

Audited Financial Statements

**Mobile Loaves & Fishes, Inc.**

*For the Years Ended December 31, 2019 and 2018  
With Independent Auditor's Report*

Mobile Loaves & Fishes, Inc.

Audited Financial Statements

*For the Years Ended December 31, 2019 and 2018*

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## **Independent Auditor's Report**

To the Board of Directors of  
Mobile Loaves & 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, 2019 and 2018, 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.

### ***Auditor's 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 auditor's 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 auditor considers 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, 2019 and 2018, 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  
June 15, 2020

## **Audited Financial Statements**

Mobile Loaves & Fishes, Inc.

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,055,681	\$ 2,544,495
Cash and cash equivalents with restrictions	218,993	134,618
Current pledges receivable	-	5,000
Current pledges receivable with restrictions	30,000	-
Other receivables	145,709	35,200
Investments	2,116	25,668
Inventory	24,610	19,555
Notes receivable – current	2,681	3,865
Prepaid expenses	25,927	7,184
Total current assets	<u>4,505,717</u>	<u>2,775,585</u>
Cash and cash equivalents with restrictions for the purchase of property and equipment	3,479,765	5,721,234
Pledges receivable with restrictions for the purchase of property and equipment, net	5,398,051	6,596,120
Noncurrent pledges receivable with restrictions	90,000	-
Construction-in-progress with restrictions	7,382,842	600,364
Notes receivable – non-current	3,368	7,034
Property and equipment, net	17,552,305	18,461,200
Debt issuance costs – construction line	-	55,890
Security deposit	86,015	1,015
Total assets	<u>\$ 38,498,063</u>	<u>\$ 34,218,442</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 805,721	\$ 522,686
Accrued payroll expenses	172,153	143,493
Other current liabilities	104,149	97,822
Deferred rental income	22,185	13,507
Note payable – current portion, net of unamortized debt issuance costs	250,000	128,321
Total current liabilities	<u>1,354,208</u>	<u>905,829</u>
Note payable – non-current portion, net of unamortized debt issuance costs	27,390	-
Total liabilities	<u>1,381,598</u>	<u>905,829</u>
Net Assets:		
Without restrictions	20,516,814	20,260,277
With restrictions	16,599,651	13,052,336
Total net assets	<u>37,116,465</u>	<u>33,312,613</u>
Total liabilities and net assets	<u>\$ 38,498,063</u>	<u>\$ 34,218,442</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities  
For the Year Ended December 31, 2019

	Without Restrictions	With Restrictions	Total
Public support:			
Contributions	\$ 4,089,411	\$ 6,147,428	\$ 10,236,839
In-kind contributions	69,050	174,855	243,905
Direct mail contributions	207,883	8,145	216,028
Total public support	<u>4,366,344</u>	<u>6,330,428</u>	<u>10,696,772</u>
Rent income	<u>977,106</u>	-	<u>977,106</u>
Special events:			
Special events income	682,699	-	682,699
Special events expense	(206,056)	-	(206,056)
Special events, net	<u>476,643</u>	-	<u>476,643</u>
Micro-enterprise:			
Micro-enterprise income	474,931	-	474,931
Micro-enterprise expense	(408,438)	-	(408,438)
Micro-enterprise, net	<u>66,493</u>	-	<u>66,493</u>
Other program income:			
Other program income	539,229	-	539,229
Other program expense	(136,985)	-	(136,985)
Other program income, net	<u>402,244</u>	-	<u>402,244</u>
Other income (loss):			
Losses on sales/disposals of property and equipment, net	(133,958)	-	(133,958)
Losses on sales of stock, net	(2,004)	-	(2,004)
Interest income	17	-	17
Other income	35,087	-	35,087
Insurance proceeds	97,750	-	97,750
Total other income (loss)	<u>(3,108)</u>	-	<u>(3,108)</u>
Net assets released from restrictions	<u>2,783,113</u>	<u>(2,783,113)</u>	-
Total support, income, and reclassifications	<u>9,068,835</u>	<u>3,547,315</u>	<u>12,616,150</u>
Expenses:			
Program services	7,683,859	-	7,683,859
Fundraising	589,909	-	589,909
Management and general	538,529	-	538,529
Total expenses	<u>8,812,298</u>	-	<u>8,812,298</u>
Total change in net assets	<u>256,537</u>	<u>3,547,315</u>	<u>3,803,852</u>
Net assets:			
Beginning of year	<u>20,260,277</u>	<u>13,052,336</u>	<u>33,312,613</u>
Net assets, end of year	<u>\$ 20,516,814</u>	<u>\$ 16,599,651</u>	<u>\$ 37,116,465</u>

See accompanying notes to the financial statements.

Mobile Loaves & Fishes, Inc.

Statement of Activities

For the Year Ended December 31, 2018

	<b>Without Restrictions</b>	<b>With Restrictions</b>	<b>Total</b>
Public support:			
Contributions	\$ 4,329,367	\$ 12,710,422	\$ 17,039,789
In-kind contributions	187,004	1,983,783	2,170,787
Direct mail contributions	212,950	15,323	228,273
Total public support	<u>4,729,321</u>	<u>14,709,528</u>	<u>19,438,849</u>
Rent income	<u>809,658</u>	<u>-</u>	<u>809,658</u>
Special events:			
Special events income	644,856	-	644,856
Special events expense	(146,412)	-	(146,412)
Special events, net	<u>498,444</u>	<u>-</u>	<u>498,444</u>
Micro-enterprise:			
Micro-enterprise income	252,104	-	252,104
Micro-enterprise expense	(293,218)	-	(293,218)
Micro-enterprise, net	<u>(41,114)</u>	<u>-</u>	<u>(41,114)</u>
Other program income:			
Other program income	483,441	-	483,441
Other program expense	(103,584)	-	(103,584)
Other program income, net	<u>379,857</u>	<u>-</u>	<u>379,857</u>
Other income (loss):			
Losses on sales/disposals of property and equipment, net	(20,694)	-	(20,694)
Losses on sales of stock, net	(822)	-	(822)
Interest income	16	-	16
Other income	18,535	-	18,535
Total other income (loss)	<u>(2,965)</u>	<u>-</u>	<u>(2,965)</u>
Net assets released from restrictions	<u>5,385,833</u>	<u>(5,385,833)</u>	<u>-</u>
Total support, income, and reclassifications	<u>11,759,034</u>	<u>9,323,695</u>	<u>21,082,729</u>
Expenses:			
Program services	6,412,156	-	6,412,156
Fundraising	532,898	-	532,898
Management and general	457,124	-	457,124
Total expenses	<u>7,402,178</u>	<u>-</u>	<u>7,402,178</u>
Total change in net assets	4,356,856	9,323,695	13,680,551
Net assets:			
Beginning of year	15,903,421	3,728,641	19,632,062
Net assets, end of year	<u>\$ 20,260,277</u>	<u>\$ 13,052,336</u>	<u>\$ 33,312,613</u>

See accompanying notes to the financial statements.



Mobile Loaves & Fishes, Inc.

Statement of Functional Expenses  
For the Year Ended December 31, 2019

	Program Services	Fundraising	Management & General	Total
Payroll and benefits expenses	\$ 2,965,190	\$ 430,322	\$ 331,524	\$ 3,727,036
Facilities expense	782,480	22,056	16,867	821,403
Professional fees	530,322	15,000	39,563	584,885
Food distributed	447,551	1,711	5,002	454,264
Supplies	232,272	5,900	40,150	278,322
IT expenses	208,216	25,178	27,270	260,664
Trailer expenses	183,632	-	-	183,632
Continuing education & training	98,955	14,482	11,075	124,512
Merchant and bank fees	105,795	-	-	105,795
Community building events	104,480	-	-	104,480
Automobile expense	83,438	2,633	5,799	91,870
Contract labor	89,675	-	-	89,675
Genesis Garden labor	79,627	-	-	79,627
Marketing	46,712	20,709	-	67,421
Direct mail expense	29,320	29,320	-	58,640
Insurance	45,099	3,760	2,654	51,513
Equipment expense	48,541	-	-	48,541
Rent expense	33,763	-	13,352	47,115
Travel, meals, and entertainment	33,596	6,826	5,704	46,126
Miscellaneous expenses	8,711	873	21,766	31,350
Telephone	13,188	1,930	1,476	16,594
Dues and subscriptions	9,513	1,709	4,607	15,829
Printing and reproduction	6,434	3,403	4,994	14,831
Interest	14,441	-	-	14,441
Postage and delivery	1,328	2,427	6,448	10,203
Charitable donations	10,609	-	-	10,609
License & taxes	4,885	-	-	4,885
Total expenses before depreciation	6,217,773	588,239	538,251	7,344,263
Depreciation expense	1,466,087	1,670	278	1,468,035
Total expenses	\$ 7,683,859	\$ 589,909	\$ 538,529	\$ 8,812,298
Percentage of total expenses	87%	7%	6%	100%

See accompanying notes to the financial statements.

## Mobile Loaves & Fishes, Inc.

### Statement of Functional Expenses For the Year Ended December 31, 2018

	Program Services	Fundraising	Management & General	Total
Payroll and benefits expenses	\$ 2,325,436	\$ 321,498	\$ 301,608	\$ 2,948,542
Facilities expense	756,231	9,081	8,818	774,130
Food distributed	497,510	4,592	9,248	511,350
Supplies	245,268	-	28,354	273,622
IT expenses	184,530	56,735	22,467	263,732
Professional fees	147,569	57,446	19,265	224,280
Trailer expenses	191,718	-	-	191,718
Community building events	125,924	-	-	125,924
Continuing education & training	107,932	505	132	108,569
Genesis Garden labor	80,819	-	-	80,819
Merchant and bank fees	74,438	-	-	74,438
Automobile expense	58,957	1,098	2,665	62,720
Marketing	26,800	32,527	-	59,327
Direct mail expense	26,452	26,453	-	52,905
Interest	50,253	-	-	50,253
Rent expense	37,222	-	12,552	49,774
Insurance	44,982	3,760	627	49,369
Contract labor	36,320	-	2,746	39,066
Travel, meals, and entertainment	25,088	5,218	4,015	34,321
Equipment expense	30,611	-	-	30,611
Miscellaneous expenses	4,512	-	23,733	28,245
Printing and reproduction	5,705	6,795	4,848	17,348
Telephone	7,721	2,655	2,880	13,256
License & taxes	12,027	-	-	12,027
Dues and subscriptions	4,472	1,290	5,824	11,586
Postage and delivery	510	1,575	7,064	9,149
Charitable donations	8,400	-	-	8,400
Total expenses before depreciation	5,117,407	531,228	456,846	6,105,481
Depreciation expense	1,294,749	1,670	278	1,296,697
Total expenses	\$ 6,412,156	\$ 532,898	\$ 457,124	\$ 7,402,178
<b>Percentage of total expenses</b>	<b>87%</b>	<b>7%</b>	<b>6%</b>	<b>100%</b>

*See accompanying notes to the financial statements.*

# Mobile Loaves & Fishes, Inc.

## Statements of Cash Flows

*For the Years Ended December 31, 2019 and 2018*

	2019	2018
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,803,852	\$ 13,680,551
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,468,035	1,296,697
Contributions restricted for property and equipment	(6,038,025)	(12,537,222)
Debt issuance costs – interest expense	12,080	13,472
Change in allowance for uncollectible receivables	(131,238)	(67,950)
Write-off of notes receivable	-	1,826
Non-cash donations of property and equipment	(157,465)	(2,031,900)
Non-cash donations of common stock	(357,655)	(467,718)
Losses on sales/disposals of property and equipment, net	133,958	20,694
Losses on sales of donated common stock, net	2,004	822
(Increase) decrease in operating assets:		
Other receivables	(110,509)	(21,572)
Inventory	(5,055)	(3,491)
Prepaid expenses	(18,743)	(5,550)
Pledges receivable	(98,067)	(380,443)
Security deposit	(85,000)	(515)
Increase (decrease) in operating liabilities:		
Accounts payable	283,035	8,211
Accrued payroll expenses	28,660	27,860
Other current liabilities	6,327	22,139
Deferred rental income	8,678	(2,338)
Net cash used in operating activities	(1,255,128)	(446,427)
<b>Cash flows from investing activities:</b>		
Proceeds from sale of donated common stock	379,203	441,292
Purchases of property and equipment	(7,352,967)	(1,665,729)
Proceeds from sale of property and equipment	34,856	29,000
Collections of notes receivable	5,700	2,500
Issuance of notes receivable	(850)	(11,925)
Net cash used in investing activities	(6,934,058)	(1,204,862)
<b>Cash flows from financing activities:</b>		
Collections on contributions restricted for property and equipment	7,350,399	8,663,527
Proceeds from line of credit	-	70,000
Repayments of line of credit	-	(70,000)
Proceeds from note payable	325,000	-
Repayments of note payable	(132,121)	(1,012,155)
Payments of debt issuance costs	-	(55,890)
Net cash provided by financing activities	7,543,278	7,595,482
Change in cash and cash equivalents	(645,908)	5,944,193
Cash and cash equivalents, beginning of year	8,400,347	2,456,154
Cash and cash equivalents, end of year	\$ 7,754,439	\$ 8,400,347

Mobile Loaves & Fishes, Inc.

Statements of Cash Flows (continued)

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents without restrictions	\$ 4,055,681	\$ 2,544,495
Cash and cash equivalents with restrictions	<u>3,698,758</u>	<u>5,855,852</u>
Total cash and cash equivalents	<u>\$ 7,754,439</u>	<u>\$ 8,400,347</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	<u>\$ 14,441</u>	<u>\$ 50,253</u>

See accompanying notes to the financial statements.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements

*For the Years Ended December 31, 2019 and 2018*

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

Mobile Loaves & Fishes, Inc. (“MLF”) is a social outreach ministry that empowers communities into a lifestyle of service with the homeless. The organization has been serving in Central Texas since incorporation in 2000. MLF’s mission to provide food and clothing, cultivate community and promote dignity to our homeless brothers and sisters is accomplished through three core programs: the Truck Ministry, Community First! Village and Community Works.

#### **TRUCK MINISTRY**

Through the support of thousands of volunteers, Mobile Loaves & Fishes food trucks hit the streets of Austin 7 nights a week, 365 days a year to provide food, clothing and other life-sustaining items to homeless men and women who are struggling to survive. With more than 5.5 million meals served, MLF has grown to become the largest prepared feeding program to the homeless in Central Texas and has spawned similar food truck programs in other cities across the country.

#### **COMMUNITY FIRST! VILLAGE**

As a result of the multitude of connections we’ve made with our homeless neighbors, we’ve learned that the single greatest cause of homelessness is a profound, catastrophic loss of family. It’s from this understanding that MLF’s vision emerged to build Community First! Village to welcome home our friends who had been pushed to the fringe of society. Often referred to as the most talked about neighborhood in Austin, Community First! Village is a 51-acre master planned development that provides affordable, permanent housing and a supportive community for men and women coming out of chronic homelessness.

#### **COMMUNITY WORKS**

Realizing that most, if not all, of our homeless neighbors are quite entrepreneurial in nature, Mobile Loaves & Fishes developed the Community Works program at Community First! Village to empower individuals to rediscover their God-given talents and move those talents into the economy. Community Works provides micro-enterprise opportunities that enable our friends who have experienced homelessness to earn a dignified income, while also developing new skills and cultivating enduring relationships.

More than two decades ago, Mobile Loaves & Fishes’ founders boldly answered God’s call to “love your neighbor as yourself.” Today we remain steadfast in this desire as we take part in an unprecedented movement and level of collaboration across Austin to ensure our homeless neighbors are not forgotten. Together, we are serving goodness and building hope for our friends who need it most.

Mobile Loaves & Fishes — Serving Goodness.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements (continued) For the Years Ended December 31, 2019 and 2018

### **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 recommendations from 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:

Net assets without restrictions – These types of net assets are not subject to donor-imposed stipulations. This also includes net assets with designations for specific purposes, since these designations may be reversed by the Board at any time in the future.

Net assets with restrictions – 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, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

#### **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 UBIT liability from unrelated business activities during the years ended December 31, 2019 and 2018. 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 2018, 2017, and 2016 are open to examination by the IRS as of December 31, 2019.

## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) *For the Years Ended December 31, 2019 and 2018*

#### **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 periods. 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, cash and cash equivalents with restrictions, pledges receivable, pledges receivable with restrictions, 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. The carrying amount of the note payable approximates fair value because the interest rate approximates the current market interest rate.

##### **Date of Management's Review**

These financial statements considered subsequent events through June 15, 2020, 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.

# Mobile Loaves & Fishes, Inc.

## Notes to Financial Statements (continued) *For the Years Ended December 31, 2019 and 2018*

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

#### **Other Receivables**

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, 2019 and 2018, because management estimates that the receivables are collectible, and write-offs are historically unusual and small.

#### **Inventory**

MLF records inventory, which consists of retail items from the Community Market and Community Works programs, at direct cost on the weighted average basis.

#### **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 net assets without restrictions unless their use is restricted by explicit donor stipulations or by law. At December 31, 2019 and 2018, investments consisted of common stock and money market funds valued at \$2,116 and \$25,668, respectively, (using Level 1 inputs).

#### **Property and Equipment**

Property and equipment items in excess of \$2,500 are capitalized at cost, including costs of significant improvements. Donated property and equipment 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, ten, fifteen, and twenty-seven and a half years for the following categories: buildings and other housing units, vehicles, recreational vehicles, computer equipment, furniture and fixtures, equipment and storage, and land improvements.

#### **Debt Issuance Costs**

Debt issuance costs of \$31,296 were paid related to the financing of MLF's construction loan #1 in 2016. Debt issuance costs for construction loan #1 have been recorded as a direct deduction from the face amount of the notes payable (see Note 8). Debt issuance costs of \$57,961 were paid in 2018 related to the financing of MLF's construction loan #2. Debt issuance costs for construction loan #2 were recorded as a non-current asset in 2018 since no draws had been made on the loan at December 31, 2018. Debt issuance costs for construction loan #2 were recorded as a direct deduction from the face amount of the notes payable for 2019 since draws had been made on the loan at December 31, 2019 (see Note 8). Amortization of debt issuance costs are computed using the straight-line method over the life of the applicable loans and recorded as interest expense. Interest expense for the years ended December 31, 2019 and 2018 was \$12,080 and \$13,472, respectively.



## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) *For the Years Ended December 31, 2019 and 2018*

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

##### **Donations, Contributions, and Pledges Receivable**

All contributions are recorded at their fair value and are considered to be available for operations of MLF unless specifically restricted by the donor. Unconditional pledges to give cash and other assets are reported as net assets with restrictions (either temporarily or permanently restricted), if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related net assets with restrictions are reclassified to net assets without restrictions. This is reported in the statements of activities as net assets released from restrictions. Conditional pledges to give are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. 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, 2019 and 2018.

##### **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.

##### **Intentions to Give**

MLF received an intention to give from a donor during the year ended December 31, 2017 hoping to contribute towards MLF's Community First! Village over a 10 year period. Since this pledge does not meet the criteria for revenue recognition under FASB ASC 958, it is not reflected as a contribution in the statements of activities until the pledge is collected. As of December 31, 2019 and 2018, intentions to give totaled \$700,000 and \$800,000, respectively.

##### **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, 2019 and 2018. 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 33,500 and 33,000 volunteers have contributed their time to MLF as of December 31, 2019 and 2018, respectively.

## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) For the Years Ended December 31, 2019 and 2018

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

##### Allocation of Expenses

The expense information contained in the statements of activities is presented on a functional basis. Accordingly, certain expenses are allocated among the programs and supporting services benefited. Expenses which cannot be specifically identified have been allocated based on management's best estimate of usage. Payroll and related costs are allocated based on estimated time spent by the employees for each function. Depreciation is allocated on estimated usage in each function.

##### Reclassifications

Certain 2018 audited amounts have been reclassified in order to conform to the 2019 financial statement presentation.

#### Note 3 – Concentrations of Credit Risk

Financial instruments which potentially subject MLF to credit risk principally consist of cash and cash equivalents and cash and cash equivalents with restrictions. 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, 2019 and 2018, MLF had \$6,912,009 and \$7,651,608, respectively, in uninsured cash balances. MLF has not experienced any losses in such accounts in the past. During 2020, MLF has moved cash funds into multiple certificates of deposit (CD's) totaling \$3,250,000 and all of them are fully insured by FDIC.

MLF received approximately 32% and 41% of their total support and income from their Capital Campaign – Ten Year Plan support during the years ended December 31, 2019 and 2018, respectively.

#### Note 4 – Pledges Receivable

Pledges receivable are due over various years and are summarized at December 31, 2019 and 2018 as follows:

	<b>2019</b>	<b>2018</b>
Due within one year	\$ 1,790,257	\$ 1,997,084
Due between one and five years	3,683,730	4,401,276
Due in more than five years	923,000	1,306,000
Discount to present value	(239,737)	(332,803)
Allowance for uncollectible receivables	(639,199)	(770,437)
Total pledges receivable, net	<u>\$ 5,518,051</u>	<u>\$ 6,601,120</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)  
For the Years Ended December 31, 2019 and 2018

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

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, 2019 and 2018, assuming an interest rate of 2.0%.

**Note 5 – Notes Receivable**

MLF created promissory notes due to MLF for participants who purchased vehicles or electrical upgrades. During the terms of the promissory notes, MLF maintained security interest in the vehicles. The notes receivable at December 31, 2019 and 2018 consisted of the following:

Date of note: 11/27/2017, amount of note: \$400, interest 0%, payment terms include monthly payments of \$50 starting 1/10/18 and ending 8/10/18. All remaining payments were received as of December 31, 2018.

Date of note: 1/26/2017, amount of note: \$2,500, interest 0%, payment terms include a one-time payment due 1/26/17, 30 \$25 payments from 1/1/17 through 9/30/17, and 15 \$100 payments beginning 4/1/18 and ending 6/30/19. This note was written off in 2018 and MLF recorded a bad debt expense of \$750.

	<u>2019</u>	<u>2018</u>
Date of note: 11/17/2017, amount of note: \$1,400, interest 0%, payment terms include monthly payments of \$60 starting 1/15/18 and ending 12/15/20.	\$ 680	\$ 860
Less current portion	(680)	(720)
Non-current portion	<u>\$ -</u>	<u>\$ 140</u>
Date of note: 2/12/2018, amount of note: \$650, interest 0%, payment terms include monthly payments of \$27 starting 3/1/18 and ending 3/1/20.	\$ 81	\$ 379
Less current portion	(81)	(325)
Non-current portion	<u>\$ -</u>	<u>\$ 54</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)  
For the Years Ended December 31, 2019 and 2018

**Note 5 – Notes Receivable (continued)**

	<u>2019</u>	<u>2018</u>
Date of note: 12/31/2018, amount of note: \$4,800, interest 0%, payment terms include monthly payments of \$100 starting 1/1/19 and ending 12/1/22.	\$ 3,600	\$ 4,800
Less current portion	<u>(1,200)</u>	<u>(1,200)</u>
Non-current portion	<u>\$ 2,400</u>	<u>\$ 3,600</u>
Date of note: 12/31/2018, amount of note: \$2,160, interest 0%, payment terms include monthly payments of \$60 starting 1/1/19 and ending 12/1/21.	\$ 1,355	\$ 2,160
Less current portion	<u>(720)</u>	<u>(720)</u>
Non-current portion	<u>\$ 635</u>	<u>\$ 1,440</u>
Date of note: 12/31/2018, amount of note: \$2,700, interest 0%, payment terms include monthly payments of \$75 starting 1/1/19 ending 12/1/21. As of 12/31/2019, all payments had been received.	\$ -	\$ 2,700
Less current portion	<u>-</u>	<u>(900)</u>
Non-current portion	<u>\$ -</u>	<u>\$ 1,800</u>
Date of note: 4/15/2019, amount of note: \$500, interest 0%, payment terms include monthly payments of \$21 starting 5/1/19 ending 4/1/21.	\$ 333	\$ -
Less current portion	<u>(250)</u>	<u>-</u>
Non-current portion	<u>\$ 88</u>	<u>\$ -</u>
Date of note: 3/8/2019, amount of note: \$350, interest 0%, payment terms include monthly payments of \$117 starting 4/8/19 ending 6/8/19. As of 12/31/2019, all payments had been received.		

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)  
For the Years Ended December 31, 2019 and 2018

**Note 5 – Notes Receivable (continued)**

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

<i>Year Ending December 31,</i>	
2020	\$ 2,681
2021	2,085
2022	1,283
Total	<u>\$ 6,049</u>

**Note 6 – Property and Equipment**

At December 31, 2019 and 2018, property and equipment consisted of the following:

	<b>2019</b>	<b>2018</b>
Land	\$ 3,496,430	\$ 3,496,430
Land improvements	5,774,052	5,780,956
Buildings and other housing units	7,746,304	7,594,049
Vehicles	838,671	774,638
Recreational vehicles	2,919,186	2,310,266
Computer equipment	222,401	160,177
Furniture and fixtures	140,980	130,979
Equipment and storage	1,139,511	1,040,791
CIP: Community First! Village	7,382,842	1,215,983
Total cost	<u>29,660,377</u>	<u>22,504,269</u>
Less: accumulated depreciation	<u>(4,725,230)</u>	<u>(3,442,705)</u>
Property and equipment, net	<u>\$ 24,935,147</u>	<u>\$ 19,061,564</u>

Total depreciation expense was \$1,468,035 and \$1,296,697, respectively, for the years ended December 31, 2019 and 2018.

For the years ended December 31, 2019 and 2018, MLF made purchases of property and equipment totaling \$7,352,967 and \$1,665,729, respectively. Additionally, MLF received donations of property and equipment totaling \$157,465 and \$2,031,900 for the years ended December 31, 2019 and 2018, 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.

During the years ended December 31, 2019 and 2018, MLF purchased trailer homes totaling \$69,585 and \$453,540, respectively, from one vendor for Phase I property. In addition, MLF purchased 4 units of Park Home totaling \$150,547 for Phase II property during 2019.

## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) *For the Years Ended December 31, 2019 and 2018*

#### **Note 6 – Property and Equipment (continued)**

##### Community First! Village – Phase II Land Improvements & Site Development

In 2018, MLF began the process of constructing the Community First! Village Phase II on land that was donated during 2018. As part of this process, MLF entered into a construction contract for site development and land improvements in August 2018 with Contractor #1 totaling \$6,438,658, which is subject to additions, deletions or other revisions by change orders which were agreed upon by both MLF and the contractor. During the years ended December 31, 2019 and 2018, MLF incurred and paid \$4,792,614 and \$533,669, respectively, to Contractor #1.

In 2019, MLF entered into a construction contract to build the Community Works Building within Phase II with Contractor #2 totaling \$1,238,501, which is subject to additions, deletions or other revisions by change orders which were agreed upon by both MLF and the contractor. During the year ended December 31, 2019, MLF incurred and paid \$154,560 to Contractor #2.

In 2019, MLF entered into a construction contract to build the first two outdoor kitchens and two laundry, restroom, shower facilities within Phase II with Contractor #3 totaling \$814,962, which is subject to additions, deletions or other revisions by change orders which were agreed upon by both MLF and the contractor. During the year ended December 31, 2019, MLF incurred and paid \$435,764 to Contractor #3.

#### **Note 7 – Line of Credit & Standby Letter of Credit**

MLF has a revolving line of credit agreement for \$500,000 with Frost Bank which expires annually each September. In September 2019, the \$500,000 revolving line of credit agreement was renewed and extended through September 2020. The agreement calls for a variable interest rate. During the years ended December 31, 2019 and 2018, MLF drew and re-paid \$0 and \$70,000, respectively, on the line of credit. There were no outstanding balances at December 31, 2019 and 2018.

MLF renewed their standby letter of credit agreement for \$279,802 (originally dated March 25, 2015) with Frost Bank to expire on March 25, 2018. The City of Austin was named the beneficiary of the standby letter of credit and the City of Austin, Planning and Development Review Department could 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 was 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. During March 2018, MLF entered into an agreement to replace the standby letter of credit required by the City of Austin with surety bonds totaling \$279,802, which were purchased by Contractor #1 (see Note 6). The surety bond agreement is set to expire December 31, 2020. There were no outstanding balances at December 31, 2019 and 2018.

## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) For the Years Ended December 31, 2019 and 2018

#### **Note 8 – Note Payable**

In October 2014, MLF entered into a construction loan agreement with Frost Bank (construction loan #1). Frost Bank agreed 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. At December 31, 2019 and 2018, outstanding balances totaled \$0 and \$132,121, respectively. In addition, at December 31, 2019 and 2018, the balance of unamortized debt issuance costs totaled \$0 and \$3,800, respectively. MLF requested no advances during the years ended December 31, 2019 and 2018.

For the advances received, interest shall accrue and be due and payable quarterly as it accrues on the 15<sup>th</sup> 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 15<sup>th</sup> 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 (LIBOR) plus 2.5% per annum, with said rate to be adjusted quarterly to reflect any change in *The Wall Street Journal* LIBOR at the time of any such change or (b) the highest rate permitted by applicable law.

## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) For the Years Ended December 31, 2019 and 2018

#### Note 8 – Note Payable (continued)

During September 2018, MLF entered into a second construction loan agreement with Frost Bank (construction loan #2) totaling \$7,000,000 secured by a deed of trust on the Community First! Phase II property. Interest only shall be due and payable quarterly as it accrues on the 13<sup>th</sup> day each and every calendar quarter beginning December 13, 2018, and continuing regularly and quarterly thereafter until September 13, 2020; thereafter, principal shall be due and payable in quarterly payments of \$250,000 on the 13<sup>th</sup> day of each calendar quarter, beginning December 13, 2020, and continuing regularly thereafter until September 13, 2025, when the entire amount hereof, principal and accrued interest then remaining unpaid, shall be due and payable. Interest on the outstanding and unpaid principal balance of the note shall be computed at a per annum rate equal to the lesser of (a) a rate equal to The Wall Street Journal LIBOR plus 2.1% per annum, with said rate to be adjusted daily to reflect any change in The Wall Street Journal LIBOR; provided, however, in no event shall LIBOR be less than 0.15%, or (b) the highest rate permitted by applicable law. During the years ended December 31, 2019 and 2018, MLF had outstanding balances of \$325,000 and \$0, respectively. In addition, at December 31, 2019 and 2018, the balance of unamortized debt issuance costs totaled \$47,610 and \$55,890, respectively.

Future maturities of notes payable at December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 250,000
2021	75,000
Total	<u>\$ 325,000</u>

#### Note 9 – Related Party Transactions

As part of the construction of Community First! Village, MLF has purchased construction materials and supplies, and paid for repairs/maintenance services, from a company owned by the family of one of MLF's Board members during 2018 (this person resigned from MLF's Board on October 31, 2018). During the year ended December 31, 2018, MLF's Board of Directors and the Board member fully complied with MLF's conflict of interest policy and the use of the company was approved by MLF's Board of Directors. The arrangement between MLF and the company was an arm's length transaction and was fair and reasonable from MLF's perspective. The price paid, or the cost to MLF, was either consistent or in most cases lower, with the market rate for the products being purchased. For the year ended December 31, 2018, MLF paid \$139,971, respectively, for material, supplies, and repairs/maintenance services to the company.



## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) For the Years Ended December 31, 2019 and 2018

#### **Note 9 – Related Party Transactions (continued)**

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 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, have also become involved in the ministry program of MLF. The parishioners and Board 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, and ARB.

#### **Note 10 – Commitments and Contingencies**

During February 2016, MLF entered into a 7 year rental agreement with a company for the use of laundry equipment. The company will pay MLF a monthly commission from the income generated from the equipment, in arrears, having first deducted the various fees, taxes, and charges associated with the use, possession, and operation of the equipment. The commission shall total an amount equal to 50% over the net income, paid monthly. Either party may terminate this agreement and recover incidental and inconsequential damages if either party commits a breach of the agreement.

MLF entered into two lease agreements for office equipment set to expire in September 2019 and June 2021. Total equipment rent expenses for the years ended December 31, 2019 and 2018 were \$8,652 and \$10,248, respectively.

Future minimum lease payments at December 31, 2019 are as follows:

<i>Year Ending December 31,</i>	
2020	\$ 5,460
2021	2,275
Total minimum lease payments	<u>\$ 7,735</u>

## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) *For the Years Ended December 31, 2019 and 2018*

#### **Note 11 – Funds Held by Others**

MLF is the beneficiary of the Mobile Loaves & Fishes Endowment Fund (the “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. There were no distributions made from the Fund during the years ended December 31, 2019 and 2018. The value of the Fund was \$100,366 and \$84,727 at December 31, 2019 and 2018, respectively.

#### **Note 12 – Conditional Pledges**

During 2016, a donor recommended a Foundation to commit to a \$1,000,000 pledge to be paid to MLF over 10 years (\$100,000 per year). If the Foundation does not make the annual payment to MLF, the donor will commit to pay MLF the remaining amount. Due to the conditional nature of the pledge, MLF did not record all of the pledge as contribution income and related pledge receivable for the year ended December 31, 2016. During the years ended December 31, 2019 and 2018, MLF received and recognized \$100,000 each year related to this pledge.

In December 2016, St. David’s Foundation made a \$1,200,000 conditional pledge to the Community First! Village Sanctuary & Hospitality Center under the condition that certain deliverables are met during 2017. Due to the conditional nature of this pledge, MLF did not record the contribution income and related pledge receivable for the year ended December 31, 2016. During the year ended December 31, 2017, MLF met most of the conditions of the pledge and \$900,000 was recognized as revenue. MLF met the final conditions of the pledge in January 2018 and the remaining \$300,000 was recognized as revenue during the year ended December 31, 2018.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)  
For the Years Ended December 31, 2019 and 2018

**Note 12 – Conditional Pledges (continued)**

MLF received a long-term pledge from Austin DMO, Inc. dba Downtown Austin Alliance (the “Alliance”) in May 2017 totaling \$2,000,000 payable in annual installments over a maximum 10-year period beginning in October 2017 and continuing until the final installment in October 2026. Payments beyond October 2022 are contingent on the reauthorization of the Public Improvement District (PID) beyond its current expiration date of April 30, 2023. Should the PID not be reauthorized, this agreement shall immediately terminate. In addition, MLF must submit a business plan beginning September 1, 2017 and must provide the annual Form 990 and audited financial statements as soon as they are complete. The funds are restricted for capital improvements for Community First! Village phases 2, 3, and 4 and for addressing the needs of people who are chronically homeless. MLF shall not commingle the Alliance funds with other programs or operations of MLF. The Alliance may terminate this pledge agreement at any time or without cause. MLF recorded the \$1,200,000 unconditional portion of the pledge receivable and related contribution income during the year ended December 31, 2017. MLF will not record the contribution income and related pledge receivable for the conditional portion of the pledge totaling \$800,000 until the contingency has been met. At December 31, 2019 and 2018, the unconditional pledge receivable totaled \$600,000 and \$800,000, respectively.

During December 2018, MLF received a pledge from St. David’s Foundation totaling \$500,000 for the Community First! Village Bath Houses and Outdoor Kitchens. During the years ended December 31, 2019 and 2018, MLF recorded contribution income for \$200,000 and \$100,000, respectively, which was considered the unconditional portion of the pledge. The remaining \$200,000 will be recorded to contribution income and paid to MLF under the condition that certain deliverables are met in 2020.

**Note 13 – Net Assets With Restrictions**

MLF has the following net assets with restrictions activity for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Donations Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>				
Community First!	\$ 12,917,718	\$ 6,038,025	\$ (2,695,085)	\$ 16,260,658
Truck operations	3,685	11,511	(13,561)	1,635
Micro-Enterprise Fund	-	13,565	(13,565)	-
Other Program Services	130,933	147,327	(60,902)	217,358
Time restricted for future unrestricted operations	-	120,000	-	120,000
Total	<u>\$ 13,052,336</u>	<u>\$ 6,330,428</u>	<u>\$ (2,783,113)</u>	<u>\$ 16,599,651</u>

## Mobile Loaves & Fishes, Inc.

### Notes to Financial Statements (continued) For the Years Ended December 31, 2019 and 2018

#### Note 13 – Net Assets With Restrictions (continued)

MLF had the following net assets with restrictions activity for the year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Donations Received</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>				
Community First!	\$ 3,714,425	\$ 14,497,222	\$ (5,293,929)	\$ 12,917,718
Truck operations	3,685	20,900	(20,900)	3,685
Micro-Enterprise Fund	-	60,783	(60,783)	-
Other Program Services	10,531	130,623	(10,221)	130,933
<b>Total</b>	<u>\$ 3,728,641</u>	<u>\$ 14,709,528</u>	<u>\$ (5,385,833)</u>	<u>\$ 13,052,336</u>

Net assets with restrictions are restricted for the following purposes or periods at December 31:

	<u>2019</u>	<u>2018</u>
<b>Subject to expenditure for a specified purpose:</b>		
Community First!	\$ 10,742,607	\$ 6,321,598
Truck operations	1,635	3,685
Micro-Enterprise Fund	217,358	130,933
<b>Subject to the passage of time:</b>		
Pledges receivable for Community First!	5,518,051	6,596,120
Pledges receivable for future unrestricted operations	120,000	-
<b>Total net assets with restrictions</b>	<u>\$ 16,599,651</u>	<u>\$ 13,052,336</u>

#### Note 14 – Employee Pension Plan

Effective January 1, 2014, MLF initiated a new 401(k) retirement plan. 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, 2019 and 2018 were \$90,398 and \$61,142, respectively.

#### Note 15 – Key Man Life Insurance Policy

In June 2016, MLF acquired a \$1,000,000 life insurance policy on MLF's current CEO. MLF is paying the annual premiums and the policy period is 10 years, expiring on June 20, 2026, with the option of increasing the policy contract amount \$50,000 annually (the policy amount is \$1,000,000 as of December 31, 2019 and 2018). MLF is the owner/beneficiary of the policy. During the years ended December 31, 2019 and 2018, MLF paid \$12,534, for each year, in insurance premiums related to this policy.

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)  
For the Years Ended December 31, 2019 and 2018

**Note 16 – Liquidity and Availability of Financial Assets**

MLF’s working capital and cash flows varies as contributions are received over the year. Additionally, working capital and cash flows increase due to revenue increases prior to special event fundraisers with the expenses of these events paid subsequently. Other monthly cash outflows vary each year based on the specific requirements of MLF’s programming during the period. To help manage unanticipated liquidity needs, MLF maintains a line of credit with a bank totaling \$500,000, which it could draw upon.

The following reflects MLF’s financial assets as of the statements of financial position date, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if MLF’s Board approves that action.

	<u>2019</u>	<u>2018</u>
Financial assets available:		
Cash and cash equivalents	\$ 4,055,681	\$ 2,544,495
Cash and cash equivalents with restrictions	218,993	134,618
Current pledges receivable	-	5,000
Current pledges receivable with restrictions	30,000	-
Other receivables, collectible in less than one year	145,709	35,200
Investments	2,116	25,668
Notes receivable – current	2,681	3,865
Total financial assets, excluding noncurrent receivables	<u>4,455,180</u>	<u>2,748,846</u>
Contractual or donor-imposed restrictions:		
With restrictions	<u>(218,993)</u>	<u>(134,618)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 4,236,187</u>	<u>\$ 2,614,228</u>

Mobile Loaves & Fishes, Inc.

Notes to Financial Statements (continued)  
*For the Years Ended December 31, 2019 and 2018*

**Note 17 – Subsequent Events**

MLF entered into a second contract with Contractor #3 on January 16, 2020 for two additional outdoor kitchens and two laundry, restroom, shower facilities for Phase II totaling \$837,070.

On March 13, 2020, the Government of the United States declared the COVID-19 Pandemic (“COVID-19”) as a national emergency. COVID-19 has caused a significant impact on the United States economy affecting various businesses in different ways. COVID-19 may have an impact on future programs, contracts or events being held and future contributions are uncertain. MLF does not have insurance to cover the loss of revenue from these events in the case of a Pandemic. However, impacts on MLF from COVID-19 cannot be quantified at this time.

In addition, MLF received a Paycheck Protection Program (PPP) loan from Frost Bank in the amount of \$683,200 in April 2020. This loan could be forgiven if MLF uses the funds for specific costs over a specific period (either eight or 24 weeks) per the terms of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Flexibility Act.