

Audited Consolidated Financial Statements

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

*For the Years Ended December 31, 2022 and 2021  
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, 2022 and 2021*

**Contents**

Independent Auditor’s Report..... 1-2

Consolidated Financial Statements:

Consolidated Statements of Financial Position.....4

Consolidated Statements of Activities ..... 5-6

Consolidated Statements of Functional Expenses..... 7-8

Consolidated Statements of Cash Flows ..... 9-10

Notes to Consolidated Financial Statements..... 11-31

Other Financial Information:

Consolidating Statement of Financial Position .....33

Consolidating Statement of Activities .....34

## 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, 2022 and 2021, 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, 2022 and 2021, 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.

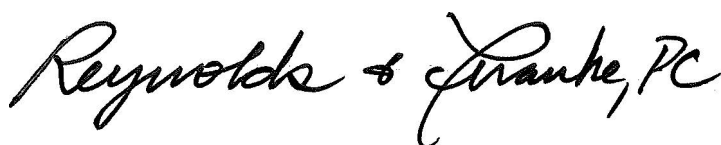
In performing an audit in accordance with generally accepted auditing standards, we:

- 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, 2022 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 25, 2023

## **Consolidated Financial Statements**

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

Consolidated Statements of Financial Position

*December 31, 2022 and 2021*

	2022	2021
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,088,310	\$ 5,025,201
Other current assets	2,333,269	907,672
Current pledges receivable with donor restrictions	155,000	30,000
Accrued interest receivable	471,718	-
Other receivables	106,726	94,165
Investments	10,348,367	9,362,878
Inventory	76,429	70,599
Notes receivable - neighbors - current	5,086	1,450
Prepaid expenses	89,112	90,025
Total current assets	16,674,017	15,581,990
Cash and cash equivalents with donor restrictions for the purchase of property and equipment	2,420,929	11,462,152
Investments with donor restrictions for the purchase of property and equipment	36,707,265	-
Pledges receivable with donor restrictions for the purchase of property and equipment, net	14,922,891	8,606,247
Noncurrent pledges receivable with donor restrictions	125,000	30,000
Construction-in-progress with donor restrictions	4,574,067	3,485,755
Notes receivable - NMTC - noncurrent	12,873,360	12,873,360
Notes receivable - neighbors - noncurrent	1,114	-
Property and equipment, net	81,855,910	31,087,545
Operating right-of-use assets	73,332	-
Security deposit	-	800
Total assets	\$ 170,227,885	\$ 83,127,849
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 200,502	\$ 1,229,076
Accrued payroll expenses	247,878	227,291
Other current liabilities	54,751	45,295
Deferred rental income	28,886	35,072
Operating lease liability - short-term	29,843	-
Security deposit liabilities	145,975	110,629
Total current liabilities	707,835	1,647,363
Notes payable - noncurrent portion, net of unamortized debt issuance costs	16,178,166	16,157,236
Operating lease liability - long-term	43,489	-
Total liabilities	16,929,490	17,804,599
<b>Net Assets:</b>		
Without donor restrictions	96,954,401	42,799,866
With donor restrictions	56,343,994	22,523,384
Total net assets	153,298,395	65,323,250
Total liabilities and net assets	\$ 170,227,885	\$ 83,127,849

*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, 2022*

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions	\$ 9,013,372	\$ 40,240,808	\$ 49,254,180
In-kind contributions	542,883	49,719,299	50,262,182
Total public support	<u>9,556,255</u>	<u>89,960,107</u>	<u>99,516,362</u>
Rent income	<u>1,660,038</u>	-	<u>1,660,038</u>
Special events:			
Special events income	911,994	-	911,994
Special events expense	(161,763)	-	(161,763)
Special events, net	<u>750,231</u>	<u>-</u>	<u>750,231</u>
Micro-enterprise:			
Micro-enterprise income	291,226	-	291,226
Micro-enterprise expense	(367,808)	-	(367,808)
Micro-enterprise, net	<u>(76,582)</u>	<u>-</u>	<u>(76,582)</u>
Other program income:			
Other program income	629,109	-	629,109
Other program expense	(265,879)	-	(265,879)
Other program income, net	<u>363,230</u>	<u>-</u>	<u>363,230</u>
Other income (loss):			
Interest income	732,515	-	732,515
Other income	122,145	-	122,145
Total other income (loss)	<u>854,660</u>	<u>-</u>	<u>854,660</u>
Net assets released from donor restrictions	<u>56,139,497</u>	<u>(56,139,497)</u>	<u>-</u>
Total support, income, and reclassifications	<u>69,247,329</u>	<u>33,820,610</u>	<u>103,067,939</u>
Expenses:			
Program services	12,584,519	-	12,584,519
Fundraising	1,323,041	-	1,323,041
Management and general	1,185,234	-	1,185,234
Total expenses	<u>15,092,794</u>	<u>-</u>	<u>15,092,794</u>
Total change in net assets	<u>54,154,535</u>	<u>33,820,610</u>	<u>87,975,145</u>
Net assets:			
Beginning of the year	<u>42,799,866</u>	<u>22,523,384</u>	<u>65,323,250</u>
Net assets, end of the year	<u>\$ 96,954,401</u>	<u>\$ 56,343,994</u>	<u>\$ 153,298,395</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, 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>-</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>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>(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>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>-</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	10,464,470	-	10,464,470
Fundraising	829,177	-	829,177
Management and general	902,293	-	902,293
Total expenses	<u>12,195,940</u>	<u>-</u>	<u>12,195,940</u>
Total change in net assets	7,527,658	14,197,364	21,725,022
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>\$ 42,799,866</u>	<u>\$ 22,523,384</u>	<u>\$ 65,323,250</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, 2022

	Truck Community & Outreach	Community First! Village	Community Works	Total Program Services	Fundraising	Management and General	Total
Payroll and benefits expenses	\$ 1,159,658	\$ 2,595,215	\$ 472,390	\$ 4,227,263	\$ 793,749	\$ 840,247	\$ 5,861,259
Facility expense	51,930	2,007,220	76,688	2,135,838	51,930	54,972	2,242,740
Professional services expense	108,510	394,556	11,369	514,435	50,167	81,907	646,509
Residents home expense	4,918	521,507	17,393	543,818	-	-	543,818
Program supply expense	14,808	419,837	42,151	476,796	4,180	2,510	483,486
IT expenses	247,049	61,371	19,271	327,691	72,235	70,543	470,469
Contract labor	51,321	313,108	77,411	441,840	-	-	441,840
Food	263,868	89,295	11,484	364,647	19,488	20,629	404,764
Interest expense	347	228,238	-	228,585	-	-	228,585
Printing and office supply expense	24,553	23,185	14,362	62,100	154,068	11,376	227,544
Credit card and other service expense	161,270	30,236	26,425	217,931	-	-	217,931
Conferences, education, and training	-	156,359	807	157,166	20,391	20,391	197,948
Insurance expense	122,103	18,609	-	140,712	6,620	6,620	153,952
Operating lease expense	562	21,988	950	23,500	1,158	7,392	32,050
Marketing expense	888	3,869	4,118	8,875	96,147	-	105,022
Rent expense	1,170	44,982	1,971	48,123	2,402	15,337	65,862
Automobile expense	14,029	52,506	1,224	67,759	5,997	5,997	79,753
Miscellaneous expense	10,075	31,319	1,483	42,877	6,586	6,971	56,434
Membership and subscription	1,417	8,490	1,186	11,093	3,142	5,168	19,403
Interest on lease liability	-	634	-	634	-	-	634
Total expenses before depreciation and operating lease eliminations	2,238,476	7,022,524	780,683	10,041,683	1,288,260	1,150,060	12,480,003
Depreciation expense	1,064	2,541,772	-	2,542,836	34,781	35,174	2,612,791
Total expenses	\$ 2,239,540	\$ 9,564,296	\$ 780,683	\$ 12,584,519	\$ 1,323,041	\$ 1,185,234	\$ 15,092,794
Percentage of total expenses	15%	63%	5%	83%	9%	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, 2021*

	<b>Truck Community &amp; Outreach</b>	<b>Community First! Village</b>	<b>Community Works</b>	<b>Total Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
Payroll and benefits expenses	\$ 1,075,673	\$ 1,879,365	\$ 326,315	\$ 3,281,353	\$ 547,450	\$ 627,299	\$ 4,456,102
Facility expense	309,294	1,265,718	103,324	1,678,336	28,580	32,747	1,739,663
Professional services expense	92,667	332,084	7,856	432,607	32,060	45,175	509,842
IT expenses	263,196	52,443	14,260	329,899	76,712	85,190	491,801
Food	349,573	59,075	6,217	414,865	12,600	14,438	441,903
Residents home expense	22,057	341,666	20,996	384,719	-	-	384,719
Interest expense	-	365,916	-	365,916	-	-	365,916
Contract labor	45,053	176,861	65,743	287,657	-	-	287,657
Program supply expense	48,160	183,378	26,480	258,018	746	4,459	263,223
Credit card and other service expense	168,589	29,780	18,279	216,648	-	-	216,648
Conferences, education, and training	38	115,480	2,237	117,755	21,545	21,545	160,845
Printing and office supply expense	72,559	17,005	7,652	97,216	49,574	10,926	157,716
Insurance expense	103,479	15,891	-	119,370	8,892	8,892	137,154
Rent expense	-	49,109	1,832	50,941	-	21,698	72,639
Miscellaneous expense	789	33,989	699	35,477	5,919	10,286	51,682
Automobile expense	10,598	30,174	381	41,153	4,109	4,109	49,371
Marketing expense	395	528	648	1,571	34,414	-	35,985
Membership and subscription	4,065	7,620	5,704	17,389	1,824	10,078	29,291
Total expenses before depreciation	2,566,185	4,956,082	608,623	8,130,890	824,425	896,842	9,852,157
Depreciation expense	-	2,333,580	-	2,333,580	4,752	5,451	2,343,783
Total expenses	\$ 2,566,185	\$ 7,289,662	\$ 608,623	\$ 10,464,470	\$ 829,177	\$ 902,293	\$ 12,195,940
<b>Percentage of total expenses</b>	21%	60%	5%	86%	7%	7%	100%

*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, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 87,975,145	\$ 21,725,022
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,612,791	2,343,783
Contributions restricted for property and equipment	(89,460,107)	(22,826,216)
Debt issuance costs - interest expense	20,930	126,260
Change in allowance for uncollectible receivables	(157,646)	386,002
Non-cash donations of property and equipment	(50,228,767)	(50,617)
Non-cash donations of common stock	(1,666,515)	(1,083,910)
Amortization of operating right-of-use assets	21,372	-
(Gains) losses on sales/disposals of property and equipment, net	(707)	44,373
(Gains) losses on sales of donated common stock, net	8,781	(8,502)
(Increase) decrease in operating assets:		
Other current assets	(1,425,597)	(70,407)
Accrued interest receivable	(471,718)	-
Other receivables	(12,561)	(48,397)
Inventory	(5,830)	(30,851)
Prepaid expenses	913	(58,632)
Pledges receivable	237,755	149,637
Security deposit	800	-
Increase (decrease) in operating liabilities:		
Accounts payable	(1,028,574)	957,643
Accrued payroll expenses	20,587	28,827
Other current liabilities	9,456	(1,218)
Deferred rental income	(6,186)	11,498
Operating lease liability	(21,372)	-
Security deposit liabilities	35,346	33,098
Net cash provided by (used in) operating activities	(53,541,704)	1,627,393
<b>Cash flows from investing activities:</b>		
Proceeds from sale of donated common stock	1,654,682	1,096,718
Purchases of investments, net	(37,689,702)	(5,796,864)
Purchases of property and equipment	(4,268,144)	(5,758,184)
Proceeds from sale of property and equipment	21,950	10,475
Collections of notes receivable	1,450	3,323
Issuance of notes receivable	-	(1,655)
Net cash used in investing activities	(40,279,764)	(10,446,187)

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

Consolidated Statements of Cash Flows (continued)

*For the Years Ended December 31, 2022 and 2021*

	2022	2021
<b>Cash flows from financing activities:</b>		
Collections on contributions restricted for property and equipment	82,843,354	18,789,759
Repayments of notes payable	-	(2,997,792)
Net cash provided by financing activities	82,843,354	15,791,967
Change in cash and cash equivalents	(10,978,114)	6,973,173
Cash and cash equivalents, beginning of the year	16,487,353	9,514,180
Cash and cash equivalents, end of the year	\$ 5,509,239	\$ 16,487,353
 Cash and cash equivalents consist of:		
Cash and cash equivalents without donor restrictions	\$ 3,088,310	\$ 5,932,873
Cash and cash equivalents with donor restrictions	2,420,929	11,462,152
Total cash and cash equivalents	\$ 5,509,239	\$ 17,395,025
 <b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 208,289	\$ 244,461
 <b>Non-cash investing activities:</b>		
Initial adoption of lease standard to record right-of-use assets under lease obligations	\$ 94,704	\$ -
Sale of property and equipment through notes receivable	\$ 6,200	\$ -

*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, 2022 and 2021*

**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: 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 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 fringes 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 recently acquired 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.

Twenty-five years 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, 2022 and 2021*

**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 18 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, 2022 and 2021*

**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, 2022 and 2021. 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 2021, 2020, and 2019 for MLF, Inc. are open to examination by the IRS as of December 31, 2022. MLF SC's first two Forms 990 for 2021 and 2020 are open to examination by the IRS as of December 31, 2022.

**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 25, 2023, the date the consolidated financial statements were available to be issued.

**Reclassifications**

Certain 2021 amounts have been reclassified to conform to the 2022 consolidated financial statement presentation. These reclassifications have no effect on the 2021 reported change in net assets.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**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, accrued interest receivable, cash and cash equivalents with donor restrictions, pledges receivable with donor restrictions, accounts payable, accrued payroll expenses, other current liabilities, operating lease liability, and security deposit 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, 2022 and 2021, 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, 2022 and 2021, investments consisted of common stock, money market funds, and U.S. treasury bills valued at \$47,055,632 and \$9,362,878, 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, 2022 and 2021*

**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 \$5,000 (2,500 prior to January 1, 2022) 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 9). 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 9).

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, 2022 and 2021 totaled \$20,930 and \$126,260, 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, 2022 and 2021, intentions to give totaled \$400,000 and \$450,000, respectively.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**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, 2022 and 2021.

**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, 2022 and 2021. 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 29,160 and 23,540 volunteers have contributed their time to MLF during the years ended December 31, 2022 and 2021, 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  
Mobile Loaves & Fishes Support Corporation

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

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

**Change in Account Principle**

Effective January 1, 2022, MLF adopted FASB ASC 842, Leases. MLF determines if an arrangement contains a lease at inception based on whether the organization has the right to control the asset during the contract period and other facts and circumstances. MLF elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets, net of prepaid lease payments and lease incentives, of \$94,704 and operating lease liabilities of \$94,704 as of January 1, 2022. Results for periods beginning prior to January 1, 2022, continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on MLF's consolidated statements of activities or cash flows. See Note 11 for additional information.

**Note 3 – Prior Period Adjustment**

During 2022, management discovered that depreciation expense and accumulated depreciation were understated on the consolidated financial statements for the year ended December 31, 2021 due to the Land Improvement asset class being assigned a useful life of 39.5 years instead of 15 years, as was deemed most appropriate. The 2021 consolidated financial statements have been restated to reflect a \$286,734 increase in depreciation expense and accumulated depreciation, as well as a decrease in net assets without donor restrictions of the same amount.

**Note 4 – 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, 2022 and 2021, MLF had \$3,459,540 and \$5,726,034, respectively, in uninsured balances. MLF has not experienced any losses in such accounts in the past.

MLF received approximately 83% and 59% of their total support and income from their Capital Campaign – Ten Year Plan support during the years ended December 31, 2022 and 2021, respectively.

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

Notes to Consolidated Financial Statements (continued)

*For the Years Ended December 31, 2022 and 2021*

**Note 5 – Pledges Receivable**

Pledges receivable are due over various years and are summarized at December 31, 2022 and 2021 as follows:

	<b>2022</b>	<b>2021</b>
Due within one year	\$ <b>6,773,992</b>	\$ 6,323,583
Due between one and five years	<b>9,612,440</b>	3,206,096
Due in more than five years	-	240,000
Discount to present value	<b>(364,219)</b>	(126,464)
Allowance for uncollectible receivables	<b>(819,322)</b>	(976,968)
Total pledges receivable, net	<b>\$ 15,202,891</b>	\$ 8,666,247

Pledges receivable has been analyzed and a reasonable allowance for uncollectible contributions has been made. Receivable balances have been discounted to their present values at December 31, 2022 and 2021, assuming an interest rate of 2.0%.

**Note 6 – 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, 2022 and 2021 consisted of the following:

	<b>2022</b>	<b>2021</b>
Date of note: 8/2/2022, amount of note: \$2,300, interest 0%, payment terms include monthly of \$192 starting 1/1/2023 and ending 12/1/2023.	<b>\$ 2,300</b>	\$ -
Less current portion	<b>(2,300)</b>	-
Noncurrent portion	<b>\$ -</b>	\$ -
Date of note: 10/10/2022, amount of note: \$3,900, interest 0%, payment terms include monthly payments of \$279 starting 3/1/23 and ending 5/1/2024.	<b>\$ 3,900</b>	\$ -
Less current portion	<b>(2,786)</b>	-
Noncurrent portion	<b>\$ 1,114</b>	\$ -

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.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 6 – Notes Receivable (continued)**

**Notes Receivable – Neighbors (continued)**

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.

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 balance as of December 31, 2021 and all remaining payments were received in 2022.

Date of note 4/26/2021, amount of note: \$1,655, interest 0%, payment terms include monthly payments of \$50 starting 4/30/21 and ending 3/6/22. \$250 balance as of December 31, 2021 and all remaining payments were received in 2022.

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

**Year Ending December 31,**

2023	\$ 5,086
2024	1,114
Total	\$ 6,200

**Notes Receivable - NMTC**

In connection with the NMTC transaction as disclosed in Note 18, 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.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 7 – Property and Equipment**

At December 31, 2022 and 2021, property and equipment consisted of the following:

	<b>2022</b>	<b>2021</b>
Land	\$ <b>52,676,440</b>	\$ 3,496,440
Land improvements	<b>12,074,173</b>	13,265,907
Equipment	<b>1,891,689</b>	1,827,613
Furniture and fixtures	<b>244,371</b>	140,979
Buildings	<b>11,184,768</b>	10,556,790
Microhomes	<b>6,826,439</b>	3,854,883
Trailers	<b>6,628,222</b>	5,384,471
Vehicles	<b>1,213,566</b>	1,043,821
CIP: Community First! Village	<b>4,574,067</b>	3,485,755
Total cost	<b>97,313,735</b>	43,056,659
Less: accumulated depreciation	<b>(10,883,758)</b>	(8,483,359)
Property and equipment, net	<b>\$ 86,429,977</b>	\$ 34,573,300

Depreciation expense totaled \$2,612,791 and \$2,343,783, respectively, for the years ended December 31, 2022 and 2021.

For the years ended December 31, 2022 and 2021, MLF made purchases of property and equipment totaling \$4,268,144 and \$5,758,184, respectively. Additionally, MLF received donations of property and equipment totaling \$50,228,767 and \$50,617 for the years ended December 31, 2022 and 2021, respectively. During both December 31, 2022 and 2021, 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.

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

In 2021, MLF entered into a construction contract to build the Community First Living Room Building within Phase II with Contractor #1 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, 2022 and 2021, MLF incurred and paid \$1,180,341 and \$774,082, respectively, to Contractor #1.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 7 – Property and Equipment (continued)**

In November 2020, MLF entered into a construction contract with Contractor #2 to build an additional three outdoor kitchens and three laundry, restroom, shower facilities totaling \$1,339,122. During the years ended December 31, 2022 and 2021, MLF incurred and paid \$0 and \$1,189,898, respectively, to Contractor #2. The construction by Contractor #2 was completed in December 2021.

In 2022, MLF entered into a construction contract to build ten homes in the MLF Community First Village within Phase II with Contractor #3 with a maximum construction fee of \$1,550,000. The contract 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, 2022, MLF incurred and paid \$0 to Contractor #3.

**Note 8 – 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 second line of credit (standby) was for \$600,000 which was set to automatically renew each year as part of the NMTC transaction. The \$600,000 line of credit expired November 10, 2022 and was not renewed. During the years ended December 31, 2022 and 2021, MLF, Inc. made no draws, respectively, on either of the line of credits. There were no outstanding balances at December 31, 2022 and 2021.

**Note 9 – Notes Payable**

**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, 2022 and 2021, 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, 2022 and 2021, 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.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 9 – Notes Payable (continued)**

**Notes Payable – NMTC (continued)**

At December 31, 2022 and 2021, the balance of unamortized debt issuance costs relating to the four notes payable – NMTC totaled \$648,834 and \$669,764, respectively.

**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 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. 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 was then secured by Phase I property. Quarterly principal payments of \$250,000 was then set to begin in March 2023 and continue until September 2025. Interest on the outstanding and unpaid principal balance of the note would 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. Construction loan #1 was paid in full during the year ended December 31, 2021. This loan agreement expired and the lien on the Phase I property was released.

Future maturities of notes payable at December 31, 2022 are as follows:

<b><i>Year Ending December 31,</i></b>	
2023	\$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	<u>16,827,000</u>
Total	<u>\$ 16,827,000</u>



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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 10 – 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 in the case of a Pandemic. However, no adjustments have been made to these consolidated financial statements as a result of this uncertainty.

**Note 11 – Leasing Activities**

**Operating Leases**

MLF entered into various operating lease agreements set to expire at various dates through December 2025.

The following summarizes the line items in the consolidated statements of financial position for the operating leases as of December 31, 2022:

Operating leases:	
Operating right-of-use asset	<u>\$ 73,332</u>
Operating lease liability – short-term	\$ 29,843
Operating lease liability – long-term	<u>43,489</u>
Total operating lease liabilities	<u>\$ 73,332</u>

The following summarizes the weighted-average remaining lease term and discount rate as of December 31, 2022:

Weighted-average remaining lease term:	
Operating leases	2.63 years
Weighted-average discount rate:	
Operating leases	1.44%

Future minimum lease payments to be paid on these leases are due as follows:

**Year Ending December 31,**

2023	\$ 29,011
2024	27,406
2025	<u>18,271</u>
Total	74,688
Less: Interest	<u>(1,356)</u>
Present value of lease liabilities	<u>\$ 73,332</u>

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 11 – Leasing Activities (continued)**

**Operating Leases (continued)**

The following summarizes the line items in the consolidated statements of functional expenses which include the components of lease expense for the year ended December 31, 2022:

Operating lease expense	\$ 32,050
Interest on lease liability	634
Total operating lease costs	<u>\$ 32,684</u>

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 32,684</u>

**Related Party Operating Lease:**

MLF, Inc. entered into an operating lease agreement with MLF SC set to expire in December 2045 (see Note 16).

The following summarizes the line items recorded for MLF, Inc. in the consolidating statement of financial position within the supplemental schedules for the related party operating lease as of December 31, 2022:

Operating leases:	
Operating right-of-use asset – related party	<u>\$ 14,980,110</u>
Operating lease liability – short-term – related party	\$ 152,956
Operating lease liability – long-term – related party	<u>14,827,154</u>
Total related party operating lease liabilities	<u>\$ 14,980,110</u>

The following summarizes the weighted-average remaining lease term and discount rate for the related party operating lease as of December 31, 2022:

Weighted-average remaining lease term:	
Operating leases	23 years
Weighted-average discount rate:	
Operating leases	0.12%

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 11 – Leasing Activities (continued)**

**Related Party Operating Lease (continued):**

Future minimum lease payments to be paid by MLF, Inc. on this related party operating lease is due as follows:

***Year Ending December 31,***

2023	\$	147,000
2024		147,000
2025		147,000
2026		147,000
2027		147,000
Thereafter		14,310,000
Total		15,060,000
Less: Interest		(79,889)
Present value of lease liabilities		\$ 14,980,111

The following summarizes the components of related party operating lease expense for MLF, Inc. for the year ended December 31, 2022, which is reported within the program services line item in the consolidating statement of activities within the supplemental schedules:

Operating lease expense	\$	77,491
Interest on lease liability		6,009
Total operating lease costs		\$ 83,500

The following summarizes cash flow information for MLF, Inc. related to the related party operating lease for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 83,500

**Note 12 – 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, 2022 and 2021. The value of the Fund totaled \$116,230 and \$164,825 at December 31, 2022 and 2021, respectively.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 13 – 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, 2022 and 2021, MLF received and recognized \$100,000 each year related to this pledge.

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, 2022 and 2021, the unconditional pledge receivable totaled \$0 and \$200,000, respectively.

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 years ended December 31, 2022 and 2021, contribution income of \$100,000 and \$0, respectively, was recorded related to this pledge.

During August 2022, MLF received a conditional pledge from Lennar Foundation totaling \$1,400,000 for the ICON Lennar Phase 2 Homes to be recognized in two payments. The first \$700,000 was earned and recognized during the year ended December 31, 2022 when construction commenced. The remaining \$700,000 is expected to be earned and recognized as revenues during the year ending December 31, 2023 when construction is completed.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 14 – Net Assets With Donor Restrictions**

MLF had the following net assets with donor restrictions activity for the year ended December 31, 2022:

	<u>Beginning Balance</u>	<u>Donations Received</u>	<u>Released from Donor Restrictions</u>	<u>Ending Balance</u>
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>				
Community First!	\$ 22,463,384	\$ 89,460,107	\$ (55,859,497)	\$ 56,063,994
Time restricted for future unrestricted operations	<u>60,000</u>	<u>500,000</u>	<u>(280,000)</u>	<u>280,000</u>
Total	<u>\$ 22,523,384</u>	<u>\$ 89,960,107</u>	<u>\$ (56,139,497)</u>	<u>\$ 56,343,994</u>

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

	<u>Beginning Balance</u>	<u>Donations Received</u>	<u>Released from Donor Restrictions</u>	<u>Ending Balance</u>
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>				
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	<u>90,000</u>	<u>-</u>	<u>(30,000)</u>	<u>60,000</u>
Total	<u>\$ 8,326,020</u>	<u>\$ 22,837,995</u>	<u>\$ (8,640,631)</u>	<u>\$ 22,523,384</u>

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

	<u>2022</u>	<u>2021</u>
<b>Subject to expenditure for a specified purpose:</b>		
Community First!	\$ 41,141,103	\$ 13,797,137
<b>Subject to the passage of time:</b>		
Pledges receivable for Community First!	14,922,891	8,666,247
Pledges receivable for future unrestricted operations	<u>280,000</u>	<u>60,000</u>
Total net assets with donor restrictions	<u>\$ 56,343,994</u>	<u>\$ 22,523,384</u>

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 15 – 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, 2022 and 2021 totaled \$133,352 and \$109,195, respectively.

**Note 16 – Related Party Transactions**

During 2022 and 2021, MLF, Inc. made cash contributions to MLF SC of \$750,000 and \$1,806,942, respectively.

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 1<sup>st</sup> day of March, June, September, and December at the rental amounts established in the lease agreement. Rental expense totaled \$77,491 and \$14,510, and related interest expense under FASB ASC 842 totaled \$6,009 and \$0 during the years ended December 31, 2022 and 2021, all respectively. Intercompany rental income and expense between MLF SC and MLF, Inc. will be eliminated in the consolidating statements of activities. Future minimum payment activity and other required lease disclosures on this related party operating lease are included in Note 11.

**Note 17 – Key Man Life Insurance Policy**

In June 2016, MLF acquired a \$1,000,000 life insurance policy on MLF's current CEO. MLF was paying the annual premiums and the policy period was 10 years, expiring on June 20, 2026, with the option of increasing the policy contract amount \$50,000 annually (the policy amount was \$1,000,000 through June 3, 2022). MLF was the owner/beneficiary of the policy. During the years ended December 31, 2022 and 2021, MLF paid \$5,223 and \$12,534, respectively, in insurance premiums related to this policy. On June 3, 2022, MLF released the ownership of this policy and is no longer the owner and beneficiary.

**Note 18 – 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.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 18 – New Markets Tax Credits Transaction (continued)**

**Background (continued)**

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 6 for the note receivable MLF, Inc. made as the leverage lender. See Note 9 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 9. The probability of the loans extending past the seven-year compliance period is very low.

**Note 19 – 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, 2022 and 2021, \$0 and \$750,000, respectively, has been drawn.

**Note 20 – Michael and Susan Dell Foundation Grant**

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. During 2022, MLF earned and collected \$9,921,839 from MSDF related to this grant.

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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 21 – Contributed Nonfinancial Assets and Services**

	<b>Revenue Recognized</b>	<b>Utilization in Programs/Activities</b>	<b>Donor Restrictions</b>	<b>Valuation Techniques and Inputs</b>
Land	\$ 49,180,000	Land donation (capitalized)	CF! Village Phase 3 & 4 land donations	Based on appraised value
Building materials	539,298	Building/roofing materials donated to build tiny homes (capitalized)	CF! Village Phase 2 tiny homes	Fair value
Tiny homes	317,430	Contributed tiny homes for MLF's mission, vision, and goals (capitalized)	No associated donor restrictions	Based on appraised value
Domestic Supplies	180,142	General domestic supplies (expensed)	No associated donor restrictions	Fair value
Vehicles	38,597	It is MLF's policy to sell all contributed vehicles upon finding the right buyer unless the vehicle is restricted for use in a specific program by the donor (capitalized)	No associated donor restrictions	Fair value
Food	6,715	Food donated to Truck Ministry Program to feed the homeless and working poor (expensed)	No associated donor restrictions	Fair value
Total	<u>\$ 50,262,182</u>			

**Note 22 – 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 maintained a line of credit with a bank totaling \$600,000, which it could draw upon, until the line of credit expired in November 2022.

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.



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

Notes to Consolidated Financial Statements (continued)  
*For the Years Ended December 31, 2022 and 2021*

**Note 22 – Liquidity and Availability of Financial Assets (continued)**

	<b>2022</b>	<b>2021</b>
Financial assets available:		
Cash and cash equivalents	\$ <b>3,088,310</b>	\$ 5,025,201
Current pledges receivable with donor restrictions	<b>155,000</b>	30,000
Accrued interest receivable	<b>471,718</b>	-
Other receivables collectible in less than one year	<b>106,726</b>	94,165
Investments	<b>10,348,367</b>	9,362,878
Notes receivable – current	<b>5,086</b>	1,450
Total financial assets, excluding noncurrent receivables	<b>16,508,476</b>	15,421,366
 Contractual or donor-imposed restrictions:		
With donor restrictions	-	-
 Financial assets available to meet cash needs for expenditures within one year	 <b>\$ 16,508,476</b>	 \$ 15,421,366

**Note 23 – Subsequent Event**

In January 2023, MLF entered into a note payable agreement with Travis County for a total amount of \$35,000,000 and a maturity date of January 25, 2083. Interest shall not accrue on this note unless the maturity of this note has been accelerated. The principal and interest of this note shall be due and payable upon maturity as a one-time balloon payment. Funds from the note payable agreement will be used for the Burleson expansion of Community First! Village. The Burleson Village infrastructure construction is expected to be completed in 2025.

In January 2023, MLF entered into an option to ground lease agreement with Foundation Communities, Inc. that grants Foundation Communities, Inc. an option to enter into a 99-year ground lease with MLF on 2.2 acres of land within the Burleson Village property. The option period expires in January 2024 and Foundation Communities, Inc. paid \$100 to MLF as part of this option agreement.

## **OTHER FINANCIAL INFORMATION**

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

Consolidating Statement of Financial Position  
December 31, 2022

	<u>MLF, Inc.</u>	<u>MLF SC</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,142,576	\$ 945,734	\$ -	\$ 3,088,310
Other current assets	2,333,269	-	-	2,333,269
Current pledges receivable with donor restrictions	155,000	-	-	155,000
Due from MLF, Inc.	-	10,606	(10,606)	-
Accrued interest receivable	471,718	-	-	471,718
Other receivables	106,726	-	-	106,726
Investments	10,348,367	-	-	10,348,367
Inventory	76,429	-	-	76,429
Notes receivable - neighbors - current	5,086	-	-	5,086
Prepaid expenses	89,112	-	-	89,112
Total current assets	<u>15,728,283</u>	<u>956,340</u>	<u>(10,606)</u>	<u>16,674,017</u>
Cash and cash equivalents with donor restrictions for the purchase of property and equipment	2,420,929	-	-	2,420,929
Investments with donor restrictions for the purchase of property and equipment	36,707,265	-	-	36,707,265
Pledges receivable with donor restrictions for the purchase of property and equipment, net	14,922,891	-	-	14,922,891
Noncurrent pledges receivable with donor restrictions	125,000	-	-	125,000
Construction-in-progress with donor restrictions	1,490,912	3,083,155	-	4,574,067
Notes receivable - NMTC - noncurrent	12,873,360	-	-	12,873,360
Notes receivable - neighbors - noncurrent	1,114	-	-	1,114
Property and equipment, net	66,056,999	15,798,911	-	81,855,910
Operating right-of-use assets	73,332	-	-	73,332
Operating right-of-use assets - related party	14,980,110	-	(14,980,110)	-
Total assets	<u>\$ 165,380,195</u>	<u>\$ 19,838,406</u>	<u>\$ (14,990,716)</u>	<u>\$ 170,227,885</u>
<b>Liabilities and Net Assets</b>				
Current Liabilities:				
Accounts payable	\$ 150,293	\$ 50,209	\$ -	\$ 200,502
Accrued payroll expenses	247,878	-	-	247,878
Other current liabilities	54,741	10	-	54,751
Due to MLF SC	10,606	-	(10,606)	-
Deferred rental income	28,886	-	-	28,886
Operating lease liability - short-term	29,843	-	-	29,843
Operating lease liability - short-term - related party	152,956	-	(152,956)	-
Security deposit liabilities	145,975	-	-	145,975
Total current liabilities	<u>821,178</u>	<u>50,219</u>	<u>(163,562)</u>	<u>707,835</u>
Notes payable - noncurrent portion, net of unamortized debt issuance costs	-	16,178,166	-	16,178,166
Operating lease liability - long-term	43,489	-	-	43,489
Operating lease liability - long-term - related party	14,827,154	-	(14,827,154)	-
Total liabilities	<u>15,691,821</u>	<u>16,228,385</u>	<u>(14,990,716)</u>	<u>16,929,490</u>
<b>Net Assets:</b>				
Without donor restrictions	93,344,380	3,610,021	-	96,954,401
With donor restrictions	56,343,994	-	-	56,343,994
Total net assets	<u>149,688,374</u>	<u>3,610,021</u>	<u>-</u>	<u>153,298,395</u>
Total liabilities and net assets	<u>\$ 165,380,195</u>	<u>\$ 19,838,406</u>	<u>\$ (14,990,716)</u>	<u>\$ 170,227,885</u>

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

Consolidating Statement of Activities  
For the Year Ended December 31, 2022

	<u>MLF, Inc.</u>	<u>MLF SC</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
<b>Changes in Net Assets Without Donor Restrictions:</b>				
Public support:				
Contributions	\$ 9,013,372	\$ 750,000	\$ (750,000)	\$ 9,013,372
In-kind contributions	542,883	-	-	542,883
Total public support	<u>9,556,255</u>	<u>750,000</u>	<u>(750,000)</u>	<u>9,556,255</u>
Rent income	<u>1,660,038</u>	<u>83,500</u>	<u>(83,500)</u>	<u>1,660,038</u>
Special events:				
Special events income	911,994	-	-	911,994
Special events expense	(161,763)	-	-	(161,763)
Special events, net	<u>750,231</u>	<u>-</u>	<u>-</u>	<u>750,231</u>
Micro-enterprise:				
Micro-enterprise income	291,226	-	-	291,226
Micro-enterprise expense	(367,808)	-	-	(367,808)
Micro-enterprise, net	<u>(76,582)</u>	<u>-</u>	<u>-</u>	<u>(76,582)</u>
Other program income:				
Other program income	629,109	-	-	629,109
Other program expense	(265,879)	-	-	(265,879)
Other program income, net	<u>363,230</u>	<u>-</u>	<u>-</u>	<u>363,230</u>
Other income (loss):				
Interest income	732,066	449	-	732,515
Other income	122,145	-	-	122,145
Total other income	<u>854,211</u>	<u>449</u>	<u>-</u>	<u>854,660</u>
Net assets released from donor restrictions	<u>56,139,497</u>	<u>-</u>	<u>-</u>	<u>56,139,497</u>
Total support, income, and reclassifications without donor restrictions	<u>69,246,880</u>	<u>833,949</u>	<u>(833,500)</u>	<u>69,247,329</u>
Expenses:				
Program services	12,450,778	967,241	(833,500)	12,584,519
Fundraising	1,318,508	4,533	-	1,323,041
Management and general	1,180,040	5,194	-	1,185,234
Total expenses	<u>14,949,326</u>	<u>976,968</u>	<u>(833,500)</u>	<u>15,092,794</u>
Change in net assets without donor restrictions	<u>54,297,554</u>	<u>(143,019)</u>	<u>-</u>	<u>54,154,535</u>
<b>Changes in Net Assets With Donor Restrictions:</b>				
Contributions	40,240,808	-	-	40,240,808
In-kind contributions	49,719,299	-	-	49,719,299
Net assets released from donor restrictions	(56,139,497)	-	-	(56,139,497)
Change in net assets with donor restrictions	<u>33,820,610</u>	<u>-</u>	<u>-</u>	<u>33,820,610</u>
Total change in net assets	<u>\$ 88,118,164</u>	<u>\$ (143,019)</u>	<u>\$ -</u>	<u>\$ 87,975,145</u>