



PROJECT BREAD - THE WALK FOR HUNGER, INC.

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Contents
September 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
Project Bread - The Walk for Hunger, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Project Bread - The Walk for Hunger, Inc. (a Massachusetts corporation, not for profit) which comprise of the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 Project Bread - The Walk for Hunger, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Crosser, Pinning & Co., P.C.

Boston, Massachusetts
January 16, 2019

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statements of Financial Position
September 30, 2018 and 2017

Assets	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash	\$ 1,969,090	\$ 100,326	\$ 2,069,416	\$ 1,782,901	\$ 100,000	\$ 1,882,901
Accounts receivable	317,969	-	317,969	186,678	-	186,678
Prepaid expenses and other	60,454	-	60,454	65,829	-	65,829
Total current assets	<u>2,347,513</u>	<u>100,326</u>	<u>2,447,839</u>	<u>2,035,408</u>	<u>100,000</u>	<u>2,135,408</u>
Restricted Cash	150,707	-	150,707	150,419	-	150,419
Property and Equipment, net	1,948,788	-	1,948,788	2,088,832	-	2,088,832
Intangible Assets, net	3,430	-	3,430	17,884	-	17,884
Total assets	<u>\$ 4,450,438</u>	<u>\$ 100,326</u>	<u>\$ 4,550,764</u>	<u>\$ 4,292,543</u>	<u>\$ 100,000</u>	<u>\$ 4,392,543</u>
Liabilities and Net Assets						
Current Liabilities:						
Current portion of mortgage note payable	\$ 36,764	\$ -	\$ 36,764	\$ 35,087	\$ -	\$ 35,087
Accounts payable and accrued expenses	248,512	-	248,512	239,801	-	239,801
Total current liabilities	<u>285,276</u>	<u>-</u>	<u>285,276</u>	<u>274,888</u>	<u>-</u>	<u>274,888</u>
Mortgage Note Payable, net	1,218,305	-	1,218,305	1,252,658	-	1,252,658
Total liabilities	<u>1,503,581</u>	<u>-</u>	<u>1,503,581</u>	<u>1,527,546</u>	<u>-</u>	<u>1,527,546</u>
Net Assets:						
Unrestricted:						
Board designated reserve	2,099,001	-	2,099,001	1,795,607	-	1,795,607
Property, equipment and intangible assets	847,856	-	847,856	969,390	-	969,390
Total unrestricted	<u>2,946,857</u>	<u>-</u>	<u>2,946,857</u>	<u>2,764,997</u>	<u>-</u>	<u>2,764,997</u>
Temporarily restricted	-	100,326	100,326	-	100,000	100,000
Total net assets	<u>2,946,857</u>	<u>100,326</u>	<u>3,047,183</u>	<u>2,764,997</u>	<u>100,000</u>	<u>2,864,997</u>
Total liabilities and net assets	<u>\$ 4,450,438</u>	<u>\$ 100,326</u>	<u>\$ 4,550,764</u>	<u>\$ 4,292,543</u>	<u>\$ 100,000</u>	<u>\$ 4,392,543</u>

The accompanying notes are an integral part of these statements.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue and Support:						
Contributions	\$ 4,292,960	\$ -	\$ 4,292,960	\$ 4,126,631	\$ -	\$ 4,126,631
Government grants	1,062,226	-	1,062,226	785,037	-	785,037
In-kind donations	910,146	-	910,146	431,057	-	431,057
Foundation grants	466,683	92,500	559,183	398,000	-	398,000
Rental income	6,000	-	6,000	6,000	-	6,000
Interest and other income	299	-	299	3,692	-	3,692
Net assets released from restrictions	92,174	(92,174)	-	101,479	(101,479)	-
Total operating revenue and support	<u>6,830,488</u>	<u>326</u>	<u>6,830,814</u>	<u>5,851,896</u>	<u>(101,479)</u>	<u>5,750,417</u>
Expenses:						
Program expenses:						
Community Hunger Relief Programs	1,661,844	-	1,661,844	1,550,593	-	1,550,593
Healthy Food for Kids	984,732	-	984,732	1,105,538	-	1,105,538
Hunger Education and Community Empowerment	2,419,735	-	2,419,735	1,889,110	-	1,889,110
Advocacy	142,090	-	142,090	145,518	-	145,518
Total program expenses	<u>5,208,401</u>	<u>-</u>	<u>5,208,401</u>	<u>4,690,759</u>	<u>-</u>	<u>4,690,759</u>
Supporting services:						
General and administrative	529,818	-	529,818	466,610	-	466,610
Fundraising and development	910,409	-	910,409	1,108,811	-	1,108,811
Total supporting services	<u>1,440,227</u>	<u>-</u>	<u>1,440,227</u>	<u>1,575,421</u>	<u>-</u>	<u>1,575,421</u>
Total expenses	<u>6,648,628</u>	<u>-</u>	<u>6,648,628</u>	<u>6,266,180</u>	<u>-</u>	<u>6,266,180</u>
Changes in net assets from operations	181,860	326	182,186	(414,284)	(101,479)	(515,763)
Non-Operating Revenue:						
Capital contributions	-	-	-	-	100,000	100,000
Changes in net assets	181,860	326	182,186	(414,284)	(1,479)	(415,763)
Net Assets:						
Beginning of year	<u>2,764,997</u>	<u>100,000</u>	<u>2,864,997</u>	<u>3,179,281</u>	<u>101,479</u>	<u>3,280,760</u>
End of year	<u>\$ 2,946,857</u>	<u>\$ 100,326</u>	<u>\$ 3,047,183</u>	<u>\$ 2,764,997</u>	<u>\$ 100,000</u>	<u>\$ 2,864,997</u>

The accompanying notes are an integral part of these statements.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statements of Cash Flows

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 182,186	\$ (415,763)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	173,496	168,131
Interest - amortization	1,692	1,692
Capital contributions	-	(100,000)
Changes in operating assets and liabilities:		
Accounts receivable	(131,291)	(17,001)
Prepaid expenses and other	5,375	40,142
Accounts payable and accrued expenses	8,711	(16,931)
Net cash provided by (used in) operating activities	<u>240,169</u>	<u>(339,730)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(18,998)</u>	<u>(14,322)</u>
Cash Flows from Financing Activities:		
Principal payments on mortgage note payable	(34,368)	(32,635)
Proceeds from capital contributions	<u>-</u>	<u>100,000</u>
Net cash provided by (used in) financing activities	<u>(34,368)</u>	<u>67,365</u>
Net Change in Cash	186,803	(286,687)
Cash:		
Beginning of year	<u>2,033,320</u>	<u>2,320,007</u>
End of year	<u>\$ 2,220,123</u>	<u>\$ 2,033,320</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 60,641</u>	<u>\$ 62,374</u>

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2018

(With Summarized Comparative Totals for the Year Ended September 30, 2017)

	2018								2017	
	Programs				Supporting Services				Total Expenses	Total Expenses
	Community Hunger Relief Programs	Healthy Food for Kids	Hunger Education and Community Empowerment	Advocacy	Total Programs	General and Administrative	Fundraising and Development	Total Supporting Services		
Personnel and Related:										
Salaries	\$ 404,732	\$ 545,592	\$ 471,535	\$ 56,517	\$ 1,478,376	\$ 189,365	\$ 402,749	\$ 592,114	\$ 2,070,490	\$ 2,123,397
Payroll taxes and fringe benefits	88,748	114,178	103,414	11,713	318,053	44,373	88,407	132,780	450,833	476,365
Total personnel and related	493,480	659,770	574,949	68,230	1,796,429	233,738	491,156	724,894	2,521,323	2,599,762
Grants	997,000	-	3,000	-	1,000,000	-	-	-	1,000,000	853,035
Other:										
Advertising	270	40,068	890,967	-	931,305	1,135	3,894	5,029	936,334	574,258
Professional fees	17,076	43,862	324,739	57,584	443,261	101,387	30,042	131,429	574,690	663,337
Printing and postage	1,562	64,644	57,597	268	124,071	1,641	146,920	148,561	272,632	327,328
Facilities	35,012	43,316	132,256	4,402	214,986	16,814	33,840	50,654	265,640	207,079
Communications	29,094	9,002	42,848	581	81,525	7,560	103,731	111,291	192,816	206,147
Materials and supplies	-	15,806	167,094	724	183,624	797	7,262	8,059	191,683	244,530
Office	20,704	3,563	91,285	307	115,859	38,696	27,697	66,393	182,252	170,823
Depreciation and amortization	34,558	46,048	39,155	4,673	124,434	14,471	34,591	49,062	173,496	168,131
Computer and office equipment	17,519	22,042	21,624	2,236	63,421	85,101	17,486	102,587	166,008	83,364
Travel and transportation	3,115	17,660	57,651	703	79,129	4,051	962	5,013	84,142	92,412
Interest	11,958	15,948	13,576	1,621	43,103	5,569	11,969	17,538	60,641	62,374
Conferences and meetings	496	3,003	2,994	761	7,254	17,166	859	18,025	25,279	11,908
Interest - amortization	-	-	-	-	-	1,692	-	1,692	1,692	1,692
Total other	171,364	324,962	1,841,786	73,860	2,411,972	296,080	419,253	715,333	3,127,305	2,813,383
Total expenses	\$ 1,661,844	\$ 984,732	\$ 2,419,735	\$ 142,090	\$ 5,208,401	\$ 529,818	\$ 910,409	\$ 1,440,227	\$ 6,648,628	\$ 6,266,180

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2017

	Programs				Supporting Services				Total Expenses
	Community Hunger Relief Programs	Healthy Food for Kids	Hunger Education and Community Empowerment	Advocacy	Total Programs	General and Administrative	Fundraising and Development	Total Supporting Services	
Personnel and Related:									
Salaries	\$ 388,854	\$ 648,549	\$ 402,819	\$ 40,933	\$ 1,481,155	\$ 222,471	\$ 419,771	\$ 642,242	\$ 2,123,397
Payroll taxes and fringe benefits	91,149	149,104	95,788	14,260	350,301	31,755	94,309	126,064	476,365
Total personnel and related	480,003	797,653	498,607	55,193	1,831,456	254,226	514,080	768,306	2,599,762
Grants	853,035	-	-	-	853,035	-	-	-	853,035
Other:									
Advertising	23,161	9,432	456,031	-	488,624	65,482	20,152	85,634	574,258
Professional fees	42,195	77,517	336,072	68,084	523,868	77,293	62,176	139,469	663,337
Printing and postage	6,924	26,634	86,894	1,591	122,043	849	204,436	205,285	327,328
Facilities	24,547	40,500	99,899	4,331	169,277	9,407	28,395	37,802	207,079
Communications	48,911	12,655	41,163	1,197	103,926	3,094	99,127	102,221	206,147
Materials and supplies	-	15,454	167,165	250	182,869	2,644	59,017	61,661	244,530
Office	4,513	5,420	89,200	648	99,781	15,301	55,741	71,042	170,823
Depreciation and amortization	33,482	55,340	33,105	5,766	127,693	6,465	33,973	40,438	168,131
Computer and office equipment	16,601	26,928	16,203	2,845	62,577	3,955	16,832	20,787	83,364
Travel and transportation	4,180	13,088	49,966	2,927	70,161	20,163	2,088	22,251	92,412
Interest	12,257	20,336	12,165	2,157	46,915	3,019	12,440	15,459	62,374
Conferences and meetings	784	4,581	2,640	529	8,534	3,020	354	3,374	11,908
Interest - amortization	-	-	-	-	-	1,692	-	1,692	1,692
Total other	217,555	307,885	1,390,503	90,325	2,006,268	212,384	594,731	807,115	2,813,383
Total expenses	\$ 1,550,593	\$ 1,105,538	\$ 1,889,110	\$ 145,518	\$ 4,690,759	\$ 466,610	\$ 1,108,811	\$ 1,575,421	\$ 6,266,180

The accompanying notes are an integral part of these statements.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

Operations

Project Bread - The Walk for Hunger, Inc. (Project Bread) was organized in Boston, Massachusetts as a not-for-profit corporation in 1986. Project Bread's mission is to alleviate, prevent and end hunger in Massachusetts. Through its campaigns and allocations, Project Bread raises funds to support approximately 300 emergency feeding programs, which provide direct assistance to the hungry. Project Bread also engages in information and referral, public policy, technical assistance, and educational and outreach programs to help the hungry. Project Bread's support and revenue are derived principally from an annual hunger awareness event, The Walk for Hunger, government contracts and individual donor contributions, as well as contributions from corporations and foundations.

Nonprofit Status

Project Bread is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Project Bread is also exempt from state income taxes. Donors may deduct contributions made to Project Bread within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

Project Bread prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of the financial statements in accordance with U.S. GAAP 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. Actual results could differ from those estimates.

Cash and Restricted Cash

Project Bread considers all highly liquid investments (including restricted cash) originated with a maturity of three months or less to be cash for the purposes of the statements of cash flows.

Restricted Cash

Restricted cash represents amounts to be maintained on reserve until Project Bread has demonstrated three consecutive years of compliance with the covenants related to the mortgage note payable (see Note 6).

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. An allowance for uncollectible receivables is recorded based on management's analysis of specific accounts and collection history. As of September 30, 2018 and 2017, there was no allowance for uncollectible accounts.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment with a value of \$2,500 or more and a useful life of greater than one year are recorded at cost, if purchased, or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred (see Note 4). Depreciation is computed using the straight-line method over the following estimated useful lives:

Condominium building and improvements	20 - 40 years
Computer and office equipment	3 - 5 years
Website	5 years
Furniture and fixtures	3 - 10 years

Intangible Assets and Amortization

Costs incurred in connection with the rebranding of Project Bread were capitalized and are being amortized over a five-year useful life using the straight-line method (see Note 5).

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method (see Note 6).

Net Assets

Unrestricted Net Assets are those net resources that bear no external restrictions and are generally available for use by Project Bread. Project Bread has grouped its unrestricted net assets into the following categories:

Board designated reserve - represents a reserve established by the Board of Directors which may be used to fund grants to community-based organizations or for other Project Bread expenses, particularly in the event of a catastrophic fundraising shortfall due to rain storms or other causes on the date of The Walk for Hunger. This reserve is also used for Project Bread's short-term cash flow management.

Property, equipment and intangible assets - reflect the net book value of Project Bread's property, equipment and intangible assets, net of related debt.

Temporarily Restricted Net Assets includes contributions and grants which are designated by donors for specific purposes or for a period of time. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or the related time restriction lapses. The temporarily restricted balance at September 30, 2018 is purpose restricted. The temporarily restricted balance at September 30, 2017 was restricted for capital purposes. During fiscal year 2018, the amounts released were for the purchase of equipment under Project Bread's capitalization policy.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions and foundation grants are recorded as revenue upon receipt or when unconditionally pledged. Project Bread reports grants and contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets.

Government grants are recorded as revenue when the services are performed and the costs are incurred. Interest and all other income are recorded when earned.

In-kind Donations

Volunteers and other organizations contribute substantial amounts of goods and services to Project Bread in support of the annual Walk for Hunger. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management and are included in advertising and materials and supplies in the accompanying statements of functional expenses.

The value of these goods and services is as follows for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Advertising - Walk for Hunger	\$ 741,425	\$ 342,550
Supplies and materials - Walk for Hunger	90,060	84,427
Services	76,238	-
Supplies and materials	2,423	1,630
Services - Walk for Hunger	<u>-</u>	<u>2,450</u>
	<u>\$ 910,146</u>	<u>\$ 431,057</u>

A substantial number of individual volunteers have donated significant amounts of time to Project Bread's program services and to its fundraising campaigns. No amounts have been recognized in the accompanying financial statements since these services performed by Project Bread volunteers do not fall into the criteria established by U.S. GAAP.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Advertising

Project Bread expenses advertising costs as they are incurred.

Grant Expense

Grants are recorded when awarded by Project Bread and all conditions of the grant are met by the grantee. Grants are generally paid in the year awarded.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Expense (Continued)

Project Bread awarded the following grants for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Annual grants	\$ 910,500	\$ 830,535
Summer grants	89,500	20,000
Other grants	<u>-</u>	<u>2,500</u>
	<u>\$ 1,000,000</u>	<u>\$ 853,035</u>

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue includes capital activity.

Fair Value Measurements

Project Bread follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that Project Bread would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

Project Bread uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of Project Bread. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All of Project Bread's qualifying assets and liabilities are valued using Level 1 inputs.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Project Bread accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. Project Bread has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at September 30, 2018 and 2017. Project Bread's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through January 16, 2019, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the accompanying financial statements.

3. RELATED PARTY TRANSACTIONS

During fiscal year 2018, a member of the Board of Directors is on the Board of Directors of a nonprofit organization to which Project Bread granted \$6,000. During fiscal year 2017, the spouse of a member of the Board of Directors is on the Board of Directors of a nonprofit organization to which Project Bread granted \$3,000.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 100,000	\$ 100,000
Condominium building and improvements	3,171,062	3,171,062
Computer and office equipment	437,066	418,068
Website	281,111	281,111
Furniture and fixtures	<u>36,551</u>	<u>36,551</u>
	4,025,790	4,006,792
Less - accumulated depreciation	<u>2,077,002</u>	<u>1,917,960</u>
	<u>\$ 1,948,788</u>	<u>\$ 2,088,832</u>

Depreciation expense was \$159,042 and \$145,997 for the years ended September 30, 2018 and 2017, respectively.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2018 and 2017

5. INTANGIBLE ASSETS

Intangible assets consist of the following as of September 30:

	<u>2018</u>	<u>2017</u>
Rebranding costs	\$ 110,670	\$ 110,670
Less - accumulated amortization	<u>107,240</u>	<u>92,786</u>
	<u>\$ 3,430</u>	<u>\$ 17,884</u>

Amortization expense was \$14,454 and \$22,134 for the years ended September 30, 2018 and 2017, respectively.

6. MORTGAGE NOTE PAYABLE

Project Bread has a mortgage note payable with a bank. The note is payable in monthly principal and interest installments of \$7,917, based on a twenty-five year amortization schedule, with all outstanding principal and accrued and unpaid interest due in June 2024, the note's maturity. The balloon payment at maturity is approximately \$1,020,000. The interest rate is fixed at 4.67%. The note is secured by a first mortgage on the land and condominium building and all permanent fixtures. There was \$1,265,265 and \$1,299,633 outstanding as of September 30, 2018 and 2017, respectively. The mortgage contains various covenants. Project Bread was in compliance with these covenants as of September 30, 2018. Project Bread was not in compliance with these covenants as of September 30, 2017, and obtained a waiver from the bank. Interest expense was \$60,641 and \$62,374 for the years ended September 30, 2018 and 2017, respectively.

Future minimum note payments under the new agreement described above are as follows:

2019	\$ 36,764
2020	\$ 38,518
2021	\$ 40,356
2022	\$ 42,282
2023	\$ 44,299
Thereafter	\$ 1,063,046

Debt issuance costs related to this mortgage note payable totaling \$16,974 are shown net of accumulated interest - amortization of \$6,778 and \$5,086 as of September 30, 2018 and 2017, respectively. Net debt issuance costs are reported on the statements of financial position as a direct reduction of the face amount of the related mortgage note payable (see page 8). Amortization of debt issuance costs for the next five years is \$1,692.

7. LINE OF CREDIT

Project Bread maintains a line of credit agreement with a bank. The agreement allows for borrowings of up to \$100,000. Borrowings are payable on demand, bear interest at the bank's base lending rate (5.25% and 4.25% at September 30, 2018 and 2017, respectively) plus 1.00%, and are secured by a second mortgage on Project Bread's condominium. There was no outstanding balance under this line of credit at September 30, 2018 and 2017. This line of credit is renewable annually in June.

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8. LEASE AGREEMENTS

Project Bread leases office equipment under an operating lease agreement that expires in July 2019. Payments for this lease totals approximately \$663 per quarter. Project Bread had leased a motor vehicle under an operating lease that called for a total monthly payment of \$344. Project Bread terminated this agreement during fiscal year 2017 and paid an additional fee of \$10,353. Rent expense under these lease agreements was approximately \$2,700 and \$17,300 for the years ended September 30, 2018 and 2017, respectively, and is included in travel and transportation and computer and office equipment in the accompanying statements of functional expenses.

Future minimum lease payments under these lease agreements are \$2,651 for 2019.

9. EMPLOYMENT BENEFIT PLANS

Project Bread has a retirement plan under IRC Section 403(b) for all employees. Employees may make voluntary salary contributions into this plan within IRC guidelines. Upon annual approval by the Board of Directors, Project Bread matches one dollar for each dollar contributed by a participant, up to a maximum of \$2,500. Project Bread contributed \$8,070 and \$21,988 to this plan for the years ended September 30, 2018 and 2017, respectively. These amounts are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

10. MANAGEMENT AGREEMENTS

Project Bread pays a monthly fee of approximately \$5,400 to a condominium association, which is included in facilities in the accompanying statements of functional expenses. The fee covers common area maintenance of Project Bread's building unit. A percentage of this fee paid is allocated to a management company for maintenance of the building unit.

11. CONCENTRATIONS

Credit Risk

Project Bread maintains its cash balances in a Massachusetts bank and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. Project Bread has not experienced any losses in such accounts. Project Bread's management believes Project Bread is not exposed to any significant credit risk on its cash.

Funding

Project Bread receives a significant portion of its funding from the Commonwealth of Massachusetts under cost reimbursement contracts. Payments to Project Bread are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of Project Bread as of September 30, 2018 and 2017, or on its changes in net assets for the years then ended.

Approximately 15% and 13% of Project Bread's operating support and revenue was derived from contracts with the Commonwealth of Massachusetts for the years ended September 30, 2018 and 2017, respectively.

Approximately 89% and 91% of accounts receivable are due from the Commonwealth of Massachusetts at September 30, 2018 and 2017, respectively.

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12. CONDITIONAL GRANTS

During fiscal year 2018, Project Bread was awarded a \$105,000 conditional grant, payable in equal installments over a three-year period. The first installment of the grant was earned during fiscal year 2018 and is included in foundation grants revenue in the accompanying statement of activities and changes in net assets. The future installments are conditional upon certain outcomes as defined in the grant agreement and have not been recorded in the accompanying financial statements.

During fiscal year 2018, Project Bread was awarded a \$50,000 conditional grant, payable in equal installments over a two-year period. The first installment of the grant was earned during fiscal year 2018 and is included in foundation grants revenue in the accompanying statement of activities and changes in net assets. The future installment is conditional upon certain outcomes as defined in the grant agreement and has not been recorded in the accompanying financial statements.