



Project Bread - The Walk for Hunger, Inc. and Affiliate

Combined Financial Statements

September 30, 2016

(with comparative totals as of September 30, 2015)

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Independent Auditor's Report

To the Board of Directors
Project Bread - The Walk for Hunger, Inc. and Affiliate
East Boston, Massachusetts

We have audited the accompanying combined financial statements of Project Bread - The Walk for Hunger, Inc. (a Massachusetts corporation, not for profit) and Affiliate (a Massachusetts limited liability company) (collectively, Project Bread), which comprise the combined statement of financial position as of September 30, 2016, and the related combined 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 combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Project Bread - The Walk for Hunger, Inc. and Affiliate as of September 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - 2015 Summarized Comparative Information

In our opinion, the 2015 summarized comparative information of Project Bread - The Walk for Hunger, Inc. and Affiliate presented herein as of and for the year ended September 30, 2016, is consistent in all material respects, with the 2015 audited financial statements, which were audited by another auditor, and whose report dated February 12, 2016, expressed an unmodified opinion on those statements from which the summarized comparative information was derived.

BDO USA, LLP

February 13, 2017

Combined Financial Statements

Project Bread - The Walk for Hunger, Inc. and Affiliate

Combined Statement of Financial Position as of September 30, 2016 (with comparative totals as of September 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Assets				
Current Assets:				
Cash	\$ 2,068,187	\$ 101,479	\$ 2,169,666	\$ 1,991,428
Cash - restricted	150,341	-	150,341	150,190
Cash - discontinued operations	-	-	-	32,858
Grants, contracts and other receivables	169,677	-	169,677	145,259
Accounts receivable - discontinued operations	-	-	-	58,162
Prepaid expenses and other current assets	105,971	-	105,971	71,166
Total Current Assets	2,494,176	101,479	2,595,655	2,449,063
Property and equipment, net	2,220,507	-	2,220,507	2,302,914
Intangible assets, net	53,598	-	53,598	77,429
Total Assets	\$ 4,768,281	\$ 101,479	\$ 4,869,760	\$ 4,829,406
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 244,982	\$ -	\$ 244,982	\$ 250,940
Accounts payable and accrued expenses - discontinued operations	-	-	-	18,996
Deferred revenue	11,750	-	11,750	28,400
Current portion of mortgage note payable	33,633	-	33,633	32,087
Total Current Liabilities	290,365	-	290,365	330,423
Mortgage note payable, net of current portion	1,298,635	-	1,298,635	1,331,139
Total Liabilities	1,589,000	-	1,589,000	1,661,562
Net Assets:				
Unrestricted:				
Unrestricted	2,193,614	-	2,193,614	2,119,826
Board designated reserve	43,830	-	43,830	-
Property, equipment and intangible assets	941,837	-	941,837	1,017,117
Total unrestricted	3,179,281	-	3,179,281	3,136,943
Temporarily restricted	-	101,479	101,479	30,901
Total Net Assets	3,179,281	101,479	3,280,760	3,167,844
Total Liabilities and Net Assets	\$ 4,768,281	\$ 101,479	\$ 4,869,760	\$ 4,829,406

See accompanying notes to the combined financial statements.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Combined Statement of Activities for the year ended September 30, 2016 (with comparative totals for the year ended September 30, 2015)

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support:				
Contributions	\$ 4,814,922	\$ -	\$ 4,814,922	\$ 5,109,966
Government grants	925,900	-	925,900	660,418
Foundation grants	362,000	285,501	647,501	606,950
In-kind donations	448,183	-	448,183	230,498
Interest income	151	-	151	161
Rental income	1,000	-	1,000	-
Net assets released from restrictions	206,748	(206,748)	-	-
Total Revenue and Support	6,758,904	78,753	6,837,657	6,607,993
Expenses:				
Program services:				
Hunger Education and Community Empowerment	1,842,183	-	1,842,183	1,905,378
Community Hunger Relief Programs	1,524,539	-	1,524,539	1,555,536
Healthy Food for Kids	1,506,266	-	1,506,266	1,226,832
Advocacy	185,079	-	185,079	169,734
Total program services	5,058,067	-	5,058,067	4,857,480
Supporting services:				
Fundraising and development	1,178,718	-	1,178,718	1,031,604
General and administrative	424,690	-	424,690	591,230
Total supporting services	1,603,408	-	1,603,408	1,622,834
Total Expenses	6,661,475	-	6,661,475	6,480,314
Changes in net assets from continuing operations	97,429	78,753	176,182	127,679
Discontinued Operations:				
Grants and contributions - Mass Farm to School	16,152	-	16,152	238,060
Service fees - Mass Farm to School	-	-	-	67,818
Other revenue	419	-	419	-
Net assets released from restrictions	-	(8,175)	(8,175)	-
Expenses - Mass Farm to School	(26,009)	-	(26,009)	(337,147)
Changes in net assets from discontinued operations	(9,438)	(8,175)	(17,613)	(31,269)
Changes in net assets	87,991	70,578	158,569	96,410
Net Assets				
Beginning of year	3,136,943	30,901	3,167,844	3,071,434
Transfer of net assets of discontinued operations	(45,653)	-	(45,653)	-
End of year	\$ 3,179,281	\$ 101,479	\$ 3,280,760	\$ 3,167,844

See accompanying notes to the combined financial statements.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Combined Statement of Functional Expenses for the year ended September 30, 2016 (with comparative totals for the year ended September 30, 2015)

	2016 Programs										2015
	Programs					Supporting Services					
	Hunger Education and Community Empowerment	Community Hunger Relief Programs	Healthy Food for Kids	Advocacy	Total Program Services	Fundraising and Development	General and Administrative	Total Supporting Services	Total Expenses	Total Expenses	
Personnel and Related:											
Salaries	\$ 362,774	\$ 413,742	\$ 777,469	\$ 74,449	\$ 1,628,434	\$ 462,833	\$ 90,165	\$ 552,998	\$ 2,181,432	\$ 2,127,377	
Payroll taxes and fringe benefits	86,217	97,385	180,211	17,972	381,785	112,517	24,436	136,953	518,738	550,815	
Total Personnel and Related	448,991	511,127	957,680	92,421	2,010,219	575,350	114,601	689,951	2,700,170	2,678,192	
Grants	-	844,500	155,995	-	1,000,495	-	-	-	1,000,495	943,451	
Other:											
Professional fees	362,433	43,337	88,866	69,245	563,881	140,868	97,891	238,759	802,640	809,689	
Advertising	372,175	417	27,007	24	399,623	13,886	-	13,886	413,509	279,994	
Printing and postage	149,270	7,613	36,415	107	193,405	203,830	9,094	212,924	406,329	498,631	
Materials and supplies	276,066	2,297	18,793	6	297,162	2,381	3,159	5,540	302,702	263,354	
Facilities	91,193	24,387	45,814	4,885	166,279	27,172	7,401	34,573	200,852	202,320	
Communications	40,405	24,850	21,525	2,386	89,166	101,870	5,533	107,403	196,569	164,745	
Depreciation and amortization	28,620	31,694	59,421	6,238	125,973	34,037	8,375	42,412	168,385	170,536	
Office and other administrative expenses	3,371	2,930	6,298	563	13,162	-	153,309	153,309	166,471	175,876	
Computer and office equipment	13,266	15,628	29,429	3,061	61,384	17,111	4,518	21,629	83,013	106,936	
Travel and transportation	39,635	3,045	23,454	2,444	68,578	4,258	9,374	13,632	82,210	84,875	
Conferences and meetings	5,909	651	12,948	1,327	20,835	45,003	8,241	53,244	74,079	36,045	
Interest	10,849	12,063	22,621	2,372	47,905	12,952	3,194	16,146	64,051	65,670	
Total Other	1,393,192	168,912	392,591	92,658	2,047,353	603,368	310,089	913,457	2,960,810	2,858,671	
Total Expenses	\$ 1,842,183	\$ 1,524,539	\$ 1,506,266	\$ 185,079	\$ 5,058,067	\$ 1,178,718	\$ 424,690	\$ 1,603,408	\$ 6,661,475	\$ 6,480,314	

See accompanying notes to the combined financial statements.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Combined Statement of Cash Flows for the year ended September 30, 2016

(with comparative totals for the year ended September 30, 2015)

	2016	2015
Cash Flows from Operating Activities:		
Changes in net assets	\$ 158,569	\$ 96,410
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	168,385	170,536
Increase (decreases) in cash resulting from changes in operating assets and liabilities:		
Grants, contracts and other receivables	(24,418)	61,307
Accounts receivable - discontinued operations	58,162	(25,261)
Prepaid expenses and other current assets	(34,805)	29,504
Accounts payable and accrued expenses	(5,958)	(145,603)
Accounts payable and accrued expenses - discontinued operations	(18,996)	13,931
Deferred revenue	(16,650)	28,400
Net cash provided by operating activities	284,289	229,224
Cash Flows from Investing Activities:		
Purchase of property and equipment	(62,147)	-
Transfer of cash of discontinued operations	(45,653)	-
Net cash used in investing activities	(107,800)	-
Cash Flows from Financing Activities:		
Principal payments on mortgage note payable	(30,958)	(29,338)
Net cash used in financial activities	(30,958)	(29,338)
Increase in Cash and Cash Equivalents	145,531	199,886
Cash and Cash Equivalents - Beginning of year	\$ 2,174,476	\$ 1,974,590
Cash and Cash Equivalents - End of year	\$ 2,320,007	\$ 2,174,476
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest	\$ 64,051	\$ 65,670

See accompanying notes to the combined financial statements.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Notes to Combined Financial Statements

1. Business Operations

Project Bread -The Walk for Hunger, Inc. (the Agency) was organized in Boston, Massachusetts as a not-for-profit corporation in 1986. The Agency's mission is to alleviate, prevent and end hunger in Massachusetts. Through its campaigns and allocations, the Agency raises funds to support over 200 emergency feeding programs, which provide direct assistance to the hungry. The Agency also engages in information and referral, public policy, technical assistance, and educational and outreach programs to help the hungry. The Agency'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.

During June 2013, the Agency assumed the Massachusetts Farm to School Project, LLC (MFTS) (a Massachusetts limited liability corporation). The Agency is the sole member of MFTS, which was established to facilitate sustainable purchasing relationships between local institutions and local farms, promote local food and agriculture education for students, and support state, regional and national networking of farm to school practitioners. The MFTS program was previously operated by Mass. F.B. Agricultural Preservation Corp. and was assumed by the Agency in June 2013. During fiscal year 2015, the Agency agreed to discontinue operations of MFTS and transfer its assets, liabilities, and operations to another organization (see Note 15).

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Agency in preparation of the accompanying financial statements is set forth below:

Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In the combined statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Principles of Combination

The Agency and MFTS (collectively, Project Bread) are related by common management and control. All intercompany balances and transactions have been eliminated in the combined financial statements.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Notes to Combined Financial Statements

Net Assets

Net assets are classified into unrestricted and temporarily restricted net assets, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives as follows:

Unrestricted - Net assets which bear no external restrictions and are generally available for use by the Agency and may be designated by action of the Board of Directors.

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 whose use by the Agency has been limited by donors to a specific period or purpose.

Use of Estimates

The preparation of financial statements in accordance 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 the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents represent short-term, highly liquid investments with original maturities of three months or less from the date of purchase.

Restricted Cash

Restricted cash represents amounts required to be maintained on reserve until the Agency has demonstrated three consecutive years of compliance with the financial covenants related to the Mortgage Note Payable (see Note 6).

Grants Receivable

Grants receivable that are expected to be collected or paid within one year are recorded at net realizable value. Grants receivable that are expected to be collected or paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue or expenses.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Notes to Combined Financial Statements

Allowance for Uncollectible Accounts

An allowance for uncollectible receivables is recorded based on management's analysis of specific accounts and collection history. As of September 30, 2016 and 2015, there was no allowance for uncollectible accounts.

Property and Equipment

All property and equipment are stated at cost. Major renewals, additions, and betterments are charged to the property accounts, while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets, are expensed in the year incurred. When an asset is sold or retired, its cost and related accumulated depreciation or amortization is removed from the accounts, and any resulting gain or loss is included in the change in net assets. Donations of property and equipment are recorded as support at their estimated fair value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Depreciation and Amortization

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets as follows:

<i>Assets</i>	<i>Life in Years</i>
Condominium building and improvements	20-40
Computer and office equipment	3-5
Website	5
Furniture and fixtures	3-10

Intangible Assets and Amortization

Intangible assets consist of mortgage acquisition costs and rebranding costs which have been capitalized and amortized on the straight-line basis over the following periods:

<i>Assets</i>	<i>Life in Years</i>
Mortgage acquisition costs	10
Rebranding costs	5

Project Bread - The Walk for Hunger, Inc. and Affiliate

Notes to Combined Financial Statements

Impairment of Long-Lived Assets to be Disposed of

GAAP requires that long-lived assets to be disposed of are classified as assets held-for-sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations.

Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the assets. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. For the years ended September 30, 2016 and 2015, there were no impairment charges.

Deferred Revenue

Deferred revenue consists of sponsorships for special events received in advance of the event.

Grant and Contract Revenue

Grant and contract revenues are reported in accordance with the provisions of the applicable contract or grant agreement. The majority of the grants and contracts received by the Agency are subject to possible audit by the grantor agency or governmental regulatory agency overseeing the contract award. Costs incurred in furtherance of the grant or contract objective and not yet reimbursed by year-end are reported as grants and contracts receivable in the statement of financial position.

Contributions

The Agency recognizes the full amount of the contributions received in the period that they were made as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions which are designated by the donor for use in a future period or for specific purposes are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or use of the funds for the specific purpose. Donations of non-cash assets and services are recorded by the Agency as revenue with an off-setting expense.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Notes to Combined Financial Statements

Donated Services

During the years ended September 30, 2016 and 2015, the value of contributed services meeting the requirements for recognition was recorded and included in the financial statements (see Note 9). Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Advertising Costs - Advertising costs are charged to operations as incurred. Advertising expense for the years ended September 30, 2016 and 2015 was \$413,509 and \$279,994, respectively.

Functional Expense Allocation

Expenses related directly to a program are allocated to that program. Other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Income Taxes

The Agency is a nonprofit organization and is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. There are currently no federal or state income tax examinations in progress. Tax years from 2012 through the current year remain open for examination by federal and state tax authorities.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Subsequent Events

Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure in the financial statements through February 13, 2017, which is the date the financial statements were available for issuance.

3. Cash Concentration

The Agency has a potential concentration of credit risk in that it sometimes maintains deposits with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured bank for each account ownership category. As of September 30, 2016, the Agency had \$2,819,201 in excess of FDIC limits.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Notes to Combined Financial Statements

4. Property and Equipment

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

<i>September 30,</i>	2016	2015
Condominium building and improvements	\$ 3,171,062	\$ 3,171,062
Computer and office equipment	418,068	418,068
Website	266,790	204,643
Land	100,000	100,000
Furniture and fixtures	36,551	36,551
	3,992,471	3,930,324
Less - accumulated depreciation	(1,771,964)	(1,627,410)
	\$ 2,220,507	\$ 2,302,914

Depreciation expense was \$144,554 and \$146,705 for the years ended September 30, 2016 and 2015, respectively.

5. Intangible Assets

Costs incurred in connection with procuring a long-term mortgage note payable (see Note 6) (consisting primarily of in-kind legal fees) are deferred and amortized over the length of the mortgage note payable using the straight-line method.

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. Intangible assets consist of the following as of September 30:

<i>September 30,</i>	2016	2015
Rebranding costs	\$ 110,670	\$ 110,670
Mortgage acquisition costs	16,974	16,974
	127,644	127,644
Less - accumulated amortization	74,046	50,215
	\$ 53,598	\$ 77,429

Amortization expense was \$23,831 for the years ended September 30, 2016 and 2015.

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Notes to Combined Financial Statements

6. Mortgage Note Payable

Project Bread entered into a mortgage note payable with a bank in June 2014. The note is payable in monthly principal and interest installments of \$7,917, based on a 25 year amortization schedule, with all outstanding principal and accrued and unpaid interest due in June 2024, the note's maturity date. 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. The mortgage note payable is subject to financial and reporting covenants. Project Bread was in compliance with these covenants as of September 30, 2016. The terms of the mortgage note payable also requires \$150,000 maintained on reserve with the bank. This amount is included in restricted cash in the combined statement of financial position.

Interest expense was \$64,051 and \$65,670 for the years ended September 30, 2016 and 2015, respectively.

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

Years ending

2017		\$	33,633
2018			35,238
2019			36,919
2020			38,680
2021			40,526
Thereafter			1,147,272
		\$	1,332,268

7. Line of Credit

The Agency has 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, 3.50% and 3.25% at September 30, 2016 and 2015, 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, 2016 and 2015. This line of credit is renewable annually in June.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following programs and purposes at September 30:

<i>September 30,</i>		2016		2015
Healthy Food for Kids	\$	66,354	\$	30,901
Community Hunger Relief Programs		26,875		-
General operations		8,250		-
	\$	101,479	\$	30,901

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Notes to Combined Financial Statements

9. In-kind Donations

Organizations and other volunteers contribute goods and services to the Agency in support of other aspects of its programs in support of the annual Walk for Hunger. These goods and services are reflected in the accompanying combined 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 combined statement of functional expenses.

The value of these goods and services is as follows:

<i>Years ended September 30,</i>	2016	2015
Advertising - Walk for Hunger	\$ 314,110	\$ 157,250
Services - Walk for Hunger	76,379	3,235
Supplies and materials	57,694	69,404
Supplies	-	609
	\$ 448,183	\$ 230,498

The Agency receives services of volunteers to fulfill various aspects of its programs. The value of these volunteer services is not reflected in the accompanying combined financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the recognition criteria of United States generally accepted accounting principles (GAAP).

10. Grant Expense

Grants are recorded when awarded by the Agency and all conditions of the grant are met by the grantee. Grants are generally paid in the year awarded. The Agency awarded the following grants:

<i>Years ended September 30,</i>	2016	2015
Annual grants	\$ 905,500	\$ 808,860
Summer grants	58,995	100,000
Partnership grants	36,000	34,591
	\$ 1,000,495	\$ 943,451

11. Lease Agreement

The Agency leases a motor vehicle and office equipment under operating lease agreements that expire in August 2019 and July 2019. Payments for these leases total \$643 per month. The Agency had leased a motor vehicle and office equipment under operating lease agreements that called for a total monthly payment of \$737. These leases expired during the year ended September 30, 2016. Rent expense under these lease agreements was approximately \$8,839 and \$9,108 for the years ended September 30, 2016 and 2015, respectively, and is included in travel and transportation and computer and office equipment in the accompanying combined statement of functional expenses.

Project Bread - The Walk for Hunger, Inc. and Affiliate

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The future minimum payments under all leases are as follows:

Years ending September 30,

2017	\$	7,721
2018		7,721
2019		7,299
		<hr/>
	\$	22,741

12. Employment Benefit Plans

The Agency 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, the Agency matches one dollar for each dollar contributed by a participant, up to a maximum of \$2,500. The Agency contributed \$19,667 and \$41,554 to this plan for the years ended September 30, 2016 and 2015, respectively. These amounts are included in payroll taxes and fringe benefits in the accompanying combined statement of functional expenses.

13. Management Agreements

The Agency pays a monthly condo fee of approximately \$5,400 to a condominium association, which is included in facilities on the accompanying combined statement of functional expenses. The fee covers common area maintenance of the Agency's building unit.

14. Concentrations

The Agency receives a significant portion of its funding from the Commonwealth of Massachusetts under cost reimbursement contracts. Payments to the Agency 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 combined financial position of the Agency as of September 30, 2016 and 2015, or on its combined changes in net assets for the year then ended.

At September 30, 2016 and 2015, approximately 99% and 75%, respectively, of the Agency's grants, contracts and other receivables are due from the Commonwealth of Massachusetts.

Project Bread - The Walk for Hunger, Inc. and Affiliate

Notes to Combined Financial Statements

15. Discontinued Operations

During fiscal year 2015, as part of a strategic planning process related specifically to MFTS, the Agency made a decision to discontinue operating MFTS's programs. During November 2015, the Agency entered into an asset transfer agreement with an unrelated Massachusetts nonprofit organization. Under the agreement, the assets, liabilities, and operations of MFTS were transferred to the other organization effective November 1, 2015. At the date of the transfer, MFTS recorded contribution expense of approximately \$45,000, which reflected the net carrying value of MFTS's assets and liabilities. As of September 30, 2015, MFTS held assets of \$91,020 consisting of cash (\$32,858) and accounts receivable (\$58,162), and had liabilities of \$18,996 consisting of accounts payable and accrued expenses, which are included in the accompanying combined statement of financial position. In accordance with ASC Topic, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, MFTS's revenue and expenses are presented as discontinued operations in the accompanying combined statements of activities assets for the years ended September 30, 2016 and 2015. During the year ended September 30, 2016, \$45,653 of net assets were transferred out of MFTS to the unrelated party.

16. Conditional Grant

During the fiscal year ended September 30, 2014, the Agency received a \$100,000 grant from a foundation, payable in four equal annual installments. The Agency received three of the four \$25,000 installments through the year ended September 30, 2016. The foundation's payment of the fourth installment is conditional upon the Agency submitting specified reports as defined in the grant agreement; accordingly, the remaining \$25,000 has not been reflected in the accompanying combined financial statements.

17. Fiscal Agent

During fiscal year 2015, the Agency served as a fiscal agent for the Urban Farming Institute of Boston (UFI). In accordance with the agreement with UFI, the Agency provided bookkeeping and other services for UFI. During fiscal year 2015, the Agency collected and paid out approximately \$119,000 of grants and expenditures on behalf of UFI. The Agency and UFI terminated this arrangement during fiscal year 2015 and as of September 30, 2015, the Agency does not have custody or control over any UFI funds.

18. Contingencies

From time to time, the Agency is involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Agency is a party for which management believes the ultimate outcome would have a material adverse effect on the Agency's financial position.