total	29,525
Less current portion	(3,300)
Non – current portion	<u>\$ 26,225</u>

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

Years ending December 31,	
2008	\$ 3,300
2009	3,300
2010	16,925
2011	6,000
2012	-
Total	<u>\$ 29,525</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2007

**Note 5 – Property and Equipment**

At December 31, 2007, property and equipment consisted of the following:

Vehicles	\$	462,580
Trailers		246,948
Computer equipment		16,496
Computer software		1,350
Storage unit		2,045
Furniture and equipment		1,310
Kitchen and other equipment		48,362
Website design		23,836
Total cost		<u>802,927</u>
Less: accumulated depreciation		<u>(361,942)</u>
Property and equipment, net	\$	<u><u>440,985</u></u>

Total depreciation expense was \$105,635 for the year ended December 31, 2007.

**Note 6 – Line of Credit**

On October 24, 2007 MLF obtained a line of credit of \$100,000 from a bank which expires on October 24, 2008. Interest is due monthly on the outstanding balance and is charged at the Wall Street Journal Prime Floating Rate (7.75% as of December 31, 2007). There is an outstanding balance of \$5,000 as of December 31, 2007.

**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 owned by SJN. Facilities include office, storage, food preparation space, and parking for the vehicles. The facilities are rented under a month to month lease agreement for \$500 per month. Rental expense to SJN was \$6,000 in 2007.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2007

**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, 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, SME, NO, SFA, CCJ, and RIP parishioners. The church is expected to continue to play a significant role in hosting MLF activities. Volunteers from the church community are expected to continue to play a significant role in the continued funding and support of MLF.

**Note 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	\$ 15,827	\$ 115,441	\$ (131,268)	\$ -
HOW Tenant Funds	(33)	21,914	(15,666)	6,215
Maintenance Employee Fund	-	35,400	(22,779)	12,621
Trucks - Consolidated	95,643	11,739	(100,962)	6,420
Development Director	818	-	(818)	-
Disaster Relief	33,677	100	(32,777)	1,000
Other Program Services	2,800	4,720	(6,473)	1,047
	<u>\$ 148,732</u>	<u>\$ 189,314</u>	<u>\$ (310,743)</u>	<u>\$ 27,303</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)

December 31, 2007

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

In 2007, it was discovered that MLF's net assets at December 31, 2006 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, 2006, as originally reported	\$ 634,479	\$ 145,932	\$ -	\$ 780,411
Prior period adjustment	323	2,800	-	3,123
Balance at December 31, 2006, as restated	<u>\$ 634,802</u>	<u>\$ 148,732</u>	<u>\$ -</u>	<u>\$ 783,534</u>

**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, 2007 was \$300.