LOAVES AND FISHES OF CONTRA COSTA

Financial Statements
For the year ended
June 30, 2017
(with comparative totals for June 30, 2016)

Table of Contents

SWEENEY KOVAR
ACCOUNTANTS & ADVISORS

Independent Auditor's Report

To the Board of Directors
Loaves and Fishes of Contra Costa
Martinez, California

We have audited the accompanying financial statements of Loaves and Fishes of Contra Costa (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loaves and Fishes of Contra Costa as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Loaves and Fishes of Contra Costa's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sweeney Kovar LLP

Danville, California
March 20, 2018

LOAVES AND FISHES OF CONTRA COSTA

Statement of Financial Position

As of June 30, 2017
(with comparative totals as of June 30, 2016)

	June 30, 2017				June 30, 2016
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Comparative Totals
Assets					
Cash and cash equivalents	**$ 166,834**	**$ 25,655**	**$ -**	**$ 192,489**	$ 161,413
Contribution receivable, net	**37,299**	**-**	**-**	**37,299**	92,615
Grants receivable	**3,423**	**-**	**-**	**3,423**	-
Prepaid expenses and other assets	**5,364**	**-**	**-**	**5,364**	5,429
Investments, at fair value	**179,628**	**5,805**	**159,175**	**344,608**	330,170
Property and equipment, net	**1,000,915**	**-**	**-**	**1,000,915**	1,044,687
Total Assets	**1,393,463**	**31,460**	**159,175**	**1,584,098**	$ 1,634,314
Liabilities and Net Assets					
Liabilities					
Accounts payable	**$ 1,370**	**$ -**	**$ -**	**1,370**	$ 13,861
Accrued expenses	**9,026**	**-**	**-**	**9,026**	12,370
Loan from related party	**318,909**	**-**	**-**	**318,909**	326,386
Deferred grant revenue	**-**	**-**	**-**	**-**	484
Total liabilities	**329,305**	**-**	**-**	**329,305**	353,101
Net Assets	**1,064,158**	**31,460**	**159,175**	**1,254,793**	1,281,213
Total Liabilities and Net Assets	**$ 1,393,463**	**$ 31,460**	**$ 159,175**	**$ 1,584,098**	$ 1,634,314

See accompanying notes to financial statements.

LOAVES AND FISHES OF CONTRA COSTA

Statement of Activities

For the year ended June 30, 2017
(with comparative totals as of June 30, 2016)

	2017				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	2016 Total
Revenues and Public Support					
Contributions					
Business organizations	**$ 11,457**	**$ -**	**$ -**	**$ 11,457**	$ 32,303
Religious organizations	**31,508**	**-**	**-**	**31,508**	31,939
Individuals	**335,100**	**-**	**-**	**335,100**	326,515
Foundations	**265,153**	**-**	**-**	**265,153**	274,734
Donated food	**750,406**	**-**	**-**	**750,406**	705,434
Grants					
Government	**33,437**	**-**	**-**	**33,437**	38,157
Other grants	**15,000**	**39,500**	**-**	**54,500**	9,782
Special events income	**93,935**	**-**	**-**	**93,935**	86,692
Net realized & unrealized gain (loss)	**9,879**	**14,120**	**-**	**23,999**	(2,860)
Interest and dividend income	**6,959**	**5,485**	**-**	**12,444**	12,966
Other income	**8,431**	**-**	**-**	**8,431**	6,864
Net assets released from restrictions:					
Satisfaction of usage restrictions	**82,473**	**(82,473)**	**-**	**-**	-
Total revenues	**1,643,738**	**(23,368)**	**-**	**1,620,370**	1,522,526
Expenses					
Functional activities					
Program services	**1,304,819**	**-**	**-**	**1,304,819**	1,331,499
Support services	**133,775**	**-**	**-**	**133,775**	91,595
Fundraising	**208,196**	**-**	**-**	**208,196**	182,139
Total expenses	**1,646,790**	**-**	**-**	**1,646,790**	1,605,233
Decrease in Net Assets	**(3,052)**	**(23,368)**	**-**	**(26,420)**	(82,707)
Net Assets, beginning of year	**1,067,210**	**54,828**	**159,175**	**1,281,213**	1,363,920
Net Assets, end of year	**$ 1,064,158**	**$ 31,460**	**$ 159,175**	**$ 1,254,793**	$ 1,281,213

See accompanying notes to financial statements.

LOAVES AND FISHES OF CONTRA COSTA

Statement of Functional Expenses

For the year ended June 30, 2017
(with comparative totals as of June 30, 2016)

	2017				
	Program Services	**Support Services**	**Fundraising**	**Total**	2016 Total
Functional Expenses					
Donated food	**$ 750,406**	**$ -**	**$ -**	**$ 750,406**	$ 705,434
Purchased food	**46,180**	**-**	**-**	**46,180**	58,884
Dining room supplies	**28,146**	**-**	**-**	**28,146**	32,479
Operating expenses:					
Salaries	**262,227**	**31,292**	**139,115**	**432,634**	426,159
Utilities	**32,117**	**-**	**-**	**32,117**	33,276
Depreciation expense	**-**	**43,772**	**-**	**43,772**	40,799
Payroll taxes	**27,957**	**2,688**	**10,695**	**41,340**	40,419
Rent/Use fees	**36,210**	**-**	**-**	**36,210**	39,904
Fundraising	**-**	**-**	**35,249**	**35,249**	25,585
Insurance	**8,984**	**22,249**	**-**	**31,233**	31,296
Other operating expenses	**10,682**	**7,033**	**7,047**	**24,762**	27,007
Professional services	**5,997**	**16,927**	**330**	**23,254**	16,608
Auto and travel	**13,517**	**1,024**	**5,293**	**19,834**	22,641
Workers' compensation	**17,080**	**302**	**1,286**	**18,668**	22,742
Disposal	**18,478**	**-**	**-**	**18,478**	18,025
Interest	**14,534**	**-**	**-**	**14,534**	7,846
Repair and maintenance	**12,772**	**465**	**-**	**13,237**	10,194
Supplies	**8,221**	**2,089**	**885**	**11,195**	12,504
Cleaning services	**9,063**	**-**	**-**	**9,063**	16,487
Printing	**-**	**65**	**8,296**	**8,361**	8,889
Telephone	**2,248**	**5,869**	**-**	**8,117**	8,055
Total operating expenses	**480,087**	**133,775**	**208,196**	**822,058**	808,436
Total Functional Expenses	**$ 1,304,819**	**$ 133,775**	**$ 208,196**	**$ 1,646,790**	$ 1,605,233

LOAVES AND FISHES OF CONTRA COSTA

Statement of Cash Flows

For the year ended June 30, 2017
(with comparative totals as of June 30, 2016)

	2017	2016
Cash Flows From Operating Activities		
Decrease in net assets	$ (26,420)	$ (82,707)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43,772	40,878
Net realized & unrealized gain (loss)	(23,999)	2,860
Changes in assets and liabilities:		
Contributions receivable	55,316	177,215
Grant receivable	(3,423)	-
Prepaid expenses and other assets	65	1,181
Accounts payable	(12,491)	(11,590)
Accrued payroll	(3,344)	(15,049)
Other liabilities	(484)	(9,253)
	28,992	103,535
Cash Flows From Investing Activities		
Sale of investments	22,000	15,000
Purchase of investments	(12,439)	(13,076)
Purchase of property and equipment	-	(455,830)
	9,561	(453,906)
Cash Flows From Financing Activities		
Proceeds from (payments on) related party loan	(7,477)	226,386
Increase (Decrease) in Cash and Cash Equivalents	31,076	(123,985)
Cash and Cash Equivalents, beginning of year	161,413	285,398
Cash and Cash Equivalents, end of year	$ 192,489	$ 161,413
Supplementary Information		
Cash paid for interest expense	$ 14,534	$ 7,846
Cash paid for income taxes	$ -	$ -

See accompanying notes to financial statements.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements

For the year ended June 30, 2017

1. **Organization**

Loaves and Fishes of Contra Costa were incorporated on September 2, 1983. Loaves and Fishes is a non-profit, tax-exempt public benefit corporation which provides charitable assistance to the general public by providing meals free of charge to individuals and families in need. The meals are prepared at the central catering kitchen, delivered to five dining rooms and two partner sites and served by volunteers located in Contra Costa County, California. Loaves and Fishes also provide meals to Mental Health Community Concerns and Trinity Center, which are non-profit community service programs.

2. **Summary of Significant Accounting Policies and Procedures**

Basis of Accounting
Loaves and Fishes maintains its books and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned, and expenses are recognized when incurred in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation
Loaves and Fishes prepares its financial statements following professional accounting standards where the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted
Net assets are not subject to donor-imposed stipulations. Unrestricted net assets amounted to $1,059,837 and $1,067,210 at June 30, 2017 and 2016.

Temporarily Restricted
Net assets represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be met by actions of the Loaves and Fishes pursuant to those stipulations. Temporarily restricted net assets also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Board in accordance with the Uniform Prudent Management of Institutional Fund Act (UPMIFA). Temporarily restricted net assets amounted to $31,460 and $54,828 at June 30, 2017 and 2016.

Permanently Restricted
Net assets represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity by Loaves and Fishes. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of Loaves and Fishes. Permanently restricted net assets totaled $159,175 and $159,175 at June 30, 2017 and 2016.

Income Tax Status
Loaves and Fishes has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board under sections 501(c)(3) and 23701 of the respective income tax codes and regulations, and is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. Loaves and Fishes has evaluated its current tax positions and has concluded that as of June 30, 2017 and 2016, it does not have unrelated business income and any significant uncertain tax positions for which a reserve would be necessary. Income tax returns for the years prior to 2013 for Federal (and 2012 for California) are no longer subject to examination by tax authorities.

2. Summary of Significant Accounting Policies and Procedures (continued)

Cash and Cash Equivalents
Loaves and Fishes considers bank savings and money market accounts and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash in banks is insured by the Federal Depository Insurance Corporation.

Contributions Receivable
Contributions receivable consist of contributions that are promised in one year but are not expected to be collected until after the end of that year. Such receivables are originally recorded at the present value of their estimated future cash flows.

Contributions receivable are discounted at rates commensurate with the risks involved, net of any allowance for uncollectible amounts. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history, type of contributions, past due amounts and the nature of fund-raising activity. Management believes all receivables are collectible and accordingly no allowable for doubtful accounts has been recorded.

Investments
Investments are recorded at fair value in the Statement of Financial Position. Realized and unrealized gains and losses and interest and dividend income from investments are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment
Property and equipment are stated at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets. Depreciation has been provided using the straight line method. The useful lives of the assets are forty years for the building and improvements and 5 -10 years for furniture, equipment and vehicles.

Support and Revenues
Loaves and Fishes relies on individuals, churches, businesses, grants from public and private foundations, and grants from government agencies. Public contributions are recorded upon receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted that increases those net asset classes. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Temporarily restricted donations whose restrictions are satisfied during the same reporting period are shown as unrestricted.

Unconditional promises to give due in one year or less are accounted for at face value. Unconditional promises to give due in more than one year are presented at net present value based on a reasonable estimate of the risk-free rate of returns for comparable amounts for comparable time durations.

2. **Summary of Significant Accounting Policies and Procedures (continued)**

Functional Allocation of Expenses
Loaves and Fishes allocate expenses directly to related programs or supporting services. Expenses which are applicable to several programs and supporting services are allocated among the programs based upon time expended and management estimates.

Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Concentrations
Financial instruments that potentially subject Loaves and Fishes to credit risk consist primarily of cash, cash equivalents, and endowment investments. Loaves and Fishes maintains cash and cash equivalents with major financial institutions, which may exceed federally and privately insured amounts at times. Loaves and Fishes does not believe that it is exposed to any significant credit risk on uninsured amounts. At June 30, 2017 and 2016, Loaves & Fishes did not exceed the FDIC limit of $250,000 per banking institution.

The majority of donated food received by Loaves and Fishes is from the Food Bank. Although Loaves and Fishes does not believe that it is exposed to any significant risk in the near-term, a disruption in the volume of donated food from this source would have a significant impact on operations.

Loaves and Fishes' endowment investments have been placed with a major custodian, Wells Fargo Advisors. Loaves and Fishes closely monitors these endowment investments and its accounts and has not experienced significant credit losses. As of June 30, 2017 and 2016, the following endowment investments equal or exceed 5% of the fair market value of total endowment investments:

	2017	2016
Vanguard Balanced Index Fund	53%	56%
American Balanced Fund	18%	16%
Washington Mutual Investors Fund	9%	9%
AMPCAP Fund	7%	9%
Fundamental Investors	7%	5%

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2017

3. **Contributions Receivable**

Contributions receivable at June 30, 2017 consisted of the following:

Due in 2018	**$ 7,563**
Due in 2019	**7,563**
Due in 2020	**7,563**
Due in 2021	**7,563**
Due in 2022	**7,563**
Thereafter	**2,700**
	40,515
Present value discount at 2%	**(3,216)**
	$ 37,299

Loaves and Fishes will receive $7,563 annually from a donor over the next 7 years ending in fiscal year 2023.

4. **Property and Equipment**

Property and equipment balances are summarized below as of June 30, 2017 and 2016:

	2017	2016
Land	**$ 29,192**	$ 29,192
Building and improvements	**1,130,456**	1,130,456
Construction in progress	**-**	2,679
Furniture and equipment	**191,392**	188,713
Vehicles	**121,551**	121,551
Total cost	**1,472,591**	1,472,591
Less: accumulated depreciation	**(471,676)**	(427,904)
	$ 1,000,915	$ 1,044,687

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2017

5. **Investments**

Investments, at fair value, at June 30, 2017 and 2016 were comprised of:

	2017	2016
Money market funds	**$ 7**	$ 22
Mutual funds		
Fixed Income - US	**47,439**	47,503
Equity - US	**61,891**	60,345
Equity - Global	**67,880**	56,951
Fixed Income / Equity - US	**167,391**	165,349
	$ 344,608	$ 330,170

Investment income for the years ended June 30, 2017 and 2016 consists of:

	2017	2016
Interest and dividend income	**$ 12,444**	$ 12,966
Net realized & unrealized gain (loss)	**23,999**	(2,860)

Included in the investments above is $159,175 of permanently restricted endowment funds in 2017 and 2016 (see Note 6). GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Unadjusted quoted prices in active markets for identical assets as of the reporting date.

Level 2 – Observable, either directly or indirectly, pricing inputs other than quoted prices for identical assets as of reporting date. Fair value is determined through observable trading activity reported at net asset value (NAV) or through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. Loaves and Fishes used appropriate valuation techniques based on the available inputs to measure the fair value of its assets. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2017

5. **Investments (continued)**

Loaves and Fishes' investments are reported at fair value in the accompanying statement of financial position. In 2017 and 2016, all investments for Loaves & Fishes were Level 1 inputs. The following table presents the fair value measurement information for certain investment assets as of June 30, 2017 and 2016:

	General Investment	Endowment Investment	Total Investment
June 30, 2017			
Money market fund	**$ -**	**$ 7**	**$ 7**
Mutual funds			
Fixed Income - US	**47,439**	**-**	**47,439**
Equity - US	**35,871**	**26,020**	**61,891**
Equity - Global	**45,941**	**21,939**	**67,880**
Fixed Income / Equity - US	**50,377**	**117,014**	**167,391**
Total	**$ 179,628**	**$ 164,980**	**$ 344,608**
June 30, 2016			
Money market fund	$ 1	$ 21	$ 22
Mutual funds			
Fixed Income - US	47,503	-	47,503
Equity - US	31,029	29,316	60,345
Equity - Global	38,636	18,315	56,951
Fixed Income / Equity - US	45,626	119,723	165,349
Total	$ 162,795	$ 167,375	$ 330,170

6. **Donated Food and Services**

The value of donated food is based on estimates using amounts collected and the value per pound set by the Federal Emergency Management Agency ("FEMA") food bank and other estimation factors. Total donated food estimated by management amounted to $750,406 in 2017 and $705,434 in 2016.

A large number of people have contributed significant amounts of time to the activities of Loaves and Fishes, primarily serving and driving, without compensation. Under GAAP for nonprofits, donated services are recorded as contributions at the estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. The volunteers for Loaves and Fishes did not perform such specialized services in 2017 and 2016. As a result, no amounts for volunteer time are recorded in the accompanying financial statements.

7. Endowment

Permanently restricted donations totaling $159,175 have been made to Loaves and Fishes since inception (none in 2017 and 2016).

In accordance with California state law (UPMIFA), Loaves and Fishes has classified as permanently restricted the fair value of donations restricted by donors to be held as endowments in perpetuity. The Board has interpreted the state law as requiring preservation of the fair value of the original endowment gifts, as of the gift date, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, Loaves and Fishes classify as permanently restricted the original value of gifts made to the permanent endowment.

Any unappropriated earnings of the permanently restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Loaves and Fishes. Loaves and Fishes has established a policy to appropriate for expenditure all interest and dividends paid on investments. From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors required to be retained as a fund of perpetual duration. In accordance with GAAP, declines of this nature are reported as losses in unrestricted net assets. As values recover, the increases are reported as unrestricted gains. As of June 30, 2017, Loaves and Fishes had no such declines in values. Loaves and Fishes has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return that is expected to meet or exceed the rate of inflation as measured by the Consumer Price Index. Actual results during any period may vary from these expectations. Loaves and Fishes relies on total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance among equity investments.

The Board of Loaves and Fishes utilizes the following seven factors in determining the spending limit for the year in connection with the endowment funds:

1. General economic conditions
2. Possible effects of inflation
3. Where applicable, the expected tax consequences of particular investments
4. The role of each investment in the context of the entire portfolio
5. Total realized and projected current return and capital appreciation
6. Availability of other resources (such as current income and other non-investment assets) of the charity to meet projected budgetary requirements.
7. The charity's projected need for distributions from investment assets to meet current and projected operational requirements.

The total amount appropriated for spending totaled $82,473. Additionally, for the year ended June 30, 2017, the Board approved two transfers of $11,000 in cumulative earnings from the endowment to assist with operational expenses.

7. **Endowment (continued)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ -**	**$ 159,175**	**$ 159,175**
Spending restrictions on investment earnings from endowment funds	**-**	**5,805**	**-**	**5,805**
Total funds	**$ -**	**$ 5,805**	**$ 159,175**	**$ 164,980**

Endowment Net Asset Composition by Type of Fund
As of June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 159,175	$ 159,175
Spending restrictions on investment earnings from endowment funds	-	8,200	-	8,200
Total funds	$ -	$ 8,200	$ 159,175	$ 167,375

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

Permanently restricted net assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	**$ 159,175**

Temporarily restricted net assets

The portion of perpetual endowment funds subject to a time restriction under UPMIFA

Without purpose restrictions	**$ -**
With purpose restrictions	**5,805**
	$ 5,805

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2017

7. **Endowment (continued)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
June 30, 2015	$ -	$ 17,529	$ 159,175	$ 176,704
Investment return:				
Interest and dividend income	-	6,151	-	6,151
Net realized & unrealized gain (loss)	-	(480)	-	(480)
Contributions	-	-	-	-
Appropriation of endowment				
assets for expenditure	9,584	(9,584)	-	-
Earnings transferred out of endowment	(9,584)	(5,416)		(15,000)
Endowment net assets				
June 30, 2016	**-**	**8,200**	**159,175**	**167,375**
Investment return:				
Interest and dividend income	**-**	**5,485**	**-**	**5,485**
Net realized & unrealized gain (loss)	**-**	**14,120**	**-**	**14,120**
Contributions	**-**	**-**	**-**	**-**
Appropriation of endowment				
assets for expenditure	**8,484**	**(8,484)**	**-**	**-**
Earnings transferred out of endowment	**(8,484)**	**(13,516)**	**-**	**(22,000)**
Endowment net assets,				
June 30, 2017	**$ -**	**$ 5,805**	**$ 159,175**	**$ 164,980**

8. **Lease Obligations**

Loaves and Fishes has one long-term lease non-cancellable lease agreement for one of the dining room locations. As of June 30, 2017, future minimum lease payments required under this lease is as follows:

2018	$ 9,600
2019	9,600
2020	9,600
2021	-
2022	-
	$ 28,800

8. **Lease Obligations (continued)**

Loaves and Fishes leases space (under short-term cancellable leases) from various churches, generally under month-to-month or occupancy arrangements that include stable rent and variable utilities at an aggregate amount of $1,525 at June 30, 2017. Total rent expense was $36,210 in 2017 and $0 in 2016.

9. **Loan From Related Party**

In December 2015, Loaves and Fishes purchased the Martinez building from the Ludell Deutscher Family Charitable Trust. A Board member of Loaves and Fishes serves as the trustee of the Trust. Loaves and Fishes paid $98,197 cash down with a promissory note payable to the Trust for $330,000. Interest is accrued at 4.5% per annum. LFCC is obligated to pay $1,834 per month beginning February 2016 through January 2023, at which time the entire remaining principal balance along with corresponding interest is due.

As of June 30, 2017, future minimum loan payments required under this note is as follows:

2018	$	7,820
2019		8,179
2020		8,555
2021		8,948
2022		9,359
Thereafter		276,047
	$	318,909

10. **Subsequent Events**

Subsequent to year-end, management discovered that the Organization's office manager misappropriated $14,831 in monies from Loaves and Fishes. As of the current period, management was able to recover $13,955 from the bank. With the exception of the above-mentioned item, Loaves and Fishes' management determined that there are no material events that occurred subsequent to the statement of financial position date of June 30, 2017 and through March 20, 2018, the date of this report, which would require adjustment or disclosure in the financial statements.