

**MOBILE MEALS OF SOUTHERN ARIZONA, INC.
INDEX TO AUDITED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mobile Meals of Southern Arizona, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of Mobile Meals of Southern Arizona, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 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 Mobile Meals of Southern Arizona, Inc. as of September 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.

Prior Period Financial Statements

The financial statements of Mobile Meals of Southern Arizona, Inc., as of September 30, 2016, were audited by other auditors whose report dated February 2, 2017, expressed an unmodified opinion on those statements.

February 12, 2018

Addington & Associates, PLLC

ADDINGTON & ASSOCIATES, PLLC

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 50,943	\$ 34,055
Investments	1,323,100	1,216,489
Accounts receivable	14,728	17,318
Grants receivable	14,083	8,667
Prepaid expenses and other assets	9,501	7,572
Furniture and equipment	8,389	2,396
	\$ 1,420,744	\$ 1,286,497
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 20,792	\$ 43,377
Accrued expenses	13,372	8,061
	34,164	51,438
Net assets:		
Unrestricted:		
Undesignated	542,269	430,859
Board designated, contingency fund	100,000	100,000
Board designated, quasi-endowment	633,195	590,909
	1,275,464	1,121,768
Temporarily restricted	60,570	62,745
Permanently restricted	50,546	50,546
	1,386,580	1,235,059
	\$ 1,420,744	\$ 1,286,497

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

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Government grants	\$ 85,244	\$ -	\$ -	\$ 85,244
Contributions:				
Individual	132,526	50	-	132,576
Corporate/Organization	21,095	1,000	-	22,095
Foundation	152,283	-	-	152,283
In-kind contributions	16,148	-	-	16,148
Special events, net of direct donor benefit costs of \$3,755	10,609	11,340	-	21,949
Revenue:				
Fees for meals	130,235	-	-	130,235
Investment income	111,827	4,635	-	116,462
	<u>659,967</u>	<u>17,025</u>	<u>-</u>	<u>676,992</u>
Net assets released from restriction	19,200	(19,200)	-	-
Total public support and revenue	<u>679,167</u>	<u>(2,175)</u>	<u>-</u>	<u>676,992</u>
Expenses:				
Program services	427,858	-	-	427,858
General and administrative	58,031	-	-	58,031
Fundraising	39,582	-	-	39,582
Total expenses	<u>525,471</u>	<u>-</u>	<u>-</u>	<u>525,471</u>
Change in net assets	153,696	(2,175)	-	151,521
Net assets, beginning of year	1,121,768	62,745	50,546	1,235,059
Net assets, end of year	<u>\$ 1,275,464</u>	<u>\$ 60,570</u>	<u>\$ 50,546</u>	<u>\$ 1,386,580</u>

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

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Government grants	\$ 80,020	\$ -	\$ -	\$ 80,020
Employee giving	5,477	-	-	5,477
Contributions:				
Individual	82,116	50	-	82,166
Corporate/Organization	19,445	1,000	-	20,445
Foundation	133,750	-	-	133,750
In-kind contributions	22,971	-	-	22,971
Special events, net of direct donor benefit costs of \$3,425	18,072	18,200	-	36,272
Revenue:				
Fees for meals	154,031	-	-	154,031
Investment income	74,457	3,267	-	77,724
	<u>590,339</u>	<u>22,517</u>	<u>-</u>	<u>612,856</u>
Net assets released from restriction	23,105	(23,105)	-	-
Total public support and revenue	<u>613,444</u>	<u>(588)</u>	<u>-</u>	<u>612,856</u>
Expenses:				
Program services	474,106	-	-	474,106
General and administrative	55,460	-	-	55,460
Fundraising	70,355	-	-	70,355
Total expenses	<u>599,921</u>	<u>-</u>	<u>-</u>	<u>599,921</u>
Change in net assets	13,523	(588)	-	12,935
Net assets, beginning of year	1,108,245	63,333	50,546	1,222,124
Net assets, end of year	<u>\$ 1,121,768</u>	<u>\$ 62,745</u>	<u>\$ 50,546</u>	<u>\$ 1,235,059</u>

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

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 484	\$ 642	\$ 562	\$ 1,688
Bad debt	5,651	-	-	5,651
Bank charges	-	140	-	140
Computer expenses	1,628	1,973	25	3,626
Conferences and seminars	1,803	569	-	2,372
Depreciation	1,342	447	-	1,789
Direct donor benefit costs	-	-	3,755	3,755
Dues and subscriptions	721	562	711	1,994
Equipment rental	1,732	141	117	1,990
Insurance and bond expense	9,445	3,502	-	12,947
Investment fees	-	150	-	150
Meals expense	181,341	-	-	181,341
Meetings and training	180	266	133	579
Miscellaneous expense	3,486	41	15	3,542
Office supplies	4,063	2,094	1,004	7,161
Postage and printing	4,105	529	2,411	7,045
Professional services	26,003	8,284	2,400	36,687
Program supplies	14	-	-	14
Rent	19,315	2,702	-	22,017
Telephone	1,192	132	-	1,324
Travel	31,399	2	-	31,401
Volunteer/staff recognition	1,349	299	-	1,648
Wages and benefits	132,605	35,706	32,204	200,515
Total functional expenses	<u>427,858</u>	<u>58,181</u>	<u>43,337</u>	<u>529,376</u>
Less investment fees netted against revenues	-	(150)	-	(150)
Less direct donor benefit costs netted against revenues	-	-	(3,755)	(3,755)
Total expenses	<u>\$ 427,858</u>	<u>\$ 58,031</u>	<u>\$ 39,582</u>	<u>\$ 525,471</u>

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

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ 585	\$ 7,145	\$ 7,730
Bad debt	6,293	-	-	6,293
Bank charges	976	867	619	2,462
Computer expenses	2,041	670	70	2,781
Conferences and seminars	1,153	582	388	2,123
Depreciation	2,669	1,808	59	4,536
Direct donor benefit costs	-	-	3,425	3,425
Dues and subscriptions	705	241	183	1,129
Equipment rental	2,343	234	1,683	4,260
Insurance and bond expense	10,284	1,949	-	12,233
Investment fees	-	150	-	150
Meals expense	206,519	-	-	206,519
Meetings and training	1,443	1,164	208	2,815
Miscellaneous expense	4,796	-	1,459	6,255
Office supplies	3,223	648	1,646	5,517
Postage and printing	8,237	1,232	3,915	13,384
Professional services	29,283	7,066	2,180	38,529
Program supplies	85	-	-	85
Rent	19,249	2,544	-	21,793
Telephone	739	81	-	820
Travel	32,849	2	73	32,924
Volunteer/staff recognition	3,634	-	-	3,634
Wages and benefits	137,585	35,787	50,727	224,099
Total functional expenses	<u>474,106</u>	<u>55,610</u>	<u>73,780</u>	<u>603,496</u>
Less investment fees netted against revenues	-	(150)	-	(150)
Less direct donor benefit costs netted against revenues	-	-	(3,425)	(3,425)
Total expenses	<u>\$ 474,106</u>	<u>\$ 55,460</u>	<u>\$ 70,355</u>	<u>\$ 599,921</u>

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

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 151,521	\$ 12,935
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,789	4,536
Unrealized (gains) losses on investments	(84,358)	(36,380)
(Increase) decrease in operating assets:		
Accounts receivable	2,590	3,538
Grants receivable	(5,416)	5,127
Prepaid expenses and other assets	(1,929)	(544)
Increase (decrease) in operating liabilities:		
Accounts payable	(22,585)	17,660
Accrued expenses	5,311	(8,025)
Net cash provided by (used in) operating activities	46,923	(1,153)
 Cash flows from investing activities:		
Purchase of fixed assets	(7,782)	-
Proceeds from sale of purchased marketable securities	10,000	50,000
Purchases of investments and reinvested dividends	(32,253)	(41,494)
Net cash provided by (used in) investing activities	(30,035)	8,506
 Change in cash and cash equivalents	16,888	7,353
 Cash and cash equivalents, beginning of year	34,055	26,702
 Cash and cash equivalents, end of year	\$ 50,943	\$ 34,055

Supplemental cash flow information:

No cash paid for interest or income taxes in 2017 or 2016.

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

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

1. Organization

Nature of operations

Mobile Meals of Southern Arizona, Inc. (Mobile Meals), which changed its name from Mobile Meals of Tucson, Inc. on May 25, 2017, is an Arizona nonprofit charitable corporation, which provides in-home meal delivery for qualified individuals with medically restricted diets in the greater Tucson area. Mobile Meals provides services primarily with volunteers. Funding is principally from donations and client fees. Mobile Meals' major program is as follows:

Meal delivery -This is a volunteer-based program that preserves the health, dignity and independence of homebound adults by delivering special diet meals. Clients are eligible if they are homebound, have special dietary needs and are unable to cook or shop for themselves. Clients are provided with two meals a day, Monday through Friday, usually one hot and one cold meal. Meals are prepared by nine different local healthcare facilities.

2. Summary of significant accounting policies

Financial statement presentation

Mobile Meals is required under generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with an original maturity of three months or less. Mobile Meals had no uninsured cash at September 30, 2017.

Investments

Investments are valued at fair market value. Donated investments are recorded at fair market value at the date of gift.

Accounts receivable

Accounts receivable are stated at the amount that Mobile Meals expects to collect from meal recipients on outstanding balances. Management believes that all such receivables are fully collectible and, accordingly, has recorded no valuation allowance.

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016 - continued

2. Summary of significant accounting policies - continued

Furniture and equipment

Purchased furniture and equipment are carried at cost. Donated furniture and equipment are carried at the approximate fair value at the date of donation. Mobile Meals capitalizes purchases in excess of \$500 with a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Accrued leave

Accrued leave is reported as a liability when earned by the employees since the employees receive vested rights to this employee benefit.

Restricted and unrestricted revenue and support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Endowments

Mobile Meals' endowments consist of two individual funds established under either donor restriction or as designated by the Board of Directors to ensure support for future operations. As required by generally accepted accounting principles, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona adopted the Prudent Management of Institutional Funds Act (PMIFA) (the Act). The Board of Directors of Mobile Meals has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Mobile Meals classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, Mobile Meals considers the following factors in making a determination to appropriate or accumulate endowment funds:

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016 - continued

2. Summary of significant accounting policies - continued

Endowments - continued

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Functional expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated materials and services

Donated materials are recorded at estimated fair market value when received. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

No amounts have been reflected in the statements for donated services, although a substantial number of volunteers have donated significant amounts of their time in program services, because the aforementioned criteria has not been met.

Income tax status

Mobile Meals is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Mobile Meals' tax-exempt purpose may be subject to taxation as unrelated business income. In addition, Mobile Meals qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Advertising expense

Advertising costs are expensed as incurred.

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016 - continued

3. Fair value measurements and investments

Fair value measurements are determined based on the assumptions, referred to as inputs, that market participants would use in pricing the asset. The fair value hierarchy distinguishes between market participant assumptions and Mobile Meals' own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources; while unobservable inputs are Mobile Meals' own assumptions about what market participants would assume based on the best information available in the circumstances.

Level 1 inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of Mobile Meals' investments in marketable securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

Level 2 inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. Mobile Meals does not utilize Level 2 inputs.

Level 3 inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. Mobile Meals does not utilize Level 3 inputs.

Fair values of assets measured on a recurring basis at September 30, 2017 and 2016 consisted of the following:

	Level 1	
	2017	2016
Mutual funds	\$ 1,323,100	\$ 1,216,489
Less amounts restricted for long-term purpose	(50,546)	(50,546)
Available for operations	\$ 1,272,554	\$ 1,165,943

Investment income (loss) for the years ended September 30, 2017 and 2016 was as follows:

	2017	2016
Interest and dividend income	\$ 12,533	\$ 41,494
Realized gains	19,721	-
Unrealized gains	84,358	36,380
Investment fees	(150)	(150)
	\$ 116,462	\$ 77,724

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016 - continued

4. Furniture and equipment

Furniture and equipment consisted of the following at September 30, 2017 and 2016:

	2017	2016
Computer equipment	\$ 37,522	\$ 29,739
Office equipment and furniture	9,043	9,043
	<u>46,565</u>	<u>38,782</u>
Less accumulated depreciation	(38,176)	(36,386)
	<u>\$ 8,389</u>	<u>\$ 2,396</u>

5. Temporarily restricted assets

Temporarily restricted net asset activity consisted of the following for the year ended September 30, 2017:

	Beginning balance	Additions	Investment income	Releases	Ending balance
Special event - future year	\$ 18,200	\$ 11,340	\$ -	\$ (18,200)	\$ 11,340
Pet project	1,050	1,050	-	(1,000)	1,100
Accumulated earnings on endowments	43,495	-	4,635	-	48,130
	<u>\$ 62,745</u>	<u>\$ 12,390</u>	<u>\$ 4,635</u>	<u>\$ (19,200)</u>	<u>\$ 60,570</u>

Temporarily restricted net asset activity consisted on the following for the year ended September 30, 2016:

	Beginning balance	Additions	Investment income	Releases	Ending balance
Special event - future year	\$ 23,105	\$ 18,200	\$ -	\$ (23,105)	\$ 18,200
Pet project	-	1,050	-	-	1,050
Accumulated earnings on endowments	40,228	-	3,267	-	43,495
	<u>\$ 63,333</u>	<u>\$ 19,250</u>	<u>\$ 3,267</u>	<u>\$ (23,105)</u>	<u>\$ 62,745</u>

6. Permanently restricted net assets

Permanently restricted net assets total \$50,546 at both September 30, 2017 and 2016. In the absence of donor restrictions regarding earnings on these permanently restricted contributions, earnings are temporarily restricted by PMIFA until appropriated by the Board of Directors.

7. Endowments

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires Mobile Meals to retain as a fund of perpetual direction. In accordance with generally accepted accounting principles, there were no deficiencies of this nature reported in unrestricted net assets as of September 30, 2017 or 2016.

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016 - continued

7. Endowments – continued

Return objectives and risk parameters

Mobile Meals has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve total return consistent with the perpetual nature of endowment fund assets, with the objective to provide current income and long-term financial support to carry out the functions of Mobile Meals in all phases of operations as the need arises.

Mobile Meals expects its endowment funds, over time, to provide an average rate of return of approximately 6% to 10% annually. The portfolio results, including risk and return, will be measured against the Capital Markets Index (CMI) which is a board proxy for the performance measures of domestic fixed income and equity markets, and as a performance benchmark for balanced portfolios. The return objective is based on historical returns of 5.5% for bonds (fixed income) and 11% for stocks. Actual returns in any given year may vary from this amount.

Investment strategies

To satisfy its current income and long-term rate-of-return objectives, Mobile Meals relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Mobile Meals targets a diversified asset allocation that places an emphasis on balanced portfolio of 50% bonds and 50% stocks with a 10% leeway in each direction for investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

Mobile Meals has a formally adopted spending policy, which reads as follows: The Finance Committee may annually distribute an amount between 5% and 7% of the fund's total average value including interest from the endowment portion. The distributions may be made semi-annually to the money market account in an amount between 2.5% and 3.5% of the calculated distribution value following approval from the Finance Committee. The distribution value is the average of the fair market value of the investments as of the close of each of the 12 months preceding the month of distributions.

The investments' market value shall be based upon all assets in the fund including principal and retained income, adjusted for all gains and losses, whether realized or unrealized, and determined as of the last business day of the month. Any additional distribution from the investment funds requires approval by the Board of Directors.

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016 - continued

7. Endowments – continued

Endowment fund net assets

Endowment fund activity consisted of the following for the year ended September 30, 2017:

	Unrestricted board designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 590,909	\$ 43,495	\$ 50,546	\$ 684,950
Interest and dividend income	11,078	501	-	11,579
Realized gains	-	777	-	777
Unrealized gains	31,208	3,357	-	34,565
Balance, end of year	<u>\$ 633,195</u>	<u>\$ 48,130</u>	<u>\$ 50,546</u>	<u>\$ 731,871</u>

Endowment fund activity consisted of the following for the year ended September 30, 2016:

	Unrestricted board designated	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 561,114	\$ 40,228	\$ 50,546	\$ 651,888
Interest and dividend income	15,906	1,744	-	17,650
Realized gains	-	-	-	-
Unrealized gains	13,889	1,523	-	15,412
Balance, end of year	<u>\$ 590,909</u>	<u>\$ 43,495</u>	<u>\$ 50,546</u>	<u>\$ 684,950</u>

8. In-kind contributions

In-kind contributions consisted of the following functional expenses at September 30, 2017 and 2016:

	2017	2016
Advertising	\$ 3,130	\$ 7,730
Meals expense	13,018	15,241
	<u>\$ 16,148</u>	<u>\$ 22,971</u>

MOBILE MEALS OF SOUTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016 - continued

9. Leases

Mobile Meals rents facilities and equipment under non-cancelable operating leases expiring at various times through August 2022. Total rent expense for facilities and equipment was \$24,008 and \$24,333 for the years ended September 30, 2017 and 2016, respectively. Future minimum payments under the noncancelable operating leases were as follows at September 30, 2017:

Year ending September 30, 2018	\$	23,112	
		2019	22,582
		2020	22,798
		2021	22,967
		2022	20,449
			<u>111,908</u>
	\$		<u><u>111,908</u></u>

10. Subsequent events

Subsequent events have been evaluated through February 12, 2018 which is the date the financial statements were available to be issued.