

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

*For the Years Ended December 31, 2015 and 2014
With Report of Independent Auditors*

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

For the Years Ended December 31, 2015 and 2014

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Report of Independent Auditors

To the Board of Directors of
Mobile Loaves & 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, 2015 and 2014, 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 & Fishes, Inc. as of December 31, 2015 and 2014, 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 16, 2016

Audited Financial Statements

Mobile Loaves & Fishes, Inc.

Statements of Financial Position

December 31, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,623,825	\$ 1,326,706
Current pledges receivable – unrestricted , net	23,700	131,000
Current pledges receivable – restricted , net	483,138	688,765
Other receivables	5,689	3,827
Investments	4,215	9,993
Notes receivable – current	6,609	6,609
Prepaid expenses	541	6,307
Total current assets	<u>2,147,717</u>	<u>2,173,207</u>
Restricted cash	2,724,011	5,165,323
Long-term pledges receivable – unrestricted , net	6,335	3,071
Long-term pledges receivable – restricted , net	668,416	804,874
Property and equipment, net	9,515,918	2,772,429
Security deposit	6,600	6,960
Total assets	<u>\$ 15,068,997</u>	<u>\$ 10,925,864</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 528,264	\$ 382,720
Accrued payroll expenses	84,951	71,635
Other current liabilities	11,278	-
Deferred rental income	380	-
Total current liabilities	<u>624,873</u>	<u>454,355</u>
Total liabilities	<u>624,873</u>	<u>454,355</u>
Net Assets:		
Unrestricted net assets	10,568,560	3,812,547
Temporarily restricted net assets	3,875,564	6,658,962
Total net assets	<u>14,444,124</u>	<u>10,471,509</u>
Total liabilities and net assets	<u>\$ 15,068,997</u>	<u>\$ 10,925,864</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support:			
Contributions from public – restricted	\$ -	\$ 4,568,642	\$ 4,568,641
Unrestricted contributions	1,857,852	-	1,857,852
In-kind contributions	283,753	325,271	609,024
Direct mail contributions	320,821	33,090	353,911
Micro-Enterprise income	18,574	-	18,574
Rent income	15,415	-	15,415
Total public support	<u>2,496,415</u>	<u>4,927,003</u>	<u>7,423,418</u>
Special events:			
Special events income	144,386	-	144,386
Special events expense	(43,538)	-	(43,538)
Special events, net	<u>100,848</u>	<u>-</u>	<u>100,848</u>
Other income:			
Gains on sales/disposals of fixed assets, net	1,341	-	1,341
Losses on sales of stock	(240)	-	(240)
Interest income	26	-	26
Other income	5,000	-	5,000
Total other income	<u>6,127</u>	<u>-</u>	<u>6,127</u>
Net assets released from restrictions	7,710,401	(7,710,401)	-
Total support, income, and reclassifications	<u>10,313,791</u>	<u>(2,783,398)</u>	<u>7,530,393</u>
Expenses:			
Program services	2,989,956	-	2,989,956
Fundraising	246,874	-	246,874
Management and general	320,948	-	320,948
Total expenses	<u>3,557,778</u>	<u>-</u>	<u>3,557,778</u>
Total change in net assets	6,756,013	(2,783,398)	3,972,615
Net assets:			
Beginning of year	3,812,547	6,658,962	10,471,509
Net assets, end of year	<u>\$ 10,568,560</u>	<u>\$ 3,875,564</u>	<u>\$ 14,444,124</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	\$ -	\$ 5,144,431	\$ 5,144,431
Unrestricted contributions	2,053,496	-	2,053,496
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>2,823,495</u>	<u>5,154,111</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/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>4,595,594</u>	<u>3,473,833</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	1,362,183	3,473,833	4,836,016
Net assets:			
Beginning of year	<u>2,450,364</u>	<u>3,185,129</u>	<u>5,635,493</u>
Net assets, end of year	<u>\$ 3,812,547</u>	<u>\$ 6,658,962</u>	<u>\$ 10,471,509</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Fundraising	Management & General	Total
Automobile expense	\$ 150,900	\$ -	\$ -	\$ 150,900
Charitable donations	11,852	-	-	11,852
Continuing education & training	9,038	-	1,344	10,382
Community building events	24,705	-	-	24,705
Merchant and bank fees	37,880	-	-	37,880
Direct mail expense	27,592	27,592	-	55,184
Dues and subscriptions	2,901	-	1,017	3,918
Facilities expense	160,260	-	-	160,260
Food distributed	808,953	-	-	808,953
Genesis Garden labor	61,630	-	-	61,630
Insurance	14,796	-	-	14,796
IT expenses	42,123	3,522	5,254	50,899
License & taxes	7,495	-	-	7,495
Marketing	21,353	21,353	-	42,706
Micro-Enterprise expenses	27,338	-	-	27,338
Miscellaneous expenses	11,737	1,830	1,656	15,223
Payroll and benefits expenses	1,079,419	185,792	277,149	1,542,360
Postage and delivery	7,065	-	785	7,850
Printing and reproduction	9,005	-	1,001	10,006
Professional fees	2,795	-	13,465	16,260
Rent expense	67,601	2,000	8,117	77,718
Supplies	192,155	-	7,583	199,738
Telephone	12,487	2,149	3,206	17,842
Trailer expenses	23,520	-	-	23,520
Travel, meals, and entertainment	25,953	2,636	-	28,589
Total expenses before depreciation	2,840,553	246,874	320,577	3,408,004
Depreciation expense	149,403	-	371	149,774
Total expenses	\$ 2,989,956	\$ 246,874	\$ 320,948	\$ 3,557,778
Percentage of total expenses	84%	7%	9%	100.0%

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.

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 3,972,615	\$ 4,836,016
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	149,774	133,659
Non-cash donations of fixed assets	(314,307)	(59,050)
Non-cash donation of common stock	(26,572)	(688,593)
Losses (gains) on sales/disposals of fixed assets, net	(1,341)	1,041
Losses on sales of donated common stock	240	2,485
Decrease in pledges receivable	446,121	433,850
(Increase) decrease in other receivables	(1,862)	9,422
Decrease in inventory	-	5,200
(Increase) decrease in prepaid expenses	5,766	(2,932)
(Increase) decrease in security deposit	360	(1,300)
Increase in accounts payable	145,544	325,733
Increase (decrease) in accrued payroll expenses	13,316	(14,715)
Increase in other current liabilities	11,278	-
Increase in deferred rental income	380	-
Net cash provided by operating activities	4,401,312	4,980,816
Cash flows from investing activities:		
Collections on notes receivable	-	5,000
Purchases of property and equipment	(6,582,593)	(988,042)
Proceeds from sale of donated common stock	32,110	676,115
Proceeds from sales of fixed assets	4,978	7,420
Increase in restricted cash	2,441,312	(4,015,755)
Net cash used in investing activities	(4,104,193)	(4,315,262)
Change in cash and cash equivalents	297,119	665,554
Cash and cash equivalents, beginning of year	1,326,706	661,152
Cash and cash equivalents, end of year	\$ 1,623,825	\$ 1,326,706
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ 451
Supplemental non-cash investing activities:		
Non-monetary transaction – Transfer donated trailer from inventory to property and equipment	\$ 2,000	\$ 5,000

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements *For the Years Ended December 31, 2015 and 2014*

Note 1 – Purpose of Organization

Mobile Loaves & Fishes, Inc. (“MLF”) is a social outreach ministry to the homeless, and since 1998, we have been empowering communities into a lifestyle of service with the homeless. MLF’s mission to provide food and clothing and promote dignity to our homeless brothers and sisters is accomplished through our core programs: Truck Communities, Community First! and Community Works Micro-Enterprises.

Every day, throughout Central Texas; Providence, Rhode Island; Minneapolis, Minnesota; and New Bedford, Massachusetts; compassionate volunteers distribute food, clothing, and personal care items via MLF catering trucks, (Truck Communities) to the homeless in their respective communities. More than 1000 meals are served 7 days a week to those suffering on the streets.

We are fortunate to have a large number of volunteers dedicated to serving goodness 365 days a year to the homeless. Volunteer power allows MLF 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.

As Truck Community volunteers extend their hands in service and hearts in friendship, connections are made and relationships are built with our homeless neighbors. These relationships are often the beginning of the journey home for the homeless.

Through the Community First! (CF!) program, MLF helps disabled, chronically homeless men and women lift themselves up off the streets into affordable and permanent housing. While residents are responsible for paying rent and utilities, CF! provides a supportive and empowering community. Currently, the Community First! Village is under construction. This 27-acre master-planned neighborhood is designed to accommodate more than 200 disabled, chronically homeless men and women in Central Texas. A vital part of Community First! Village is Genesis Gardens. Through this program, neighbors from all over Austin come together to practice hospitality, recall what it means to put down roots and share in the abundance of the gardens. The bounty from the gardens provides CF! residents and those served by MLF trucks with eggs and fresh fruits and vegetables.

In the Community Works program, MLF offers a variety of flexible micro-enterprise opportunities for the disabled, chronically homeless to use their individual talents and skills to earn a modest living income. Micro-enterprise opportunities include the art house, blacksmithing, woodworking, concessions vending and food catering. Our craftsmen and artists receive the profit from product sales, services rendered, and volunteer education events, creating stability, purpose, healing, and friendships that every person needs and deserves.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

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.

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, 2015 and 2014.

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, 2015 and 2014. 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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements *For the Years Ended December 31, 2015 and 2014*

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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 2014, 2013, and 2012 are open to examination by the IRS as of December 31, 2015.

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, accrued payroll expenses, and other current liabilities. 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 May 16, 2016, the date the financial statements were available to be issued.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements *For the Years Ended December 31, 2015 and 2014*

Note 2 – Summary of Significant Accounting Policies (continued)

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 and Other Receivables

Accounts and other receivables 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, 2015 and 2014, 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, furniture and fixtures, and equipment and storage.

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, 2015 and 2014, investments consisted of common stock valued at \$4,215 and \$9,993, respectively, (using Level 1 inputs).

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. 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.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements *For the Years Ended December 31, 2015 and 2014*

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, 2015 and 2014.

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, 2015 and 2014.

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. MLF did not receive contributed services for the years ended December 31, 2015 and 2014. 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 18,868 and 18,193 volunteers have contributed their time to MLF as of December 31, 2015 and 2014, respectively.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

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, 2015 and 2014, MLF had \$3,885,242 and \$5,591,309, respectively, in uninsured cash balances. MLF has not experienced any losses in such accounts in the past.

Note 4 – Pledges Receivable

Pledges receivable are due over various years and are summarized at December 31, 2015 and 2014 as follows:

	2015	2014
Due within one year	\$ 506,838	\$ 819,765
Due between one and five years	840,097	1,042,813
Discount to present value	(30,653)	(48,610)
Allowance for uncollectible receivables	(134,693)	(186,258)
Total pledges receivable, net	1,181,589	1,627,710
Less: Current pledges receivable, net	506,838	819,765
Long-term pledges receivable, net	\$ 674,751	\$ 807,945

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, 2015 and 2014, 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, 2015 and 2014 consisted of the following:

	2015	2014
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 (verbally extended to 2016).	\$ 5,000	\$ 5,000
Less current portion	(5,000)	(5,000)
Non-current portion	\$ -	\$ -

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</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	<u>(1,609)</u>	<u>(1,609)</u>
Non-current portion	<u>\$ -</u>	<u>\$ -</u>

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

<u>Year ending December 31,</u>	
2016	<u>\$ 6,609</u>
Total	<u>\$ 6,609</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 6 – Property and Equipment

At December 31, 2015 and 2014, property and equipment consisted of the following:

	2015	2014
Land	\$ 1,536,430	\$ 1,536,430
Buildings and other housing units	7,990	10,893
Vehicles	805,287	776,209
Recreational vehicles	573,161	488,731
Computer equipment	6,773	6,773
Furniture and fixtures	1,837	-
Equipment and storage	421,171	258,891
CIP: Community First! Village	7,453,999	856,139
Total cost	<u>10,806,648</u>	<u>3,934,066</u>
Less: accumulated depreciation	<u>(1,290,730)</u>	<u>(1,161,637)</u>
Property and equipment, net	<u>\$ 9,515,918</u>	<u>\$ 2,772,429</u>

Total depreciation expense was \$149,774 and \$133,659, respectively, for the years ended December 31, 2015 and 2014.

For the years ended December 31, 2015 and 2014, MLF made purchases of property and equipment totaling \$6,582,593 and \$988,042, 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.

Construction-in-Progress – Community First! Village

In 2014, MLF began the process of constructing the Community First! Village on the land that was donated during 2013. As part of this process, MLF entered into a construction contract for site development in August 2014 with Contractor #1 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 \$3,185,504 and \$330,404 of costs with Contractor #1 for the years ended December 31, 2015 and 2014, respectively. As of May 16, 2016, the construction has not yet been completed and the contract has incurred \$1,948,230 of contract additions by change orders bringing the contract sum to date to \$4,508,062.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements *For the Years Ended December 31, 2015 and 2014*

Note 6 – Property and Equipment (continued)

Construction-in-Progress – Community First! Village (continued)

During August 2015, MLF entered into construction contracts for the Bath Houses and the Medical and Operations Building with Contractor #2 totaling \$1,807,352, 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 \$988,687 of costs with Contractor #2 for the year ended December 31, 2015. As of May 16, 2016, the construction has not yet been completed and the contract has incurred \$90,109 of contract additions by change orders bringing the contract sum to date to \$1,897,461.

Note 7 – Line of Credit

MLF had a line of credit for \$100,000 from First-Citizens Bank & Trust Company which expired on April 23, 2015. Interest was due monthly on the outstanding balance and was charged at a variable rate of prime plus 1.75%. There were no outstanding balances at December 31, 2015 and 2014.

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 were no outstanding balances at December 31, 2015 and 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 2015 or 2014.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

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, 2015 and 2014 were \$33,192 and \$25,998, 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, 2015 and 2014

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.

As part of the construction of Community First! Village, MLF has purchased construction materials and supplies from a company owned by the family of one of MLF's Board members. MLF's Board of Directors and the Board member have fully complied with MLF's conflict of interest policy and the use of the company has been approved by MLF's Board of Directors. The arrangement between MLF and the company is an arm's length transaction and is fair and reasonable from MLF's perspective. The price paid, or the cost to MLF, is either consistent or in most cases lower, with the market rate for the products being purchased. For the year ended December 31, 2015, MLF purchased \$561,434 of material and supplies from the company.

Note 11 – Commitments and Contingencies

MLF entered into a lease agreement for office space with an expiration date of March 31, 2017 and storage space with an expiration of May 1, 2017. Total facility rent expenses for the years ended December 31, 2015 and 2014 were \$29,206 and \$25,800, respectively. MLF has also entered into a lease agreement for equipment with an expiration date of September 2, 2019. Total equipment rent expenses for the years ended December 31, 2015 and 2014 were \$5,408 and \$4,856, respectively. Future minimum lease payments at December 31, 2015 are as follows:

Year ending December 31,	
2016	\$ 43,117
2017	10,971
2018	4,788
2019	3,192
Total minimum lease payments	<u>\$ 62,068</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 12 – Temporarily Restricted Net Assets

MLF received the following temporarily restricted support for the year ended December 31, 2015:

	<u>Beginning Balance</u>	<u>Donations Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily Restricted Donations:				
Community First!	\$ 6,658,962	\$ 4,650,507	\$ (7,534,953)	\$ 3,774,516
CF! Genesis Gardens	-	78,439	(75,764)	2,675
Gridmates	-	44,514	-	44,514
Truck operations	-	62,428	(62,428)	-
Micro-Enterprise Fund	-	31,115	(31,115)	-
Other Program Services	-	60,000	(6,141)	53,859
	<u>\$ 6,658,962</u>	<u>\$ 4,927,003</u>	<u>\$ (7,710,401)</u>	<u>\$ 3,875,564</u>

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

	<u>Beginning Balance</u>	<u>Donations Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Temporarily Restricted Donations:				
Community First!	\$ 3,179,129	\$ 4,883,633	\$ (1,403,800)	\$ 6,658,962
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>\$ 5,154,111</u>	<u>\$ (1,680,278)</u>	<u>\$ 6,658,962</u>

Note 13 – Funds Held by Others

MLF is the beneficiary of the Mobile Loaves & Fishes Endowment Fund, a charitable fund established in 2007 and administered independently by the Austin Community Foundation for the Capital Area (“ACF”). The purpose of the fund is to feed the hungry and to provide accessible, attractive, and gratifying means for individuals to serve their communities, thus, inspiring a lifestyle of volunteering to serve. As part of the Fund agreement, MLF granted the Austin Community Foundation variance power and, therefore, the assets of the Fund are irrevocably held and managed by Austin Community Foundation. ACF has the authority to distribute any principal amount of the fund at its sole discretion, from time to time. The value of the fund was \$75,268 and \$81,632 at December 31, 2015 and 2014, respectively.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements *For the Years Ended December 31, 2015 and 2014*

Note 14 – Subsequent Events

In March 2016, MLF renewed their 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 May 16, 2016.

In March 2016, MLF renewed their line of credit agreement for \$200,000 with Frost Bank to expire on March 3, 2017. Interest is due monthly on the outstanding balance and is charged at a variable rate of prime plus 1.25%. MLF has not drawn on the line of credit as of May 16, 2016.

During 2016, MLF has incurred an additional \$351,674 and \$674,807 of construction costs with Contractor #1 and Contractor #2, respectively, for MLF's Community First! Village (see Note 6).

During 2016, MLF has incurred an additional \$168,013 of material and supply purchases from the related party company (see Note 10).

In April 2016, MLF notified the Truck Communities of RI, SFA, SJA, SME, and SPM that MLF will be terminating the operating agreements with these out-of-area locations no later than December 31, 2016 to focus their efforts on the Community First! Village and the Austin area Truck Communities. As of May 16, 2016, MLF expects each of these Truck Communities to establish separate 501(c)(3) nonprofit corporations to continue the mission of providing food and clothing and promoting dignity to our homeless brothers and sisters in need in their respective local areas.

Note 15 – Prior Period Adjustment

During the current year audit, management determined that the allowance for uncollectible receivables and the discount to present value related to the Community First! restricted pledges/donations had not been included within the Community First! line item in Note 12 – Temporarily Restricted Net Assets for the year ended December 31, 2014. Therefore, a prior period adjustment was made to restate contributions and net asset balances for the year ended December 31, 2014 to reflect the correct ending balances with the following changes: temporarily restricted contributions and net assets increased by \$107,828 and unrestricted contributions and net assets decreased by \$107,828. Total net assets did not change as of December 31, 2014 due to these adjustments.