

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

For the Years Ended December 31, 2014 and 2013

With Report of Independent Auditors

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

For the Years Ended December 31, 2014 and 2013

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Report of Independent Auditors

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

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, 2014 and 2013, 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, 2014 and 2013, 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 & Franks, PC

Austin, Texas
April 20, 2015

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,434,534	\$ 661,152
Current pledges receivable – unrestricted , net	131,000	13,000
Current pledges receivable – restricted , net	688,765	730,965
Other receivables	3,827	13,249
Inventory	-	10,200
Investments	9,993	-
Notes receivable – current	6,609	6,609
Prepaid expenses	6,307	3,375
Total current assets	<u>2,281,035</u>	<u>1,438,550</u>
Restricted cash	5,057,495	1,149,568
Long-term pledges receivable – unrestricted , net	3,071	13,000
Long-term pledges receivable – restricted , net	804,874	1,304,595
Property and equipment, net	2,772,429	1,862,457
Security deposit	6,960	5,660
Notes receivable – non-current	-	5,000
Total assets	<u>\$ 10,925,864</u>	<u>\$ 5,778,830</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 382,720	\$ 56,987
Accrued payroll expenses	71,635	86,350
Total current liabilities	<u>454,355</u>	<u>143,337</u>
Total liabilities	<u>454,355</u>	<u>143,337</u>
Net Assets:		
Unrestricted net assets	3,920,375	2,450,364
Temporarily restricted net assets	6,551,134	3,185,129
Total net assets	<u>10,471,509</u>	<u>5,635,493</u>
Total liabilities and net assets	<u>\$ 10,925,864</u>	<u>\$ 5,778,830</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Public support:			
Contributions from public – restricted	\$ -	\$ 5,036,603	\$ 5,036,603
Unrestricted contributions	2,161,324	-	2,161,324
In-kind contributions	352,020	-	352,020
Direct mail contributions	317,964	9,680	327,644
Micro-Enterprise income	92,233	-	92,233
Rent income	7,782	-	7,782
Total public support	<u>2,931,323</u>	<u>5,046,283</u>	<u>7,977,606</u>
Special events:			
Special events income	130,337	-	130,337
Special events expense	(41,900)	-	(41,900)
Special events, net	<u>88,437</u>	<u>-</u>	<u>88,437</u>
Other income:			
Losses on sales and disposals of fixed assets, net	(1,041)	-	(1,041)
Losses on sales of stock	(2,485)	-	(2,485)
Interest income	17	-	17
Other income	6,893	-	6,893
Total other income	<u>3,384</u>	<u>-</u>	<u>3,384</u>
Net assets released from restrictions	1,680,278	(1,680,278)	-
Total support, income, and reclassifications	<u>4,703,422</u>	<u>3,366,005</u>	<u>8,069,427</u>
Expenses:			
Program services	2,750,698	-	2,750,698
Fundraising	222,357	-	222,357
Management and general	260,356	-	260,356
Total expenses	<u>3,233,411</u>	<u>-</u>	<u>3,233,411</u>
Total change in net assets	1,470,011	3,366,005	4,836,016
Net assets:			
Beginning of year	2,450,364	3,185,129	5,635,493
Net assets, end of year	<u>\$ 3,920,375</u>	<u>\$ 6,551,134</u>	<u>\$ 10,471,509</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support:			
Contributions from public – restricted	\$ -	\$ 3,671,456	\$ 3,671,456
Unrestricted contributions	1,517,313	-	1,517,313
In-kind contributions	267,210	1,538,779	1,805,989
Direct mail contributions	279,645	21,100	300,745
Micro-Enterprise income	38,107	-	38,107
Rent income	8,909	-	8,909
Total public support	<u>2,111,184</u>	<u>5,231,335</u>	<u>7,342,519</u>
Special events:			
Special events income	103,723	-	103,723
Special events expense	(27,885)	-	(27,885)
Special events, net	<u>75,838</u>	<u>-</u>	<u>75,838</u>
Other income:			
Gains on sales and disposals of fixed assets, net	1,336	-	1,336
Loss on sale of stock	(65)	-	(65)
Interest income	9	-	9
Other income	6,485	-	6,485
Total other income	<u>7,765</u>	<u>-</u>	<u>7,765</u>
Net assets released from restrictions	2,451,309	(2,451,309)	-
Total support, income, and reclassifications	<u>4,646,096</u>	<u>2,780,026</u>	<u>7,426,122</u>
Expenses:			
Program services	2,651,385	-	2,651,385
Fundraising	236,072	-	236,072
Management and general	226,450	-	226,450
Total expenses	<u>3,113,907</u>	<u>-</u>	<u>3,113,907</u>
Total change in net assets	1,532,189	2,780,026	4,312,215
Net assets:			
Beginning of year	918,175	405,103	1,323,278
Net assets, end of year	<u>\$ 2,450,364</u>	<u>\$ 3,185,129</u>	<u>\$ 5,635,493</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2014

	Program Services	Fundraising	Management & General	Total
Automobile expense	\$ 136,553	\$ -	\$ -	\$ 136,553
Charitable donations	18,415	-	-	18,415
Continuing education & training	10,730	-	1,255	11,985
Community building events	16,745	-	-	16,745
Merchant and bank fees	33,867	-	-	33,867
Direct mail expense	30,724	30,724	-	61,448
Dues and subscriptions	1,472	-	-	1,472
Facilities expense	109,537	-	-	109,537
Food distributed	760,863	-	-	760,863
Genesis Garden labor	60,780	-	-	60,780
Insurance	11,886	-	-	11,886
IT expenses	56,161	3,624	5,589	65,374
License & taxes	6,695	-	414	7,109
Marketing	21,617	21,618	-	43,235
Micro-Enterprise expenses	100,581	-	-	100,581
Miscellaneous expenses	2,917	-	3,718	6,635
Payroll and benefits expenses	933,292	146,724	226,289	1,306,305
Postage and delivery	6,547	-	728	7,275
Printing and reproduction	5,241	-	582	5,823
Professional fees	1,500	15,000	13,371	29,871
Rent expense	63,620	1,483	2,765	67,868
Supplies	136,503	-	3,453	139,956
Telephone	8,657	1,361	2,099	12,117
Trailer expenses	63,783	-	-	63,783
Travel, meals, and entertainment	18,446	1,823	-	20,269
Total expenses before depreciation	2,617,132	222,357	260,263	3,099,752
Depreciation expense	133,566	-	93	133,659
Total expenses	2,750,698	\$ 222,357	\$ 260,356	\$ 3,233,411
Percentage of total expenses	85%	7%	8%	100.0%

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2013

	Program Services	Fundraising	Management & General	Total
Automobile expense	\$ 143,592	\$ -	\$ -	\$ 143,592
Charitable donations	7,145	-	-	7,145
Continuing education & training	6,793	-	1,140	7,933
Community building events	7,584	-	-	7,584
Merchant and bank fees	21,806	-	-	21,806
Direct mail expense	33,547	33,546	-	67,093
Dues and subscriptions	2,049	90	-	2,139
Facilities expense	296,366	-	-	296,366
Food distributed	714,997	-	-	714,997
Genesis Garden labor	-	-	-	-
Insurance	10,985	-	-	10,985
IT expenses	60,270	5,589	8,352	74,211
License & taxes	6,433	-	502	6,935
Marketing	7,037	7,037	-	14,074
Micro-Enterprise expenses	103,416	-	-	103,416
Miscellaneous expenses	5,331	-	1,608	6,939
Payroll and benefits expenses	743,752	124,812	186,528	1,055,092
Postage and delivery	7,045	-	783	7,828
Printing and reproduction	6,854	-	762	7,616
Professional fees	15,000	60,000	15,906	90,906
Rent expense	71,942	1,561	2,334	75,837
Supplies	146,352	-	5,265	151,617
Telephone	7,942	1,332	1,992	11,266
Trailer expenses	62,768	-	-	62,768
Travel, meals, and entertainment	19,003	1,627	-	20,630
Total expenses before depreciation	2,508,009	235,594	225,172	2,968,775
Depreciation expense	143,376	478	1,278	145,132
Total expenses	\$ 2,651,385	\$ 236,072	\$ 226,450	\$ 3,113,907
Percentage of total expenses	85%	8%	7%	100.0%

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 4,836,016	\$ 4,312,215
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	133,659	145,132
Non-cash donation of land and building	-	(1,536,430)
Non-cash donation of fixed assets	(59,050)	-
Non-cash donation of common stock	(688,593)	(262,573)
Losses (gains) on sales/disposals of fixed assets, net	1,041	(1,336)
Losses on sales of donated common stock	2,485	65
(Increase) decrease in pledges receivable	433,850	(1,681,451)
(Increase) decrease in other receivables	9,422	(9,444)
(Increase) decrease in inventory	5,200	(10,200)
Increase in prepaid expenses	(2,932)	(1,567)
(Increase) decrease in security deposit	(1,300)	980
Increase in accounts payable	325,733	18,433
Increase (decrease) in accrued payroll expenses	(14,715)	26,117
Net cash provided by operating activities	<u>4,980,816</u>	<u>999,941</u>
Cash flows from investing activities:		
Issuance of notes receivable	-	(1,551)
Collections on notes receivable	5,000	6,215
Purchases of property and equipment	(988,042)	(88,259)
Proceeds from sale of donated common stock	676,115	262,508
Proceeds from sales of fixed assets	7,420	7,721
Increase in restricted cash	(3,907,927)	(1,124,574)
Net cash used in investing activities	<u>(4,207,434)</u>	<u>(937,940)</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	70,000
Repayments on line of credit	-	(70,000)
Net cash used in financing activities	<u>-</u>	<u>-</u>
Change in cash and cash equivalents	773,382	62,001
Cash and cash equivalents, beginning of year	<u>661,152</u>	<u>599,151</u>
Cash and cash equivalents, end of year	<u>\$ 1,434,534</u>	<u>\$ 661,152</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 451</u>	<u>\$ 3</u>
Supplemental non-cash investing activities:		
Non-monetary transaction – Transfer donated trailer from inventory to property and equipment	<u>\$ 5,000</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

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, 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. The development of a Village to provide housing and community for over 200 chronically homeless individuals is under construction. The first residents are scheduled to move in summer of 2015. 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.

Reclassifications

Certain 2013 audited amounts have been reclassified in order to conform with the 2014 financial statement presentation.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

Mobile Loaves & Fishes, Inc. is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code (IRC) 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 positions of MLF are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined MLF had no activities subject to UBIT during the years ended December 31, 2014 and 2013. 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 2013, 2012, and 2011 are open to examination by the IRS as of December 31, 2014.

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). Accordingly, 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.

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, 2014 and 2013.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

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.

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, other receivables, notes receivable, restricted cash, pledges receivable – unrestricted, pledges receivable – restricted, accounts payable, and accrued payroll expenses. MLF believes all of the financial instruments' recorded values approximate current market values due to the short maturity of these instruments.

Date of Management's Review

These financial statements considered subsequent events through April 20, 2015, the date the financial statements were available to be issued.

Cash and Cash Equivalents

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

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements *For the Years Ended December 31, 2014 and 2013*

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2014 and 2013, 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.

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, computer software, furniture and fixtures, equipment and storage, and website design.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. At December 31, 2014, investments consisted of common stock valued at \$9,993 (using Level 1 inputs).

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, 2014 and 2013.

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, 2014 and 2013.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements *For the Years Ended December 31, 2014 and 2013*

Note 2 – Summary of Significant Accounting Policies (continued)

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 \$0 and \$3,308, respectively, meet the criteria for recognition in the financial statements for the years ended December 31, 2014 and 2013. 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 18,193 and 17,790 volunteers have contributed their time to MLF as of December 31, 2014 and 2013, respectively.

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.

Note 3 – 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 insured by the Federal Deposit Insurance Corporation (FDIC). Effective 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. At December 31, 2014 and 2013, MLF had \$5,591,309 and \$1,276,594, respectively, in uninsured cash balances. MLF has not experienced any losses in such accounts in the past.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

Note 4 – Pledges Receivable

Pledges receivable are due over various years and are summarized at December 31, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Due within one year	\$ 819,765	\$ 743,965
Due between one and five years	1,042,813	1,413,893
Due in more than five years	-	225,000
Discount to present value	(48,610)	(83,012)
Allowance for uncollectible receivables	(186,258)	(238,286)
Total pledges receivable, net	<u>1,627,710</u>	<u>2,061,560</u>
Less: Current pledges receivable, net	<u>819,765</u>	<u>743,965</u>
Long-term pledges receivable, net	<u>\$ 807,945</u>	<u>\$ 1,317,595</u>

Pledges receivable has been analyzed and a reasonable allowance for uncollectable contributions has been made. Receivable balances have been discounted to their present values at December 31, 2014 and 2013, assuming an interest rate of 2.00%.

Note 5 – Notes Receivable

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. The note receivable at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
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.	\$ 5,000	\$ 10,000
Less current portion	<u>(5,000)</u>	<u>(5,000)</u>
Non-current portion	<u>\$ -</u>	<u>\$ 5,000</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 5 – Notes Receivable (continued)

MLF created a promissory note due to MLF for a participant who purchased a vehicle. During the terms of the promissory note, MLF maintained a security interest in the vehicle. Note receivable at December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
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 that increased the balance by \$1,551, interest 0%, payment terms are \$75 on each and every Friday of each week starting 1/18/13 and continuing weekly until the principal balance of this Note has been paid in full.	<u>\$ 1,609</u>	<u>\$ 1,609</u>
Total	1,609	1,609
Less current portion	(1,609)	(1,609)
Non-current portion	<u>\$ -</u>	<u>\$ -</u>

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

Year ending December 31,	
2015	<u>\$ 6,609</u>
Total	<u>\$ 6,609</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 6 – Property and Equipment

At December 31, 2014 and 2013, property and equipment consisted of the following:

	2014	2013
Land	\$ 1,536,430	\$ 1,536,430
Buildings and other housing units	10,893	10,893
Vehicles	776,209	720,924
Recreational vehicles	488,731	439,286
Computer equipment	6,773	43,652
Computer software	-	5,100
Furniture and fixtures	-	1,310
Equipment and storage	258,891	197,397
Website design	-	35,022
CIP: Community First! Village	856,139	-
Total cost	<u>3,934,066</u>	<u>2,990,014</u>
Less: accumulated depreciation	<u>(1,161,637)</u>	<u>(1,127,557)</u>
Property and equipment, net	<u>\$ 2,772,429</u>	<u>\$ 1,862,457</u>

Total depreciation expense was \$133,659 and \$145,132, respectively, for the years ended December 31, 2014 and 2013.

MLF received a non-cash contribution of land valued at \$1,525,000 during 2013. MLF incurred \$11,430 in fees for the appraisal, title insurance, state guaranty, recording, escrow, courier, tax certificate, and deed preparation, all related to the donation of the land, which was added to the amount recorded in the statements of financial position, increasing the value of the land to \$1,536,430. The land was appropriately recorded on the statements of activities as a restricted non-cash contribution during the year ended December 31, 2013. MLF will use this land for the development of the Community First! Village.

For the years ended December 31, 2014 and 2013, MLF made purchases of property and equipment totaling \$988,042 and \$88,259, respectively. 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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 6 – Property and Equipment (continued)

Construction-in-Progress – Community First! Village

In 2014, MLF began the process of constructing the Community First! Village on the 2013 donated land. As part of this process, MLF entered into construction contracts in August 2014 with a contractor totaling \$2,559,832, which is subject to additions, deletions or other revisions by change orders which are to be agreed upon by both MLF and the contractor. MLF incurred \$330,404 of contractor costs for the year ended December 31, 2014.

Note 7 – Line of Credit

MLF has a line of credit for \$100,000 from First-Citizens Bank & Trust Company to expire on April 23, 2015, which was extended from the original expiration 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 no outstanding balances at December 31, 2014 and 2013.

During 2014, MLF entered into a line of credit agreement for \$200,000 with Frost Bank to expire on January 16, 2016. Interest is due monthly on the outstanding balance and is charged at a variable rate of prime plus 1.0%. There was no outstanding balance at December 31, 2014.

Note 8 – Construction Loan Agreement

In October 2014, MLF entered into a construction loan agreement with Frost Bank. Frost Bank agrees to lend to MLF the lesser of (a) \$2,112,000 or (b) 80% of the appraised value of the land and improvements on an as-completed basis, in advances, from time to time. However, any amount repaid may not be re-borrowed. Interest at a rate specified in the note agreement shall be computed on the principal debt which exists from time to time and shall be computed with respect to each advance only from the date of advance. Each application for advance shall be submitted by MLF to Frost Bank within a reasonable time (but not less than 5 business days) prior to the requested date (which must be a business day) of the advance. Advances shall be made only for costs and expenses specified in the approved budget, and then only for work performed, services rendered or materials furnished; no advance shall be made for advance unearned payments. MLF requested no advances during 2014.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 8 – Construction Loan Agreement (continued)

For the advances received, interest shall accrue and be due and payable quarterly as it accrues on the 15th day of January, April, July, and October of each calendar year, beginning January 15, 2015, and continuing regularly and quarterly thereafter until October 15, 2020 (the “Maturity Date”). In addition to interest, principal shall be due and payable in quarterly installments of \$62,500 each, payable on the 15th day of January, April, July, and October of each calendar year, beginning January 15 2017, and continuing regularly and quarterly thereafter until the Maturity Date, when the entire principal and accrued interest then remaining unpaid, shall be then due and payable; interest being calculated on the unpaid principal each day principal is outstanding and all payments made credit to any collection costs and late charges, to the discharge of the interest accrued and to the reduction of principal, in such order as Frost Bank shall determine. Interest on the outstanding and unpaid principal balance shall be computed at a per annum rate equal to the lesser of (a) a rate equal to The Wall Street Journal London, Interbank Offered Rate plus 2.5% per annum, with said rate to be adjusted quarterly to reflect any change in The Wall Street Journal London, Interbank Offered Rate at the time of any such change or (b) the highest rate permitted by applicable law.

Note 9 – Employee Pension Plan

In 2008, MLF initiated a qualified retirement plan with the Diocese of Austin. Employees were eligible for employer match immediately upon employment. MLF matched the employee’s elective deduction up to 5% of gross salary and matching contributions vested 100% after an employee had completed three years of employment. During 2014, the Diocese of Austin no longer offered the retirement plan to MLF since MLF was not an affiliated member of the Diocese of Austin.

MLF initiated a new 401(k) retirement plan, effective January 1, 2014. All employees at least 18 years of age are eligible for the plan and 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, 2014 and 2013 were \$25,998 and \$12,666, respectively.

Note 10 – 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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 10 – Related Party Transactions (continued)

St. Thomas More Catholic Church (STM) of Austin, Texas, St. Louis Catholic Church (STL) of Austin, Texas, the Downtown Alliances 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, St. Francis of Assisi (SFA) of San Antonio, Texas, 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, SFA, 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.

Note 11 – Commitments and Contingencies

MLF entered into a lease agreement for office space with an expiration date of May 31, 2014 and storage space with an expiration of May 1, 2015. MLF continues to pay for their office space on a month-to-month basis, but no lease agreement has been renewed. Total facility rent expenses for the years ended December 31, 2014 and 2013 were \$25,800 and \$25,800, respectively. MLF has also entered into a lease agreement for equipment with an expiration date September 2, 2019. Total equipment rent expenses for the years ended December 31, 2014 and 2013 were \$4,856 and \$4,389, respectively. Future minimum lease payments at December 31, 2014 are as follows:

Year ending December 31,		
2015	\$	14,988
2016		10,038
2017		4,788
2018		4,788
2019		3,192
Total minimum lease payments	\$	<u>37,794</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 11 – Commitments and Contingencies (continued)

During 2012, MLF released their options to purchase 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 expired August 31, 2013, which was extended until December 2013. For each lease term, MLF paid rent of \$12,000 per year in advance on or before September 1st of each year. The Lessor forgave MLF’s 2013 lease payments; therefore, MLF recorded the forgiven lease payments of \$12,000 as unrestricted in-kind contributions and lease expenses in the statement of activities for the year ended December 31, 2013. Due to MLF releasing their purchase options and entering into the land lease, leasehold improvements totaling \$189,463 were written off and expensed during 2013.

Note 12 – Temporarily Restricted Net Assets

MLF received the following temporarily restricted support for the year ended December 31, 2014:

	Beginning Balance	Donations Received	Released from Restrictions	Ending Balance
Temporarily Restricted Donations:				
Community First!	\$ 3,179,129	\$ 4,775,805	\$ (1,403,800)	\$ 6,551,134
CF! Genesis Gardens	-	31,725	(31,725)	-
15 Passenger Bus	-	54,000	(54,000)	-
Truck operations	-	104,260	(104,260)	-
Greenhouse Dome	-	35,000	(35,000)	-
Micro-Enterprise Fund	-	36,643	(36,643)	-
Other Program Services	6,000	8,850	(14,850)	-
	<u>\$ 3,185,129</u>	<u>\$ 5,046,283</u>	<u>\$ (1,680,278)</u>	<u>\$ 6,551,134</u>

MLF received the following temporarily restricted support for the year ended December 31, 2013:

	Beginning Balance	Donations Received	Released from Restrictions	Ending Balance
Temporarily Restricted Donations:				
Community First!	\$ 380,109	\$ 5,074,171	\$ (2,275,151)	\$ 3,179,129
CF! Tenant Funds	927	350	(1,277)	-
CF! Genesis Gardens	-	15,865	(15,865)	-
Truck Purchase Fund	14,873	-	(14,873)	-
Truck operations	-	90,590	(90,590)	-
LIFT	3,028	-	(3,028)	-
Micro-Enterprise Fund	-	39,059	(39,059)	-
Other Program Services	6,166	11,300	(11,466)	6,000
	<u>\$ 405,103</u>	<u>\$ 5,231,335</u>	<u>\$ (2,451,309)</u>	<u>\$ 3,185,129</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 13 – Subsequent Events

On March 19, 2015, MLF entered into a standby letter of credit agreement for \$279,802 with Frost Bank to expire 12 months from letter of credit issue date. The City of Austin has been named the beneficiary of the standby letter of credit and the City of Austin, Planning and Development Review Department can draw any part or all of the total amount if it is necessary for the completion of MLF's Community First! Village project. Within 24 hours of a draw, MLF is required to pay the face amount of each draft drawn plus interest charged on the unpaid balance of each cash advance until paid at a per annum rate equal to the lesser of (a) a rate equal to the Prime Rate of Bank plus 3% per annum or (b) the highest rate permitted by applicable law. MLF has not drawn on this standby letter of credit as of April 20, 2015.

During 2015, MLF has incurred \$816,131 of construction costs to their Contractor for MLF's Community First! Village (see Note 6).