

Audited Consolidated Financial Statements

**Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation**

*For the Years Ended December 31, 2021 and 2020
With Independent Auditor's Report*

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Audited Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Mobile Loaves & Fishes, Inc. and Mobile Loaves & Fishes Support Corporation (collectively "MLF"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mobile Loaves & Fishes, Inc. and Mobile Loaves & Fishes Support Corporation as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of MLF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MLF's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in

accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

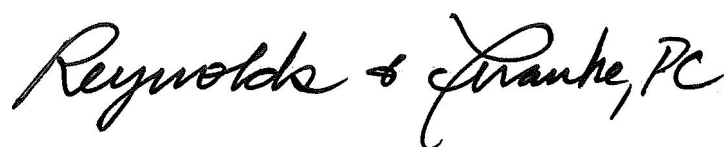
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities as of and for the year ended December 31, 2021 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Austin, Texas
May 12, 2022

Consolidated Financial Statements

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidated Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,932,873	\$ 10,336,894
Cash and cash equivalents with donor restrictions	-	1,451
Current pledges receivable with donor restrictions	30,000	30,000
Other receivables	94,165	45,769
Investments	9,362,878	3,570,320
Inventory	70,599	39,748
Notes receivable - neighbors - current	1,450	1,918
Prepaid expenses	90,025	31,393
Total current assets	15,581,990	14,057,493
Cash and cash equivalents with donor restrictions for the purchase of property and equipment	11,462,152	13,100
Pledges receivable with donor restrictions for the purchase of property and equipment, net	8,606,247	5,075,428
Noncurrent pledges receivable with donor restrictions	30,000	60,000
Construction-in-progress with donor restrictions	3,485,755	3,174,333
Notes receivable - NMTC - noncurrent	12,873,360	12,873,360
Notes receivable - neighbors - noncurrent	-	1,200
Property and equipment, net	31,374,279	27,988,797
Security deposit	800	800
Total assets	\$ 83,414,583	\$ 63,244,511
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,229,076	\$ 271,433
Accrued payroll expenses	227,291	198,464
Other current liabilities	45,295	46,513
Deferred rental income	35,072	23,574
Security deposit liabilities	110,629	77,531
Total current liabilities	1,647,363	617,515
Notes payable - noncurrent portion, net of unamortized debt issuance costs	16,157,236	19,028,768
Total liabilities	17,804,599	19,646,283
Net Assets:		
Without donor restrictions	43,086,600	35,272,208
With donor restrictions	22,523,384	8,326,020
Total net assets	65,609,984	43,598,228
Total liabilities and net assets	\$ 83,414,583	\$ 63,244,511

The accompanying notes are an integral part of these consolidated financial statements.

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidated Statement of Activities
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support:			
Contributions	\$ 9,204,074	\$ 22,780,178	\$ 31,984,252
In-kind contributions	10,132	57,817	67,949
Total public support	<u>9,214,206</u>	<u>22,837,995</u>	<u>32,052,201</u>
Rent income	<u>1,303,362</u>	-	<u>1,303,362</u>
Special events:			
Special events income	516,802	-	516,802
Special events expense	(170,494)	-	(170,494)
Special events, net	<u>346,308</u>	-	<u>346,308</u>
Micro-enterprise:			
Micro-enterprise income	152,631	-	152,631
Micro-enterprise expense	(221,433)	-	(221,433)
Micro-enterprise, net	<u>(68,802)</u>	-	<u>(68,802)</u>
Other program income:			
Other program income	367,878	-	367,878
Other program expense	(215,873)	-	(215,873)
Other program income, net	<u>152,005</u>	-	<u>152,005</u>
Other income (loss):			
Interest income	132,057	-	132,057
Other income	3,831	-	3,831
Total other income (loss)	<u>135,888</u>	-	<u>135,888</u>
Net assets released from donor restrictions	<u>8,640,631</u>	<u>(8,640,631)</u>	<u>-</u>
Total support, income, and reclassifications	<u>19,723,598</u>	<u>14,197,364</u>	<u>33,920,962</u>
Expenses:			
Program services	10,177,736	-	10,177,736
Fundraising	829,177	-	829,177
Management and general	902,293	-	902,293
Total expenses	<u>11,909,206</u>	-	<u>11,909,206</u>
Total change in net assets	7,814,392	14,197,364	22,011,756
Net assets:			
Beginning of the year	<u>35,272,208</u>	<u>8,326,020</u>	<u>43,598,228</u>
Net assets, end of the year	<u>\$ 43,086,600</u>	<u>\$ 22,523,384</u>	<u>\$ 65,609,984</u>

The accompanying notes are an integral part of these consolidated financial statements.

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions	\$ 7,247,970	\$ 6,670,820	\$ 13,918,790
In-kind contributions	106,003	75,145	181,148
Total public support	<u>7,353,973</u>	<u>6,745,965</u>	<u>14,099,938</u>
Rent income	<u>1,023,432</u>	<u>-</u>	<u>1,023,432</u>
Special events:			
Special events income	119,107	-	119,107
Special events expense	(22,604)	-	(22,604)
Special events, net	<u>96,503</u>	<u>-</u>	<u>96,503</u>
Micro-enterprise:			
Micro-enterprise income	177,044	-	177,044
Micro-enterprise expense	(163,585)	-	(163,585)
Micro-enterprise, net	<u>13,459</u>	<u>-</u>	<u>13,459</u>
Other program income:			
Other program income	324,202	-	324,202
Other program expense	(141,526)	-	(141,526)
Other program income, net	<u>182,676</u>	<u>-</u>	<u>182,676</u>
Other income (loss):			
Forgiveness of debt - PPP loan	683,200	-	683,200
Interest income	19,928	-	19,928
Other income	(301,324)	-	(301,324)
Total other income (loss)	<u>401,804</u>	<u>-</u>	<u>401,804</u>
Net assets released from donor restrictions	<u>15,059,596</u>	<u>(15,059,596)</u>	<u>-</u>
Total support, income, and reclassifications	<u>24,131,443</u>	<u>(8,313,631)</u>	<u>15,817,812</u>
Expenses:			
Program services	8,138,635	-	8,138,635
Fundraising	581,740	-	581,740
Management and general	655,674	-	655,674
Total expenses	<u>9,376,049</u>	<u>-</u>	<u>9,376,049</u>
Total change in net assets	14,755,394	(8,313,631)	6,441,763
Net assets:			
Beginning of the year	<u>20,516,814</u>	<u>16,639,651</u>	<u>37,156,465</u>
Net assets, end of the year	<u>\$ 35,272,208</u>	<u>\$ 8,326,020</u>	<u>\$ 43,598,228</u>

The accompanying notes are an integral part of these consolidated financial statements.

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Fundraising	Management and General	Total
Payroll and benefits expenses	\$ 3,281,353	\$ 547,450	\$ 627,299	\$ 4,456,102
Facility expense	1,678,336	28,580	32,747	1,739,663
Professional services expense	432,607	32,060	45,175	509,842
IT expenses	329,899	76,712	85,190	491,801
Food	414,865	12,600	14,438	441,903
Residents home expense	384,719	-	-	384,719
Interest expense	365,916	-	-	365,916
Contract labor	287,657	-	-	287,657
Program supply expense	258,018	746	4,459	263,223
Credit card and other service expense	216,648	-	-	216,648
Conferences, education, and training	117,755	21,545	21,545	160,845
Printing and office supply expense	97,216	49,574	10,926	157,716
Insurance expense	119,370	8,892	8,892	137,154
Rent expense	50,941	-	21,698	72,639
Miscellaneous expense	35,477	5,919	10,286	51,682
Automobile expense	41,153	4,109	4,109	49,371
Marketing expense	1,571	34,414	-	35,985
Membership and subscription	17,389	1,824	10,078	29,291
Total expenses before depreciation	8,130,890	824,425	896,842	9,852,157
Depreciation expense	2,046,846	4,752	5,451	2,057,049
Total expenses	\$ 10,177,736	\$ 829,177	\$ 902,293	\$ 11,909,206
Percentage of total expenses	85%	7%	8%	100%

The accompanying notes are an integral part of these consolidated financial statements.

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Fundraising	Management and General	Total
Payroll and benefits expenses	\$ 2,931,409	\$ 443,241	\$ 456,399	\$ 3,831,049
Facility expense	1,178,850	20,937	32,696	1,232,483
Food	473,862	954	724	475,540
Professional services expense	298,075	14,125	52,071	364,271
Contract labor	325,293	-	-	325,293
IT expenses	208,233	31,480	32,413	272,126
Program supply expense	188,564	-	21,926	210,490
Residents home expense	204,518	-	-	204,518
Credit card and other service expense	153,631	-	-	153,631
Conferences, education, and training	89,584	13,553	14,256	117,393
Rent expense	93,723	1,100	21,414	116,237
Insurance expense	96,046	2,844	5,530	104,420
Printing and office supply expense	59,137	29,704	12,981	101,822
Interest expense	95,176	-	-	95,176
Marketing expense	45,635	16,502	-	62,137
Automobile expense	43,132	2,759	-	45,891
Miscellaneous expense	25,192	524	2,494	28,210
Membership and subscription	21,813	2,545	1,298	25,656
Total expenses before depreciation	6,531,873	580,268	654,202	7,766,343
Depreciation expense	1,606,762	1,472	1,472	1,609,706
Total expenses	<u>\$ 8,138,635</u>	<u>\$ 581,740</u>	<u>\$ 655,674</u>	<u>\$ 9,376,049</u>
Percentage of total expenses	<u>87%</u>	<u>6%</u>	<u>7%</u>	<u>100%</u>

The accompanying notes are an integral part of these consolidated financial statements.

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 22,011,756	\$ 6,441,763
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,057,049	1,609,706
Contributions restricted for property and equipment	(22,826,216)	(6,733,376)
Debt issuance costs - interest expense	126,260	31,211
Change in allowance for uncollectible receivables	386,002	(48,233)
Non-cash donations of property and equipment	(50,617)	(139,345)
Non-cash donations of common stock	(1,083,910)	(402,369)
Losses on sales/disposals of property and equipment, net	44,373	342,870
(Gains) losses on sales of donated common stock, net	(8,502)	7,260
Forgiveness of debt - PPP loan	-	(683,200)
(Increase) decrease in operating assets:		
Other receivables	(48,397)	99,939
Inventory	(30,851)	(15,138)
Prepaid expenses	(58,632)	(5,466)
Pledges receivable	149,637	(1,157,948)
Security deposit	-	85,215
Increase (decrease) in operating liabilities:		
Accounts payable	957,643	(534,287)
Accrued payroll expenses	28,827	26,311
Other current liabilities	(1,218)	13,831
Deferred rental income	11,498	1,389
Security deposit liabilities	33,098	6,063
Net cash provided by (used in) operating activities	1,697,800	(1,053,804)
Cash flows from investing activities:		
Proceeds from sale of donated common stock	1,096,718	399,450
Purchases of investments, net	(5,796,864)	(3,572,545)
Purchases of property and equipment	(5,758,184)	(8,005,010)
Proceeds from sale of property and equipment	10,475	3,796
Collections of notes receivable	3,323	2,931
Issuance of notes receivable	(1,655)	(12,873,360)
Net cash used in investing activities	(10,446,187)	(24,044,738)

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidated Statements of Cash Flows (continued)

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from financing activities:		
Collections on contributions restricted for property and equipment	18,789,759	8,292,181
Proceeds from notes payable	-	20,632,992
Repayments of notes payable	(2,997,792)	(450,000)
Payments of debt issuance costs	-	(779,625)
	15,791,967	27,695,548
Net cash provided by financing activities		
Change in cash and cash equivalents	7,043,580	2,597,006
Cash and cash equivalents, beginning of the year	10,351,445	7,754,439
Cash and cash equivalents, end of the year	\$ 17,395,025	\$ 10,351,445
 Cash and cash equivalents consist of:		
Cash and cash equivalents without donor restrictions	\$ 5,932,873	\$ 10,336,894
Cash and cash equivalents with donor restrictions	11,462,152	14,551
Total cash and cash equivalents	\$ 17,395,025	\$ 10,351,445
 Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 244,461	\$ 59,251

The accompanying notes are an integral part of these consolidated financial statements.

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 1 – Purpose of Organization

Mobile Loaves & Fishes, Inc. (“MLF, Inc.”) 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, Inc.’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 6 million meals served, MLF, Inc. 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, Inc.’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. We are in the process of acquiring 127 acres across two properties for the expansion of Community First! Village.

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. and
Mobile Loaves & Fishes Support Corporation

Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 1 – Purpose of Organization (continued)

On August 31, 2020, MLF, Inc. established an entity known as Mobile Loaves & Fishes Support Corporation (“MLF SC”), a Texas nonprofit corporation, as part of a New Market Tax Credits (“NMTC”) transaction. MLF, Inc. is the sole member of MLF SC, which was organized and will be operated at all times exclusively for the benefit of, to perform the function of, and/or to carry out the purposes of MLF, Inc. See Note 17 for additional information on the NMTC. As a result, MLF, Inc. and MLF SC (collectively “MLF”) have been consolidated within the audited consolidated financial statements as required by accounting principles generally accepted in the United States of America. All significant related organization accounts and transactions have been eliminated in the preparation of these consolidated financial statements.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The consolidated 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 donor restrictions – These types of net assets are not subject to donor-imposed stipulations. This also includes net assets with Board designations for specific purposes, since these Board designations may be reversed by the Board of Directors at any time in the future.

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

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

Mobile Loaves & Fishes, Inc. and Mobile Loaves & Fishes Support Corporation are both 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, Inc. is a public charity and, thus, donations to MLF, Inc. qualify for the maximum allowable charitable deduction.

The most significant tax positions of MLF, Inc. and MLF SC are their assertions that they are exempt from income taxes and their determinations of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined that MLF, Inc. and MLF SC had no UBIT liability from unrelated business activities during the years ended December 31, 2021 and 2020. 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, Inc. and MLF SC are both 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 2020, 2019, and 2018 for MLF, Inc. are open to examination by the IRS as of December 31, 2021. MLF SC's first Form 990 for 2020 is open to examination by the IRS as of December 31, 2021.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Date of Management's Review

These consolidated financial statements considered subsequent events through May 12, 2022, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain 2020 amounts have been reclassified in order to conform to the 2021 consolidated financial statement presentation.

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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 – NMTC, notes receivable - neighbors, cash and cash equivalents with donor restrictions, pledges receivable with donor 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 notes payable approximates fair value because the interest rate approximates the current market interest rate.

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.

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, 2021 and 2020, because management estimates that the receivables are collectible, and write-offs are historically unusual and small.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is donor restricted by explicit donor stipulations or by law. At December 31, 2021 and 2020, investments consisted of common stock, money market funds, and U.S. treasury bills valued at \$9,362,878 and \$3,570,320, respectively, (using Level 1 inputs).

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 five, fifteen, twenty-seven and a half, and thirty-nine 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 \$57,961 were paid in 2018 related to the financing of MLF, Inc.'s construction loan #1. Additional debt issuance costs of \$68,000 were paid in 2020 related to the NMTC portion of Construction loan #1. Total debt issuance costs for construction loan #1 were recorded as a direct deduction from the face amount of the notes payable (see Note 8). Construction loan #1 was paid off in 2021 and the related debt issuance costs were fully amortized.

Debt issuance costs of \$711,625 were paid in 2020 related to the financing of the four MLF SC's Notes Payable - NMTC. Debt issuance costs for the Notes Payable – NMTC were recorded as a direct deduction from the face amount of the notes payable (see Note 8).

Amortization of debt issuance costs are computed using the straight-line method over the lives of the applicable loans and recorded as interest expense. Interest expense related to the amortization of debt issuance costs for the years ended December 31, 2021 and 2020 totaled \$126,260 and \$31,211, respectively.

Intentions to Give

MLF received an intention to give from a donor during the year ended December 31, 2016 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 consolidated statements of activities until the pledge is collected. As of December 31, 2021 and 2020, intentions to give totaled \$450,000 and \$600,000, respectively.

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

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 donor 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 donor restricted purpose is accomplished, the related net assets with donor restrictions are reclassified to net assets without donor restrictions. This is reported in the consolidated statements of activities as net assets released from donor 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, 2021 and 2020.

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 consolidated 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, 2021 and 2020. 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 consolidated financial statements. MLF estimates that approximately 23,540 and 22,269 volunteers have contributed their time to MLF during the years ended December 31, 2021 and 2020, respectively.

Allocation of Expenses

The expense information contained in the consolidated 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.

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 3 – Concentrations of Credit Risk

Financial instruments which potentially subject MLF to credit risk principally consist of cash and cash equivalents and investments. To minimize this risk, MLF places its temporary cash investments with high credit quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). 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. Securities are protected by the SIPC which currently protects brokerage accounts up to \$500,000 in securities. The U.S. treasury bills held as investments are fully backed and guaranteed by the U.S. government. At December 31, 2021 and 2020, MLF had \$5,726,034 and \$8,387,615, respectively, in uninsured balances. MLF has not experienced any losses in such accounts in the past.

MLF received approximately 59% and 32% of their total support and income from their Capital Campaign – Ten Year Plan support during the years ended December 31, 2021 and 2020, respectively.

Note 4 – Pledges Receivable

Pledges receivable are due over various years and are summarized at December 31, 2021 and 2020 as follows:

	2021	2020
Due within one year	\$ 6,323,583	\$ 2,755,350
Due between one and five years	3,206,096	2,574,311
Due in more than five years	240,000	580,000
Discount to present value	(126,464)	(153,267)
Allowance for uncollectible receivables	(976,968)	(590,966)
Total pledges receivable, net	\$ 8,666,247	\$ 5,165,428

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, 2021 and 2020, assuming an interest rate of 2.0%.

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 5 – Notes Receivable

Notes Receivable – Neighbors

MLF, Inc. created promissory notes due to MLF, Inc. for participants who purchased vehicles, lawn mowers, or electrical upgrades. During the terms of the promissory notes, MLF, Inc. maintained security interest in the vehicles. The notes receivable at December 31, 2021 and 2020 consisted of the following:

	2021	2020
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.	\$ 1,200	\$ 2,400
Less current portion	(1,200)	(1,200)
Noncurrent portion	\$ -	\$ 1,200

Date of note: 4/26/2021, amount of note: \$1,655, interest 0%, payment terms include weekly payments of \$50 starting 4/30/21 and ending 3/6/2022.	\$ 250	\$ -
Less current portion	(250)	-
Noncurrent portion	\$ -	\$ -

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 of remaining payments were received in 2020.

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 of remaining payments were received in 2020.

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. \$635 balance as of December 31, 2020 and all remaining payments were received in 2021.

Date of note 4/15/2019, amount of note: \$500, interest 0%, payment terms include monthly payments of \$21 starting 5/1/19 and ending 4/1/21. \$83 balance as of December 31, 2020 and all remaining payments were received in 2021.

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

<i>Year Ending December 31,</i>	
2022	\$ 1,450
Total	\$ 1,450

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 5 – Notes Receivable (continued)

Notes Receivable - NMTC

In connection with the NMTC transaction as disclosed in Note 17, MLF, Inc. entered into a note receivable agreement with Chase NMTC MLF Investment Fund, LLC on November 10, 2020 for the total amount of \$12,873,360 and a maturity date of December 31, 2048. The note bears interest at a rate of 1% per annum and interest-only payments are payable quarterly beginning on December 15, 2020. Quarterly principal and interest payments in the amount of \$170,100 are to commence on March 15, 2028. The note can be prepaid without penalty at any time.

Note 6 – Property and Equipment

At December 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Land	\$ 3,496,440	\$ 3,496,440
Land improvements	13,265,907	12,913,722
Equipment	1,827,613	1,827,670
Furniture and fixtures	140,979	140,979
Buildings	10,556,790	8,911,528
Microhomes	3,854,883	2,659,251
Trailers	5,384,471	3,274,304
Vehicles	1,043,821	997,438
CIP: Community First! Village	3,485,755	3,174,333
Total cost	43,056,659	37,395,665
Less: accumulated depreciation	(8,196,625)	(6,232,535)
Property and equipment, net	\$ 34,860,034	\$ 31,163,130

Depreciation expense totaled \$2,057,049 and \$1,609,706, respectively, for the years ended December 31, 2021 and 2020.

For the years ended December 31, 2021 and 2020, MLF made purchases of property and equipment totaling \$5,758,184 and \$8,005,010, respectively. Additionally, MLF received donations of property and equipment totaling \$50,617 and \$139,345 for the years ended December 31, 2021 and 2020, respectively. Approximately 99% of all property and equipment is used on program services. The allocation of the property and equipment is reflected in the consolidated statements of functional expenses through depreciation expense, which recognizes the cost of the property and equipment over their useful lives.

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020, MLF incurred and paid \$0 and \$1,712,505, respectively, to Contractor #1. The construction by Contractor #1 was completed in October 2020.

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. Construction on the Community Works Building was completed in August 2020. In 2021, MLF entered into a construction contract to build the Community First Living Room Building within Phase II with Contractor #2 totaling \$2,098,053, 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, 2021 and 2020, MLF incurred and paid \$774,082 and \$1,167,324, respectively, 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. In January 2020, MLF entered into a construction contract to build the second two outdoor kitchens and two laundry, restroom, shower facilities with contractor #3 totaling \$837,070. Construction was completed and paid in October 2020. MLF also entered into another construction contract with Contractor #3 to build an additional three outdoor kitchens and three laundry, restroom, shower facilities totaling \$1,339,122. During the years ended December 31, 2021 and 2020, MLF incurred and paid \$1,189,898 and \$1,362,786, respectively, to Contractor #3. The construction by Contractor #3 was completed in December 2021.

Note 7 – Line of Credit & Standby Letter of Credit

MLF, Inc. had two revolving line of credit agreements with Frost Bank. The first one was for \$500,000 which expired annually each September. The \$500,000 revolving line of credit agreement expired in November 2021 and was not renewed. The agreement called for a variable interest rate. The second line of credit (standby) is for \$600,000 which automatically renews each year as part of the NMTC transaction. During the years ended December 31, 2021 and 2020, MLF, Inc. made no draws, respectively, on either of the line of credits. There were no outstanding balances at December 31, 2021 and 2020.

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 8 – Notes Payable

Notes Payable – Construction

During September 2018, MLF, Inc. entered into a construction loan agreement with Frost Bank (construction loan #1) totaling \$7,000,000, originally secured by a deed of trust on the Community First! Phase II property. Interest only was to be due and payable quarterly as it accrues on the 13th 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 13th 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. This loan was amended on November 10, 2020 to a total amount of \$6,400,000. Frost Bank released Phase II land for use in the NMTC deal. The loan is now secured by Phase I property. Quarterly principal payments of \$250,000 are now set to begin in March 2023 and continue until September 2025. 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, 2021 and 2020, MLF, Inc. had outstanding balances of \$0 and \$2,997,792, respectively. In addition, at December 31, 2021 and 2020, the balance of unamortized debt issuance costs totaled \$0 and \$105,330, respectively. Construction loan #1 was paid in full during the year ended December 31, 2021.

Note Payable – PPP Loan

In April 2020, MLF, Inc. was granted a note from Frost Bank in the aggregate amount of \$683,200, pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, which was enacted on March 27, 2020. The note was dated April 9, 2020 and was to mature on April 17, 2022. It bore interest at a rate of 1% per annum and monthly payments of \$37,956 were due starting on November 17, 2020. However, payments were automatically deferred to either: (1) the date that the SBA remits the borrowers forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness coverage period. Funds from the loan were only to be used for payroll costs, rent, utilities, and interest on other debt obligations (if the debt obligations were incurred before February 2020). MLF, Inc. used the entire advance amount for qualifying expenses and accounted for it under FASB ASC 470 as debt. Under the terms of the PPP program, certain amounts of the note would be forgiven if they were used for qualifying expenses as described in the CARES Act and the Paycheck Protection Flexibility Act, which was enacted on June 5, 2020 and modified certain provisions of the CARES Act. As of December 31, 2020, the note balance of \$683,200 had been fully forgiven by the Small Business Administration (SBA) and was recognized as forgiveness of debt income on the consolidated statements of activities.

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 8 – Notes Payable (continued)

Notes Payable - NMTC

MLF SC entered into two note payable agreements with Peoplefund NMTC 15, LLC on November 10, 2020 for the total amount of \$9,702,000 (Note A - \$7,537,860 and Note B - \$2,164,140) and maturity dates of December 31, 2054. The notes bear interest at a rate of 1.232% per annum and interest-only payments are payable quarterly beginning on December 5, 2020. Quarterly principal and interest payments are to commence on March 5, 2028. As of December 31, 2021 and 2020, the outstanding balances totaled \$9,702,000. Prepayment of these notes in part or in full is not allowed prior to the end of the NMTC recapture period.

MLF SC entered into two note payable agreements with Urban Development Fund, 60 LLC on November 10, 2020 for the total amount of \$7,125,000 (Note A - \$5,335,500 and Note B - \$1,789,500) and maturity dates of December 31, 2054. The notes bear interest at a rate of 1.232% per annum and interest-only payments are payable quarterly beginning on December 5, 2020. Quarterly principal and interest payments are to commence on March 5, 2028. As of December 31, 2021 and 2020, the outstanding balances totaled \$7,125,000. Prepayment of these notes in part or in full is not allowed prior to the end of the NMTC recapture period.

At December 31, 2021 and 2020, the balance of unamortized debt issuance costs relating to the four notes payable – NMTC totaled \$669,764 and \$690,694, respectively.

Future maturities of notes payable at December 31, 2021 are as follows:

Year Ending December 31,

2022	\$	-
2023		-
2024		-
2025		-
2026		-
Thereafter		16,827,000
		16,827,000
Total	\$	16,827,000

Note 9 – Risks and Uncertainties

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 and events being held. MLF does not have insurance to cover the loss of revenues from these events in the case of a Pandemic. However, no adjustments have been made to these consolidated financial statements as a result of this uncertainty. See Note 8 for disclosure of the PPP loan received in response to COVID-19.

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 10 – Commitments and Contingencies

MLF, Inc. entered into various operating lease agreements set to expire at various dates through September 2025. Lease expenses for the years ended December 31, 2021 and 2020 totaled \$11,532 and \$10,291, respectively.

Future minimum lease payments at December 31, 2021 are as follows:

<i>Year Ending December 31,</i>	
2022	\$ 16,878
2023	16,281
2024	14,659
2025	<u>9,773</u>
Total minimum lease payments	<u><u>\$ 57,591</u></u>

Note 11 – Funds Held by Others

MLF, Inc. 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, Inc. granted ACF variance power and, therefore, the assets of the Fund are irrevocably held and managed by ACF. 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, 2021 and 2020. The value of the Fund totaled \$164,825 and \$112,579 at December 31, 2021 and 2020, 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, 2021 and 2020, MLF received and recognized \$100,000 each year related to this pledge.

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Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020, the unconditional pledge receivable totaled \$200,000 and \$400,000, 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. MLF met the final conditions of the pledge and the remaining \$200,000 was recognized during the year ended December 31, 2020.

During December 2020, MLF received a pledge from Austin Board of Realtors Foundation totaling \$1,000,000 for the Community First! Village program to be paid over a 10-year period. Per terms of the pledge, the continued funding would be reviewed every two years. During the year ended December 31, 2020, MLF recorded contribution income of \$200,000 related to the first two years of pledge payments. During the year ended December 31, 2021, no contribution income was recorded related to this pledge.

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Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 13 – Net Assets With Donor Restrictions

MLF had the following net assets with donor restrictions activity for the year ended December 31, 2021:

	Beginning Balance	Donations Received	Released from Donor Restrictions	Ending Balance
Subject to the Passage of Time or Expenditure for Specified Purpose:				
Community First!	\$ 8,234,569	\$ 22,826,216	\$ (8,597,401)	\$ 22,463,384
Truck operations	1,451	5,049	(6,500)	-
Micro-Enterprise Fund	-	6,730	(6,730)	-
Time restricted for future unrestricted operations	90,000	-	(30,000)	60,000
Total	\$ 8,326,020	\$ 22,837,995	\$ (8,640,631)	\$ 22,523,384

MLF had the following net assets with donor restrictions activity for the year ended December 31, 2020:

	Beginning Balance	Donations Received	Redesignations	Released from Donor Restrictions	Ending Balance
Subject to the Passage of Time or Expenditure for Specified Purpose:					
Community First!	\$ 16,300,658	\$ 6,733,376	\$ 146,777	\$ (14,946,242)	\$ 8,234,569
Truck operations	1,635	5,989	-	(6,173)	1,451
Micro-Enterprise Fund	-	6,600	-	(6,600)	-
Other Program Services	217,358	-	(146,777)	(70,581)	-
Time restricted for future unrestricted operations	120,000	-	-	(30,000)	90,000
Total	\$ 16,639,651	\$ 6,745,965	\$ -	\$ (15,059,596)	\$ 8,326,020

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

	2021	2020
Subject to expenditure for a specified purpose:		
Community First!	\$ 13,797,137	\$ 3,069,142
Truck operations	-	1,451
Subject to the passage of time:		
Pledges receivable for Community First!	8,666,247	5,165,427
Pledges receivable for future unrestricted operations	60,000	90,000
Total net assets with donor restrictions	\$ 22,523,384	\$ 8,326,020

Mobile Loaves & Fishes, Inc. and
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Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020 totaled \$109,195 and \$87,816, respectively.

Note 15 – Related Party Transactions

During 2020, MLF, Inc. made cash contributions of \$160,000 to MLF SC. In addition, MLF, Inc. made land contributions of \$1,960,000 and cash contributions related to the pre-incurred construction costs prior to the NMTC closing of \$763,094 to MLF SC during 2020 in connection with the NMTC transaction. During 2021, MLF, Inc. made cash contributions of \$1,806,942 to MLF SC. All of these contributions were fully eliminated.

As part of the NMTC transaction (see Note 17) and creation of MLF SC, MLF SC reimbursed MLF, Inc. for \$11,278,568 of Community First! Phase II construction costs and the related fixed assets were transferred from MLF, Inc. to MLF SC.

As part of the NMTC transaction, MLF, Inc. entered into a lease agreement with MLF SC to lease the Community First! Phase II land, buildings, and improvements through December 31, 2045. Lease payments will be due quarterly on the 1st day of March, June, September, and December at the rental amounts established in the lease agreement. Rental expense totaled \$14,510 and \$1,667 during the years ended December 31, 2021 and 2020, respectively. Intercompany rental income and expense between MLF SC and MLF, Inc. will be eliminated in the consolidating statements of activities. At December 31, 2021, future minimum lease payments from MLF, Inc. to MLF SC are as follows:

Year Ending December 31,

2022	\$	83,500
2023		147,000
2024		147,000
2025		147,000
2026		147,000
Thereafter		13,677,000
Total minimum lease payments	\$	14,348,500

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Notes to Consolidated Financial Statements (continued)
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Note 16 – 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, 2021 and 2020). MLF is the owner/beneficiary of the policy. During the years ended December 31, 2021 and 2020, MLF paid \$12,534, for each year, in insurance premiums related to this policy.

Note 17 – New Markets Tax Credits Transaction

Background

New Markets Tax Credits are tax credits created by the Federal government in 2000 and renewed each year thereafter to help encourage sustained investment in low-income communities. The purpose is to provide investors with a financial incentive (a tax credit) to invest in projects being built in low-income communities. Investors receive a 39% Federal tax credit earned over a seven-year period (the compliance period). The NMTC transaction provided funding for MLF to use toward Community First! Village Phase 2.

There are various entities involved in the NMTC transaction including MLF, Inc. and MLF SC. MLF, Inc. is the leverage lender and MLF SC is the Qualified Active Low-Income Community Business (“QALICB”). See Note 5 for the note receivable MLF, Inc. made as the leverage lender. See Note 8 for the notes payable MLF SC received as the QALICB to use towards Community First! Village Phase 2.

Option Agreement

On November 10, 2020, MLF, Inc. entered into a Put/Call Option Agreement with Chase Community Equity, LLC (the “Fund Member”) to put the ownership interest in the Fund for \$1,000 plus the amount of all transfer and/or excise taxes in connection with the transfer of interest. The put may be exercised by the Fund Member at any time during the period commencing on the earlier to occur of (i) the date there shall be one or more final determinations that a recapture event has occurred as defined in the agreement, or (ii) the last day of the tax credit investment period. Exercising the option will effectively extinguish all debt for MLF, Inc. and MLF SC relating to the NMTC transaction. All entities related to the structure will then be effectively dissolved, thus ending the structured financing transaction.

Should the structure not dissolve, MLF SC will make principal and interest payments in accordance with the loan agreements as disclosed in Note 8. The probability of the loans extending past the seven-year compliance period is very low.

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Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Note 18 – Affordable Housing Grant

In December 2020, MLF, Inc. entered into an Affordable Housing Program Agreement for Rental Project with the Federal Home Loan Bank of Dallas (FHLB). This award allows MLF, Inc. to draw up to \$750,000 to use on affordable housing with a 15 year retention period. During 2021, MLF, Inc. was awarded an additional \$750,000 from FHLB for a total award of \$1,500,000. As of December 31, 2021 and 2020, \$750,000 and \$0, respectively, has been drawn.

Note 19 – 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 \$600,000, which it could draw upon.

The following reflects MLF’s financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use within one year of the consolidated 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 of Directors approves that action.

	2021	2020
Financial assets available:		
Cash and cash equivalents	\$ 5,932,873	\$ 10,336,894
Cash and cash equivalents with donor restrictions	-	1,451
Current pledges receivable with donor restrictions	30,000	30,000
Other receivables collectible in less than one year	94,165	45,769
Investments	9,362,878	3,570,320
Notes receivable – current	1,450	1,918
Total financial assets, excluding noncurrent receivables	15,421,366	13,986,352
Contractual or donor-imposed restrictions:		
With donor restrictions	-	(1,451)
Financial assets available to meet cash needs for expenditures within one year	\$ 15,421,366	\$ 13,986,352

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Notes to Consolidated Financial Statements (continued)
For the Years Ended December 31, 2021 and 2020

Note 20 – Travis County Funding

In September 2021, Travis County earmarked \$35 million of American Rescue Plan funds for the Bureson expansion of Community First! Village. The Bureson Village infrastructure construction is expected to be completed in 2025. MLF will receive these funds as expense reimbursements from Travis County.

Note 21 – Subsequent Event

In March 2022, MLF received a \$36,600,000 grant from the Michael and Susan Dell Foundation for the Scaling Community First! Village to Combat Homelessness project. The grant funds are contingent upon MLF collecting an additional \$73.2 million in in-kind, securities, and/or cash donations for the project and will be disbursed incrementally as the donations are collected.

OTHER FINANCIAL INFORMATION

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidating Statement of Financial Position

December 31, 2021

	<u>MLF, Inc.</u>	<u>MLF SC</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 2,467,362	\$ 3,465,511	\$ -	\$ 5,932,873
Current pledges receivable with donor restrictions	30,000	-	-	30,000
Due from MLF SC	2,586	-	(2,586)	-
Other receivables	94,165	-	-	94,165
Investments	9,362,878	-	-	9,362,878
Inventory	70,599	-	-	70,599
Notes receivable - neighbors - current	1,450	-	-	1,450
Prepaid expenses	90,025	-	-	90,025
Total current assets	<u>12,119,065</u>	<u>3,465,511</u>	<u>(2,586)</u>	<u>15,581,990</u>
Cash and cash equivalents with donor restrictions for the purchase of property and equipment	11,462,152	-	-	11,462,152
Pledges receivable with donor restrictions for the purchase of property and equipment, net	8,606,247	-	-	8,606,247
Noncurrent pledges receivable with donor restrictions	30,000	-	-	30,000
Construction-in-progress with donor restrictions	1,169,558	2,316,197	-	3,485,755
Notes receivable - NMTC - noncurrent	12,873,360	-	-	12,873,360
Property and equipment, net	16,060,403	15,313,876	-	31,374,279
Security deposit	800	-	-	800
Total assets	<u>\$ 62,321,585</u>	<u>\$ 21,095,584</u>	<u>\$ (2,586)</u>	<u>\$ 83,414,583</u>
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 333,098	\$ 895,978	\$ -	\$ 1,229,076
Accrued payroll expenses	227,291	-	-	227,291
Other current liabilities	45,285	10	-	45,295
Due to MLF, Inc.	-	2,586	(2,586)	-
Deferred rental income	35,072	-	-	35,072
Security deposit liabilities	110,629	-	-	110,629
Total current liabilities	<u>751,375</u>	<u>898,574</u>	<u>(2,586)</u>	<u>1,647,363</u>
Notes payable - noncurrent portion, net of unamortized debt issuance costs	-	16,157,236	-	16,157,236
Total liabilities	<u>751,375</u>	<u>17,055,810</u>	<u>(2,586)</u>	<u>17,804,599</u>
Net Assets:				
Without donor restrictions	39,046,826	4,039,774	-	43,086,600
With donor restrictions	22,523,384	-	-	22,523,384
Total net assets	<u>61,570,210</u>	<u>4,039,774</u>	<u>-</u>	<u>65,609,984</u>
Total liabilities and net assets	<u>\$ 62,321,585</u>	<u>\$ 21,095,584</u>	<u>\$ (2,586)</u>	<u>\$ 83,414,583</u>

Mobile Loaves & Fishes, Inc. and
Mobile Loaves & Fishes Support Corporation

Consolidating Statement of Activities
For the Year Ended December 31, 2021

	MLF, Inc.	MLF SC	Eliminations	Total Consolidated
Changes in Net Assets Without Donor Restrictions:				
Public support:				
Contributions	\$ 9,204,074	\$ 1,806,942	\$ (1,806,942)	\$ 9,204,074
In-kind contributions	10,132	-	-	10,132
Total public support	<u>9,214,206</u>	<u>1,806,942</u>	<u>(1,806,942)</u>	<u>9,214,206</u>
Rent income	<u>1,303,362</u>	<u>14,510</u>	<u>(14,510)</u>	<u>1,303,362</u>
Special events:				
Special events income	516,802	-	-	516,802
Special events expense	(170,494)	-	-	(170,494)
Special events, net	<u>346,308</u>	<u>-</u>	<u>-</u>	<u>346,308</u>
Micro-enterprise:				
Micro-enterprise income	152,631	-	-	152,631
Micro-enterprise expense	(221,433)	-	-	(221,433)
Micro-enterprise, net	<u>(68,802)</u>	<u>-</u>	<u>-</u>	<u>(68,802)</u>
Other program income:				
Other program income	367,878	-	-	367,878
Other program expense	(215,873)	-	-	(215,873)
Other program income, net	<u>152,005</u>	<u>-</u>	<u>-</u>	<u>152,005</u>
Other income (loss):				
Interest income	131,321	736	-	132,057
Other income	3,331	500	-	3,831
Total other income	<u>134,652</u>	<u>1,236</u>	<u>-</u>	<u>135,888</u>
Net assets released from donor restrictions	<u>8,640,631</u>	<u>-</u>	<u>-</u>	<u>8,640,631</u>
Total support, income, and reclassifications without donor restrictions	<u>19,722,362</u>	<u>1,822,688</u>	<u>(1,821,452)</u>	<u>19,723,598</u>
Expenses:				
Program services	11,380,704	618,484	(1,821,452)	10,177,736
Fundraising	825,182	3,995	-	829,177
Management and general	897,716	4,577	-	902,293
Total expenses	<u>13,103,602</u>	<u>627,056</u>	<u>(1,821,452)</u>	<u>11,909,206</u>
Change in net assets without donor restrictions	<u>6,618,760</u>	<u>1,195,632</u>	<u>-</u>	<u>7,814,392</u>
Changes in Net Assets With Donor Restrictions:				
Contributions	22,780,178	-	-	22,780,178
In-kind contributions	57,817	-	-	57,817
Net assets released from donor restrictions	(8,640,631)	-	-	(8,640,631)
Change in net assets with donor restrictions	<u>14,197,364</u>	<u>-</u>	<u>-</u>	<u>14,197,364</u>
Total change in net assets	<u>\$ 20,816,124</u>	<u>\$ 1,195,632</u>	<u>\$ -</u>	<u>\$ 22,011,756</u>