

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

For the Years Ended December 31, 2012 and 2011

With Report of Independent Auditors

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

For the Years Ended December 31, 2012 and 2011

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Reynolds & Franke, PC

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

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

We have audited the accompanying financial statements of Mobile Loaves and Fishes, Inc. (“MLF”) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mobile Loaves and Fishes, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reynolds & Franke, PC

Austin, Texas
May 10, 2013

Mobile Loaves & Fishes, Inc.

Statements of Financial Position

December 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 599,151	\$ 449,508
Current pledges receivable	-	13,247
Current pledges receivable – restricted	114,117	5,000
Other receivables	3,805	3,646
Inventory	-	4,600
Notes receivable – current	6,273	3,923
Notes receivable – The Nashville Food Project	-	15,000
Prepaid expenses	1,808	9,987
Total current assets	<u>725,154</u>	<u>504,911</u>
Restricted cash	24,994	49,980
Long-term pledges receivable – restricted	265,992	-
Property and equipment, net	389,285	515,284
Earnest money	-	23,600
Security deposit	6,640	6,779
Notes receivable – non-current	10,000	530
Total assets	<u>\$ 1,422,065</u>	<u>\$ 1,101,084</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 38,554	\$ 72,719
Accrued payroll expenses	60,233	49,004
Line of credit	-	40,000
Line of credit – related party	-	100,000
Note payable – current	-	13,237
Total current liabilities	<u>98,787</u>	<u>274,960</u>
Note payable – non-current	-	5,699
Total liabilities	<u>98,787</u>	<u>280,659</u>
Net Assets:		
Unrestricted net assets	918,175	765,445
Temporarily restricted net assets	405,103	54,980
Total net assets	<u>1,323,278</u>	<u>820,425</u>
Total liabilities and net assets	<u>\$ 1,422,065</u>	<u>\$ 1,101,084</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Public support:			
Contributions from public – restricted	\$ -	\$ 1,022,557	\$ 1,022,557
Unrestricted contributions	1,682,801	-	1,682,801
In-kind contributions	237,699	9,409	247,108
Direct mail contributions	309,631	108	309,739
Micro-Enterprise income	21,229	-	21,229
Rent income	8,439	-	8,439
Total public support	<u>2,259,799</u>	<u>1,032,074</u>	<u>3,291,873</u>
Special events:			
Special events income	138,693	-	138,693
Special events expense	(33,832)	-	(33,832)
Special events, net	<u>104,861</u>	<u>-</u>	<u>104,861</u>
Other income:			
Gains on sales and disposals of fixed assets, net	15,741	-	15,741
Loss on sale of stock	(4,359)	-	(4,359)
Interest income	12	-	12
Other income	3,888	-	3,888
Total other income	<u>15,282</u>	<u>-</u>	<u>15,282</u>
Net assets released from restrictions	681,951	(681,951)	-
Total support, income and reclassifications	<u>3,061,893</u>	<u>350,123</u>	<u>3,412,016</u>
Expenses:			
Program services	2,423,813	-	2,423,813
Fundraising	254,481	-	254,481
Management and general	203,869	-	203,869
Total expenses	<u>2,882,163</u>	<u>-</u>	<u>2,882,163</u>
Total change in net assets	179,730	350,123	529,853
Net assets:			
Beginning of year	765,445	54,980	820,425
Net assets transferred	(27,000)	-	(27,000)
Net assets, end of year	<u>\$ 918,175</u>	<u>\$ 405,103</u>	<u>\$ 1,323,278</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Public support:			
Contributions from public – restricted	\$ -	\$ 363,473	\$ 363,473
Unrestricted contributions	1,312,221	-	1,312,221
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
Total public support	<u>1,773,582</u>	<u>372,899</u>	<u>2,146,481</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	12,281	-	12,281
Interest income	378	-	378
Other income	2,146	-	2,146
Total other income	<u>14,805</u>	<u>-</u>	<u>14,805</u>
Net assets released from restrictions	496,262	(496,262)	-
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	(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.

Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services	Fundraising	Management & General	Total
Automobile expense	\$ 119,604	\$ -	\$ -	\$ 119,604
Charitable donations	13,278	-	-	13,278
Continuing education & training	2,778	855	653	4,286
Contract labor	4,999	-	-	4,999
Merchant and bank fees	18,287	-	-	18,287
Direct mail expense	51,102	51,101	-	102,203
Dues and subscriptions	2,844	240	-	3,084
Facilities expense	220,227	-	-	220,227
Food distributed	672,829	-	-	672,829
Insurance	90,141	10,641	20,291	121,073
IT expenses	83,327	3,322	6,334	92,983
License & taxes	7,704	-	251	7,955
Marketing	20,855	22,171	-	43,026
Micro-Enterprise expenses	50,419	-	-	50,419
Miscellaneous expenses	12,689	-	1,556	14,245
Payroll expenses	585,409	76,080	145,074	806,563
Postage and delivery	6,268	-	697	6,965
Printing and reproduction	5,018	-	558	5,576
Professional fees	30,120	86,280	18,062	134,462
Rent expense	62,290	1,245	2,374	65,909
Supplies	106,776	-	4,586	111,362
Telephone	7,599	988	1,883	10,470
Recreational vehicle expenses	78,671	-	-	78,671
Travel, meals, and entertainment	15,195	808	-	16,003
Total expenses before depreciation	2,268,429	253,731	202,319	2,724,479
Depreciation expense	155,384	750	1,550	157,684
Total expenses	\$ 2,423,813	\$ 254,481	\$ 203,869	\$ 2,882,163
Percentage of total expenses	84%	9%	7%	100.0%

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2011

	Program Services	Fundraising	Management & General	Total
Automobile expense	\$ 127,869	\$ -	\$ -	\$ 127,869
Charitable donations	5,860	-	-	5,860
Continuing education & training	3,315	75	979	4,369
Contract labor	63,631	-	5,669	69,300
Merchant and bank fees	18,360	-	-	18,360
Direct mail expense	71,695	71,695	-	143,390
Dues and subscriptions	4,771	210	-	4,981
Facilities expense	41,415	-	-	41,415
Food distributed	637,748	-	-	637,748
Insurance	72,339	6,330	11,795	90,464
IT expenses	92,670	2,302	4,291	99,263
License & taxes	10,048	-	240	10,288
Marketing	7,081	11,503	-	18,584
Miscellaneous expenses	7,014	-	2,468	9,482
Payroll expenses	625,566	61,092	113,833	800,491
Postage and delivery	5,170	-	575	5,745
Printing and reproduction	2,695	-	299	2,994
Professional fees	10,448	4,439	24,628	39,515
Rent expense	43,918	1,007	2,276	47,201
Supplies	59,090	-	6,177	65,267
Telephone	10,601	1,035	1,929	13,565
Recreational vehicle expenses	76,575	-	-	76,575
Travel, meals, and entertainment	9,795	-	-	9,795
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 Cash Flows

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 529,853	\$ (268,236)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	157,684	184,980
Net assets transferred	(27,000)	(52,290)
Non-cash donation of land and building	-	(84,971)
Non-cash donation of common stock	(148,194)	-
Non-cash donation from forgiveness of line of credit	(100,000)	-
Gains on sales and disposals of fixed assets, net	(15,741)	(12,281)
Losses on sale of donated common stock	4,359	-
(Increase) decrease in pledges receivable	(361,862)	86,424
(Increase) decrease in other receivables	(159)	(1,458)
(Increase) decrease in inventory	4,600	2,750
(Increase) decrease in prepaid expenses	8,179	(9,434)
(Increase) decrease in security deposit	139	(499)
(Increase) decrease in earnest money	23,600	(23,600)
Increase (decrease) in accounts payable	(34,165)	27,797
Increase (decrease) in accrued payroll expenses	11,229	6,899
Net cash provided by (used in) operating activities	52,522	(143,919)
Cash flows from investing activities:		
Issuance of notes receivable	(20,000)	(44,530)
Collections on notes receivable	21,980	32,520
Non-monetary write-down of notes receivable	1,200	101
Purchases of property and equipment	(122,801)	(170,444)
Proceeds from sale of donated common stock	143,835	-
Proceeds from sales of fixed assets	106,857	47,116
(Increase) decrease in restricted cash	24,986	36,161
Net cash provided by (used in) investing activities	156,057	(99,076)
Cash flows from financing activities:		
Proceeds from note payable	-	41,107
Repayments of note payable	(18,936)	(22,171)
Proceeds from line of credit	130,000	140,000
Repayments on line of credit	(170,000)	-
Net cash provided by (used in) financing activities	(58,936)	158,936

Mobile Loaves & Fishes, Inc.

Statements of Cash Flows (continued)

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Change in cash and cash equivalents	149,643	(84,059)
Cash and cash equivalents, beginning of year	<u>449,508</u>	<u>533,567</u>
Cash and cash equivalents, end of year	<u>\$ 599,151</u>	<u>\$ 449,508</u>
 Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 1,764</u>	<u>\$ 2,132</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 1 – Purpose of Organization

Mobile Loaves & Fishes, Inc. (“MLF”) is a social outreach ministry to the homeless that empowers communities into a lifestyle of service with the homeless. MLF’s mission is to provide food and clothing and promote dignity to our homeless brothers and sisters in need. Throughout Central Texas, New Orleans, Louisiana, Providence, Rhode Island, Minneapolis, Minnesota, and New Bedford, Massachusetts, volunteers are accomplishing this mission by distributing daily food, clothing and personal care items in MLF catering trucks to the homeless in their respective communities (Truck program). MLF has a powerful set of tools to manage a large organization with few staff. The MLF Volunteer Management and Mapping System is located at www.mlf.org and is accessible by the thousands of volunteers who serve.

The relationships developed through the Truck program are often the beginning of the journey home for the homeless. Through the Community First! (CF!) program, MLF helps chronically homeless men and women lift themselves up off the streets into affordable and sustainable housing. While residents are responsible for paying rent and utilities, CF! provides a supportive and empowering community. Additionally, Genesis Gardens of the CF! program teaches the principles and practices of organic and sustainable agriculture while encouraging CF! residents and homeless individuals to cultivate relationships and develop community. The bounty from the gardens provides CF! residents and those served by MLF trucks with eggs and healthy fresh fruits and vegetables.

In the ROADS (Relationships & Opportunities Allowing for Dignity & Security) program, MLF develops and offers flexible micro-enterprise opportunities for the chronically homeless to use their individual talents and skills to earn a modest living income. Through relational support, accountability and consistency, MLF provides multiple “roads” for our homeless brothers and sisters to lift themselves from the streets to living in a community with dignity.

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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Income Taxes

Mobile Loaves & Fishes, Inc. is a nonprofit 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 2012 and 2011, 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 2011, 2010 and 2009 are open to examination by the IRS as of December 31, 2012.

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 any time in the future.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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.

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, 2012 and 2011.

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, pledges receivable, pledges receivable – restricted, 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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (continued)

Date of Management's Review

These financial statements considered subsequent events through May 10, 2013, the date the financial statements were available to be issued.

Reclassifications

Certain 2011 audited amounts have been reclassified in order to conform with the 2012 financial statement presentation.

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, 2012 and 2011, 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, seven, and twenty-seven and a half years for the following categories: buildings and other housing units, vehicles, recreational vehicles, computer equipment, equipment and storage, and website design.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 2 – Summary of Significant Accounting Policies (continued)

Donations, Contributions, and Pledges 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. MLF did not have any conditional promises to give for the years ended December 31, 2012 and 2011.

Pledges are recognized as revenues when the donor's commitment is received. Pledges are recognized at the estimated present value of the future net cash flows, net of allowances. All pledges receivable are recorded at net realizable value for the years ended December 31, 2012 and 2011.

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 \$1,373 and \$12,136, respectively, meet the criteria for recognition in the financial statements for the years ended December 31, 2012 and 2011. 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 17,328 and 16,370 volunteers have contributed their time to MLF as of December 31, 2012 and 2011, respectively.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

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.

For the years ended December 31, 2012 and 2011, MLF made purchases of property and equipment totaling \$120,878 and \$170,444, 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 – Pledges Receivable

Pledges receivable are due over various years and are summarized for the years ended December 31, 2012 and 2011 as follows:

	2012	2011
Due within one year	\$ 114,117	\$ 18,247
Due between one and five years	275,918	-
Discount to present value	(9,926)	-
Total pledges receivable, net	<u>380,109</u>	<u>18,247</u>
Less: Current pledges receivable, net	<u>114,117</u>	<u>18,247</u>
Long-term pledges receivable, net	<u>\$ 265,992</u>	<u>\$ -</u>

Contributions receivable has been analyzed and no allowance for uncollectable contributions has been made. Receivable balances have been discounted to their present values for the years ended December 31, 2012 and 2011, assuming an interest rate of 2.00%.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 4 – 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 recreational vehicles/fifth wheels. Notes receivable at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</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 recreational vehicle 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. In 2012, \$75 was paid and the remaining \$100 was forgiven.	\$ -	\$ 175
Total current portion	<u>\$ -</u>	<u>\$ 175</u>

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 9). During the terms of the promissory note, MLF maintains a security interest in both vehicles. The note receivable at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
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.	\$ -	\$ 15,000
Total current portion	<u>\$ -</u>	<u>\$ 15,000</u>

During January 2012, MLF entered into a promissory note with Trinity Episcopal Church of New Orleans, Louisiana due to MLF for the purchase of a vehicle (see Note 9) totaling \$22,000 with 0% interest. Such amount shall be paid to MLF by Trinity in four \$5,500 quarterly installments while MLF maintains security interest in the vehicle. Trinity paid the full \$22,000 during 2012 and there are no outstanding balances as of December 31, 2012.

During June 2012, MLF entered into a promissory note with Sunrise Community Church due to MLF for the purchase of a vehicle. During the terms of the promissory note, MLF maintains a security interest in the vehicle.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 4 – Notes Receivable (continued)

The note receivable at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Date of note: 6/13/12, amount of note: \$20,000, interest 0%. Payment terms are \$4,500 due at time of agreement signature, \$5,500 due on 8/30/13, and two payments of \$5,000 due 8/30/14 and 8/30/15.	\$ 15,500	\$ -
Less current portion	(5,500)	
Non-current portion	\$ 10,000	\$ -

MLF created three promissory notes due to MLF for three 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, 2012 and 2011 consist of the following:

	2012	2011
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. A new note was entered into on 1/4/13 which includes the \$243 balance.	\$ 243	\$ 1,243
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
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.	530	2,935
Total	773	4,278
Less current portion	(773)	(3,748)
Non-current portion	\$ -	\$ 530

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 4 – Notes Receivable (continued)

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

Year ending December 31,	
2013	\$ 6,273
2014	10,000
Total	<u>\$ 16,273</u>

Note 5 – Property and Equipment

At December 31, 2012 and 2011, property and equipment consisted of the following:

	2012	2011
Land	\$ -	\$ 50,000
Buildings and other housing units	10,893	43,818
Vehicles	716,224	714,657
Recreational vehicles	473,031	458,874
Computer equipment	42,000	42,000
Computer software	5,100	5,100
Furniture and fixtures	1,310	1,310
Equipment and storage	89,559	67,387
Website design	35,022	34,993
Total cost	<u>1,373,139</u>	<u>1,418,139</u>
Less: accumulated depreciation	<u>(983,854)</u>	<u>(902,855)</u>
Property and equipment, net	<u>\$ 389,285</u>	<u>\$ 515,284</u>

Total depreciation expense was \$157,684 and \$184,980, respectively, for the years ended December 31, 2012 and 2011.

In May 2012, MLF entered into an agreement to sell land and a building, which was donated to MLF in 2011, for a sales price of \$57,000. MLF recognized a net loss on the sale of land and building of \$27,971 after payment \$857 in settlement charges and \$735 in property taxes.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 6 – 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. During 2012, the line of credit was renewed with a new maturity date of April 23, 2013. Interest is due monthly on the outstanding balance and is charged at a variable rate of prime plus 1.75%. There were outstanding balances of \$0 and \$40,000 for the years ended December 31, 2012 and 2011, respectively.

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 were outstanding balances of \$0 and \$100,000 for the years ended December 31, 2012 and 2011, respectively. During 2012, the amount outstanding against this line of credit was forgiven by the member of the Board of Directors and \$100,000 was recorded to unrestricted contributions.

Note 7 – 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 was based on the highest prime rate as published in The Wall Street Journal on the last business day 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 was pledged to secure the loan. Monthly payments of principal and interest are \$1,215 beginning November 2, 2011 and ending on October 2, 2014. There was an outstanding balance of \$18,936 as of December 31, 2011. MLF repaid the remaining balance of the note payable during 2012 resulting in no outstanding balance as of December 31, 2012.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 8 – 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 changed to unlimited coverage for non-interest bearing checking accounts and \$250,000 per bank per entity for all other accounts. At December 31, 2012 and 2011, MLF had \$46,421 and \$86,288, respectively, in uninsured cash balances. MLF has not experienced any losses in such accounts in the past.

Beginning January 1, 2013, deposit insurance coverage by the FDIC changed to \$250,000 per bank per entity for all interest bearing and non-interest bearing accounts.

Note 9 – 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. 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. All applicable 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

For the Years Ended December 31, 2012 and 2011

Note 9 – Related Party Transactions (continued)

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 \$24 and \$52,290 of net assets being transferred from MLF to NFP for the years ended December 31, 2012 and 2011, respectively (see Note 13). 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 duly transferred the legal titles to the two trucks currently in NFP’s possession for a total sum of \$40,000 (see Note 4), 30 days after NFP secured its 501(c)(3) status determination letter from the Internal Revenue Service which was effective September 28, 2011 (“effective date”), (b) MLF transferred 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 transferred 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 continued to be consolidated for accounting and tax purposes with MLF. In addition, NFP reimbursed 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.

In January 2012, all activities from the Trinity Episcopal Church (NO) of New Orleans, Louisiana split off from MLF to become a Louisiana non-profit corporation (“Trinity”). This resulted in \$11,052 of net assets being transferred from MLF to Trinity (see Note 13). 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 (see Note 4). MLF reported a gain of approximately \$21,785 during 2012 on the sale of the truck to Trinity. Per the separation agreement, MLF transferred 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 the Ministry and MLF charged Trinity for its portion of the Fall 2011 Direct Mail expenses. Payment was made to MLF by January 31, 2012 and Trinity received proceeds due to it by February 28, 2012.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 10 – Employee Pension Plan

In 2008, MLF initiated a qualified retirement plan. Employees were eligible for employer match immediately upon employment. MLF matches the employee's elective deduction up to 5% of gross salary and matching contributions will vest 100% after an employee has completed three years of employment. Employer contributions for the years ended December 31, 2012 and 2011 were \$11,025 and \$12,879, respectively.

Note 11 – Commitments and Contingencies

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, 2014. Total facility rent expenses for the years ended December 31, 2012 and 2011 were \$24,000 and \$20,763, 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, 2012 and 2011 were \$4,788 and \$4,848, respectively. Future minimum lease payments at December 31, 2012 are as follows:

Year ending December 31,

2013	\$	28,188
2014		15,538
2015		4,788
2016		798
Total minimum lease payments	\$	<u>49,312</u>

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 was estimated to be \$259,800. As of December 31, 2011, MLF had paid \$15,000 into escrow, which was nonrefundable, and \$2,100 of earnest money, which was refundable if MLF terminated within 140 days of the effective date of the agreement. Neither the escrow deposit nor the earnest money could be credited towards the purchase price on the closing date. The estimated closing date of the contract was August 13, 2012, which was extended from the original close date, and MLF had 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 was estimated to be \$51,249. As of December 31, 2011, MLF had paid \$5,000 into escrow, which was nonrefundable and could not be credited towards the purchase price, and \$1,500 of earnest money. The earnest money was nonrefundable; however, it could be credited towards the purchase price at the closing date. The estimated closing date of the contract was August 15, 2012, which was extended from the original close date.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 11 – Lease Commitments and Contingencies (continued)

During 2012, MLF released their options to purchase the two tracts of land. A major supporter of MLF (the “Lessor”) purchased the land in 2012 and began leasing use of the land to MLF by entering into a lease agreement which commenced on September 1, 2012, and will expire August 31, 2013. The lease can be extended at the end of the primary term for an additional term of one year by MLF. For each lease term, MLF shall pay rent of \$12,000 per year in advance on or before September 1st of each year. The Lessor forgave MLF’s 2012 lease payments; therefore, MLF recorded the forgiven lease payments of \$4,000 as unrestricted in-kind contributions and lease expenses in the statements of activities for the year ended December 31, 2012. Due to MLF releasing their purchase options, earnest money totaling \$43,600 and leasehold improvements totaling \$51,300 were written off and expensed during 2012.

Note 12 – Transfer of Net Assets

Transfer of net assets for the years ended December 31, 2012 and 2011 consisted of transfers to the following organizations:

	2012	2011
The Nashville Food Project	\$ 24	\$ 52,290
Soma Austin – Ellory’s Hugs	14,114	-
Trinity Episcopal Church New Orleans, LA	11,052	-
ReWork Project	1,810	-
Total net assets transferred	<u>\$ 27,000</u>	<u>\$ 52,290</u>

The Nashville Food Project and Trinity Episcopal Church of New Orleans, Louisiana split off from MLF in 2011 and 2012, respectively (see Note 9). Soma Austin – Ellory’s Hugs and ReWork Project were organizations MLF partnered with in past years for various projects; however, during 2012, MLF transferred the restricted funds directly back to these organizations. The transfers of funds were reflected as releases from temporarily restricted net assets for the year ended December 31, 2012.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2012 and 2011

Note 13 – Temporarily Restricted Net Assets

MLF received the following temporarily restricted support for the year ended December 31, 2012:

	<u>Beginning Balance</u>	<u>Donations Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily Restricted Donations:				
Community First! (CF!) Village	\$ -	\$ 330,105	\$ (330,105)	\$ -
CF! Village future year pledges	-	380,109	-	380,109
CF! operations	-	69,797	(69,797)	-
CF! Tenant Funds	1,478	-	(551)	927
CF! Recreational Vehicles Fund	19,614	-	(19,614)	-
CF! Genesis Gardens	-	22,406	(22,406)	-
Maintenance Employee Fund	-	8,400	(8,400)	-
Truck Purchase Fund	-	46,000	(31,127)	14,873
Truck operations	-	93,050	(93,050)	-
Development Director Fund	-	11,500	(11,500)	-
LIFT	5,093	150	(2,215)	3,028
Micro-Enterprise Fund	16,088	54,271	(70,359)	-
Other Program Services	12,707	16,286	(22,827)	6,166
	<u>\$ 54,980</u>	<u>\$ 1,032,074</u>	<u>\$ (681,951)</u>	<u>\$ 405,103</u>

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

	<u>Beginning Balance</u>	<u>Donations Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily Restricted Donations:				
Community First! (CF!)	\$ -	\$ 110,780	\$ (110,780)	\$ -
CF! Tenant Funds	5,371	2,682	(6,575)	1,478
CF! Recreational Vehicles Fund	92,518	49,289	(122,193)	19,614
Maintenance Employee Fund	21,619	-	(21,619)	-
Truck operations	-	86,700	(86,700)	-
Trucks - Consolidated	1,135	-	(1,135)	-
LIFT	1,506	3,949	(362)	5,093
Micro-Enterprise Fund	1,591	42,238	(27,741)	16,088
Other Program Services	5,067	14,073	(6,433)	12,707
Website	-	20,000	(20,000)	-
Garden Project	14,536	43,188	(57,724)	-
Time Restrictions	35,000	-	(35,000)	-
	<u>\$ 178,343</u>	<u>\$ 372,899</u>	<u>\$ (496,262)</u>	<u>\$ 54,980</u>