



PROJECT BREAD - THE WALK FOR HUNGER, INC.

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Contents
September 30, 2019 and 2018

| | <u>Pages</u> |
|--|--------------|
| Independent Auditor’s Report | 1 |
| Financial Statements: | |
| Statements of Financial Position | 2 |
| Statements of Activities and Changes in Net Assets | 3 |
| Statements of Cash Flows | 4 |
| Statements of Functional Expenses | 5 - 6 |
| Notes to Financial Statements | 7 - 15 |



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

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 the statements of financial position as of September 30, 2019 and 2018, 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, 2019 and 2018, 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.

AAFCPAs, Inc.

Boston, Massachusetts
January 27, 2020

PROJECT BREAD - THE WALK FOR HUNGER, INC.Statements of Financial Position
September 30, 2019 and 2018

| Assets | 2019 | 2018 |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash | \$ 2,450,878 | \$ 2,069,416 |
| Accounts receivable | 187,685 | 317,969 |
| Prepaid expenses and other | 90,134 | 60,454 |
| Total current assets | 2,728,697 | 2,447,839 |
| Restricted Cash | 151,143 | 150,707 |
| Property and Equipment, net | 1,801,824 | 1,948,788 |
| Intangible Assets, net | - | 3,430 |
| Total assets | <u>\$ 4,681,664</u> | <u>\$ 4,550,764</u> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Current portion of mortgage note payable | \$ 38,518 | \$ 36,764 |
| Accounts payable and accrued expenses | 229,981 | 248,512 |
| Total current liabilities | 268,499 | 285,276 |
| Mortgage Note Payable, net | 1,182,095 | 1,218,305 |
| Total liabilities | <u>1,450,594</u> | <u>1,503,581</u> |
| Net Assets: | | |
| Without donor restrictions: | | |
| Board designated reserve | 2,461,127 | 2,099,001 |
| Property, equipment and intangible assets | 732,354 | 847,856 |
| Total without donor restrictions | 3,193,481 | 2,946,857 |
| With donor restrictions | 37,589 | 100,326 |
| Total net assets | <u>3,231,070</u> | <u>3,047,183</u> |
| Total liabilities and net assets | <u>\$ 4,681,664</u> | <u>\$ 4,550,764</u> |

The accompanying notes are an integral part of these statements.

Page 2

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2019 and 2018

| | 2019 | | | 2018 | | |
|--|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Revenue and Support: | | | | | | |
| Contributions | \$ 4,078,441 | \$ - | \$ 4,078,441 | \$ 4,292,960 | \$ - | \$ 4,292,960 |
| Government grants | 1,170,794 | - | 1,170,794 | 1,062,226 | - | 1,062,226 |
| Foundation grants | 796,255 | 34,400 | 830,655 | 466,683 | 92,500 | 559,183 |
| In-kind donations | 744,649 | - | 744,649 | 910,146 | - | 910,146 |
| Rental income | 7,275 | - | 7,275 | 6,000 | - | 6,000 |
| Interest and other income | 2,949 | - | 2,949 | 299 | - | 299 |
| Net assets released from restrictions | 97,137 | (97,137) | - | 92,174 | (92,174) | - |
| Total operating revenue and support | <u>6,897,500</u> | <u>(62,737)</u> | <u>6,834,763</u> | <u>6,830,488</u> | <u>326</u> | <u>6,830,814</u> |
| Expenses: | | | | | | |
| Program expenses: | | | | | | |
| Community Hunger Relief Programs | 1,622,856 | - | 1,622,856 | 1,661,844 | - | 1,661,844 |
| Healthy Food for Kids | 1,234,703 | - | 1,234,703 | 984,732 | - | 984,732 |
| Hunger Education and Community Empowerment | 2,155,377 | - | 2,155,377 | 2,419,735 | - | 2,419,735 |
| Advocacy | 266,064 | - | 266,064 | 142,090 | - | 142,090 |
| Total program expenses | <u>5,279,000</u> | <u>-</u> | <u>5,279,000</u> | <u>5,208,401</u> | <u>-</u> | <u>5,208,401</u> |
| Supporting services: | | | | | | |
| General and administrative | 465,963 | - | 465,963 | 529,818 | - | 529,818 |
| Fundraising and development | 905,913 | - | 905,913 | 910,409 | - | 910,409 |
| Total supporting services | <u>1,371,876</u> | <u>-</u> | <u>1,371,876</u> | <u>1,440,227</u> | <u>-</u> | <u>1,440,227</u> |
| Total expenses | <u>6,650,876</u> | <u>-</u> | <u>6,650,876</u> | <u>6,648,628</u> | <u>-</u> | <u>6,648,628</u> |
| Changes in net assets | 246,624 | (62,737) | 183,887 | 181,860 | 326 | 182,186 |
| Net Assets: | | | | | | |
| Beginning 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> |
| End of year | <u>\$ 3,193,481</u> | <u>\$ 37,589</u> | <u>\$ 3,231,070</u> | <u>\$ 2,946,857</u> | <u>\$ 100,326</u> | <u>\$ 3,047,183</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, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ 183,887 | \$ 182,186 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 153,740 | 173,496 |
| Interest - amortization | 1,692 | 1,692 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 130,284 | (131,291) |
| Prepaid expenses and other | (29,680) | 5,375 |
| Accounts payable and accrued expenses | <u>(18,531)</u> | <u>8,711</u> |
| Net cash provided by operating activities | 421,392 | 240,169 |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | (3,346) | (18,998) |
| Cash Flows from Financing Activities: | | |
| Principal payments on mortgage note payable | <u>(36,148)</u> | <u>(34,368)</u> |
| Net Change in Cash and Restricted Cash | 381,898 | 186,803 |
| Cash and Restricted Cash: | | |
| Beginning of year | <u>2,220,123</u> | <u>2,033,320</u> |
| End of year | <u>\$ 2,602,021</u> | <u>\$ 2,220,123</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | <u>\$ 58,861</u> | <u>\$ 60,641</u> |

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2019

(With Summarized Comparative Totals for the Year Ended September 30, 2018)

| | 2019 | | | | | | | | 2018 | |
|-----------------------------------|----------------------------------|-----------------------|--|-----------------|---------------------|----------------------------|-----------------------------|---------------------------|----------------|----------------|
| | Programs | | | | Supporting Services | | | | Total Expenses | Total Expenses |
| | Community Hunger Relief Programs | Healthy Food for Kids | Hunger Education and Community Empowerment | Hunger Advocacy | Total Programs | General and Administrative | Fundraising and Development | Total Supporting Services | | |
| Personnel and Related: | | | | | | | | | | |
| Salaries | \$ 508,738 | \$ 550,203 | \$ 469,600 | \$ 145,281 | \$ 1,673,822 | \$ 199,792 | \$ 405,904 | \$ 605,696 | \$ 2,279,518 | \$ 2,070,490 |
| Payroll taxes and fringe benefits | 105,204 | 115,832 | 95,990 | 30,200 | 347,226 | 45,999 | 83,773 | 129,772 | 476,998 | 450,833 |
| Total personnel and related | 613,942 | 666,035 | 565,590 | 175,481 | 2,021,048 | 245,791 | 489,677 | 735,468 | 2,756,516 | 2,521,323 |
| Grants | 793,269 | 234,000 | - | 8,598 | 1,035,867 | - | - | - | 1,035,867 | 1,000,000 |
| Other: | | | | | | | | | | |
| Advertising | 40,280 | 52,503 | 656,709 | 19 | 749,511 | 900 | 3,470 | 4,370 | 753,881 | 936,334 |
| Professional fees | 44,409 | 15,236 | 344,640 | 49,680 | 453,965 | 123,189 | 5,000 | 128,189 | 582,154 | 574,690 |
| Printing and postage | 4,042 | 110,047 | 17,898 | 120 | 132,107 | 3,829 | 143,574 | 147,403 | 279,510 | 272,632 |
| Communications | 28,839 | 16,894 | 40,074 | 1,336 | 87,143 | 14,790 | 151,039 | 165,829 | 252,972 | 192,816 |
| Facilities | 26,521 | 29,355 | 128,862 | 7,940 | 192,678 | 11,215 | 22,445 | 33,660 | 226,338 | 265,640 |
| Materials and supplies | - | 8,995 | 180,392 | 1,010 | 190,397 | 1,988 | 5,245 | 7,233 | 197,630 | 191,683 |
| Depreciation and amortization | 36,741 | 40,555 | 33,859 | 10,305 | 121,460 | 3,068 | 29,212 | 32,280 | 153,740 | 173,496 |
| Office | 1,401 | 2,039 | 81,162 | 867 | 85,469 | 12,689 | 30,145 | 42,834 | 128,303 | 182,252 |
| Travel and transportation | 2,065 | 16,168 | 74,992 | 1,310 | 94,535 | 7,863 | 1,250 | 9,113 | 103,648 | 84,142 |
| Computer and office equipment | 17,908 | 19,678 | 17,088 | 4,988 | 59,662 | 12,742 | 14,150 | 26,892 | 86,554 | 166,008 |
| Interest | 13,067 | 14,439 | 12,074 | 3,694 | 43,274 | 5,145 | 10,442 | 15,587 | 58,861 | 60,641 |
| Conferences and meetings | 372 | 8,759 | 2,037 | 716 | 11,884 | 21,062 | 264 | 21,326 | 33,210 | 25,279 |
| Interest - amortization | - | - | - | - | - | 1,692 | - | 1,692 | 1,692 | 1,692 |
| Total other | 215,645 | 334,668 | 1,589,787 | 81,985 | 2,222,085 | 220,172 | 416,236 | 636,408 | 2,858,493 | 3,127,305 |
| Total expenses | \$ 1,622,856 | \$ 1,234,703 | \$ 2,155,377 | \$ 266,064 | \$ 5,279,000 | \$ 465,963 | \$ 905,913 | \$ 1,371,876 | \$ 6,650,876 | \$ 6,648,628 |

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2018

| | 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 | \$ 404,732 | \$ 545,592 | \$ 471,535 | \$ 56,517 | \$ 1,478,376 | \$ 189,365 | \$ 402,749 | \$ 592,114 | \$ 2,070,490 |
| Payroll taxes and fringe benefits | 88,748 | 114,178 | 103,414 | 11,713 | 318,053 | 44,373 | 88,407 | 132,780 | 450,833 |
| Total personnel and related | 493,480 | 659,770 | 574,949 | 68,230 | 1,796,429 | 233,738 | 491,156 | 724,894 | 2,521,323 |
| Grants | 997,000 | - | 3,000 | - | 1,000,000 | - | - | - | 1,000,000 |
| Other: | | | | | | | | | |
| Advertising | 270 | 40,068 | 890,967 | - | 931,305 | 1,135 | 3,894 | 5,029 | 936,334 |
| Professional fees | 17,076 | 43,862 | 324,739 | 57,584 | 443,261 | 101,387 | 30,042 | 131,429 | 574,690 |
| Printing and postage | 1,562 | 64,644 | 57,597 | 268 | 124,071 | 1,641 | 146,920 | 148,561 | 272,632 |
| Communications | 29,094 | 9,002 | 42,848 | 581 | 81,525 | 7,560 | 103,731 | 111,291 | 192,816 |
| Facilities | 35,012 | 43,316 | 132,256 | 4,402 | 214,986 | 16,814 | 33,840 | 50,654 | 265,640 |
| Materials and supplies | - | 15,806 | 167,094 | 724 | 183,624 | 797 | 7,262 | 8,059 | 191,683 |
| Depreciation and amortization | 34,558 | 46,048 | 39,155 | 4,673 | 124,434 | 14,471 | 34,591 | 49,062 | 173,496 |
| Office | 20,704 | 3,563 | 91,285 | 307 | 115,859 | 38,696 | 27,697 | 66,393 | 182,252 |
| Travel and transportation | 3,115 | 17,660 | 57,651 | 703 | 79,129 | 4,051 | 962 | 5,013 | 84,142 |
| Computer and office equipment | 17,519 | 22,042 | 21,624 | 2,236 | 63,421 | 85,101 | 17,486 | 102,587 | 166,008 |
| Interest | 11,958 | 15,948 | 13,576 | 1,621 | 43,103 | 5,569 | 11,969 | 17,538 | 60,641 |
| Conferences and meetings | 496 | 3,003 | 2,994 | 761 | 7,254 | 17,166 | 859 | 18,025 | 25,279 |
| Interest - amortization | - | - | - | - | - | 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 |
| 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 |

The accompanying notes are an integral part of these statements.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

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 prevent and end hunger in Massachusetts by increasing access to affordable, healthy food, while simultaneously working to eradicate the systemic causes of hunger.

Project Bread's goal is to eliminate food insecurity so that all residents have the opportunity to live a healthy lifestyle. To accomplish this, Project Bread eliminates barrier to access affordable and healthy food resources, enacts policies at the local, state and federal level that address systemic causes of hunger and treat the food insecure with dignity and compassion, raise awareness of the extent and severity of hunger in Massachusetts and increase engagement in the efforts to end food insecurity among stakeholders and residents.

Project Bread is funded by diverse revenue streams, including government contracts and individual donor contributions, contributions from corporations and foundations, and their annual hunger awareness event, the Walk for Hunger.

Through the 2019 Walk for Hunger, Project Bread raised funds for scalable, statewide hunger solutions to help low-income residents break the cycle of hunger and supported 413 community programs that help people access and afford food.

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).

Adoption of New Accounting Standard

During fiscal year 2019, Project Bread adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected Project Bread's financial statements:

- Net assets are to be segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets.
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date.
- An explanation of the method used to allocate costs among program and supporting functions.

The adoption of this ASU did not impact Project Bread's net asset balance, change in net assets, or cash flows for the year ended September 30, 2019. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 financial statements.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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).

Cash and restricted cash consist of the following at September 30:

| | <u>2019</u> | <u>2018</u> |
|-----------------|---------------------|---------------------|
| Cash | \$ 2,450,878 | \$ 2,069,416 |
| Restricted cash | <u>151,143</u> | <u>150,707</u> |
| | <u>\$ 2,602,021</u> | <u>\$ 2,220,123</u> |

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, 2019 and 2018, there was no allowance for uncollectible accounts.

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).

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets Without Donor Restrictions are those net resources that bear no external restrictions and are generally available for use by Project Bread. Project Bread has grouped its net assets without donor restrictions 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 and restricted cash, net of related debt.

Net Assets With Donor Restrictions represent amounts received or committed by donors with purpose and/or time restrictions that have not yet been met. Net assets with donor restrictions consist of the following as of September 30:

| | <u>2019</u> | <u>2018</u> |
|--|------------------|-------------------|
| Subject to expenditure for specific purpose: | | |
| SNAP UMASS | \$ 28,500 | \$ - |
| CNOP - Summer Eats | 5,900 | - |
| Other | 3,189 | 7,826 |
| Chefs in School | - | 60,000 |
| Network for the Arts | - | 32,500 |
| | <u>\$ 37,589</u> | <u>\$ 100,326</u> |

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 support with donor restrictions 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, net assets with donor restrictions are transferred to net assets without donor restrictions. Grants and contributions with donor restrictions received and satisfied in the same period are included in net assets without donor restrictions.

Government grants are recorded as revenue when the services are performed and the costs are incurred. Rental income, 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.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Donations (Continued)

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

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Advertising - Walk for Hunger | \$ 630,267 | \$ 741,425 |
| Supplies and materials - Walk for Hunger | 80,514 | 90,060 |
| Services | 31,718 | 76,238 |
| Supplies and materials | <u>2,150</u> | <u>2,423</u> |
| | <u>\$ 744,649</u> | <u>\$ 910,146</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 program or function are distributed to that program or function, while other expenses are allocated to programs or functions based upon management's estimate of the percentage attributable to each program or function.

Certain categories of expenses are attributable to more than one program or function and are allocated on a basis that is consistently applied. The expenses that are allocated based on full time equivalent employee ratios include personnel and related, printing and postage, communications, facilities, depreciation and amortization, office, and computer and office equipment.

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 awarded the following grants for the years ended September 30:

| | <u>2019</u> | <u>2018</u> |
|-------------------------|---------------------|---------------------|
| Annual grants | \$ 780,404 | \$ 910,500 |
| School Breakfast grants | 123,000 | - |
| Summer grants | 111,000 | 89,500 |
| Partnership grants | 19,963 | - |
| Other grants | <u>1,500</u> | <u>-</u> |
| | <u>\$ 1,035,867</u> | <u>\$ 1,000,000</u> |

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 operating 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.

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 financial statements at September 30, 2019 and 2018. Project Bread's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through January 27, 2020, 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.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

3. RELATED PARTY TRANSACTIONS

During fiscal year 2019, three members of the Board of Directors are on the Board of Directors of three nonprofit organizations to which Project Bread granted \$10,000 in total. 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.

4. PROPERTY AND EQUIPMENT

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

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|---------------------|---------------------|
| Land | \$ 100,000 | \$ 100,000 |
| Condominium building and improvements | 3,171,062 | 3,171,062 |
| Computer and office equipment | 440,412 | 437,066 |
| Website | 281,111 | 281,111 |
| Furniture and fixtures | <u>36,551</u> | <u>36,551</u> |
| | 4,029,136 | 4,025,790 |
| Less - accumulated depreciation | <u>2,227,312</u> | <u>2,077,002</u> |
| | <u>\$ 1,801,824</u> | <u>\$ 1,948,788</u> |

Depreciation expense was \$150,310 and \$159,042 for the years ended September 30, 2019 and 2018, respectively.

5. INTANGIBLE ASSETS

Intangible assets consist of the following as of September 30:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|----------------|-----------------|
| Rebranding costs | \$ 110,670 | \$ 110,670 |
| Less - accumulated amortization | <u>110,670</u> | <u>107,240</u> |
| | <u>\$ -</u> | <u>\$ 3,430</u> |

Amortization expense was \$3,430 and \$14,454 for the years ended September 30, 2019 and 2018, 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 4.52%. The note is secured by a first mortgage on the land and condominium building and all permanent fixtures. There was \$1,229,117 and \$1,265,265 outstanding as of September 30, 2019 and 2018, respectively. The mortgage contains various covenants. Project Bread was in compliance with these covenants as of September 30, 2019 and 2018. Interest expense was \$58,861 and \$60,641 for the years ended September 30, 2019 and 2018, respectively.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

6. MORTGAGE NOTE PAYABLE (Continued)

Future minimum note payments under the new agreement described on page 12 are as follows:

| | |
|------|--------------|
| 2020 | \$ 38,518 |
| 2021 | \$ 40,356 |
| 2022 | \$ 42,282 |
| 2023 | \$ 44,299 |
| 2024 | \$ 1,063,662 |

Debt issuance costs related to this mortgage note payable totaling \$16,974 are shown net of accumulated interest - amortization of \$8,470 and \$6,778 as of September 30, 2019 and 2018, 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 four years is \$1,692 and \$1,736 in fiscal year 2024.

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 (5.00% and 5.25% at September 30, 2019 and 2018, 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, 2019 and 2018. This line of credit is renewable annually in February.

8. LEASE AGREEMENTS

Project Bread leases office equipment under an operating lease agreement that expires in September 2022. Payments for this lease total approximately \$663 per quarter. Rent expense under this lease agreement was approximately \$2,700 for the years ended September 30, 2019 and 2018, and is included in computer and office equipment in the accompanying statements of functional expenses.

Future minimum lease payments under this lease agreement are as follows:

| | |
|------|-----------------|
| 2020 | \$ 2,651 |
| 2021 | 2,651 |
| 2022 | <u>2,651</u> |
| | <u>\$ 7,953</u> |

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 \$17,995 and \$8,070 to this plan for the years ended September 30, 2019 and 2018, respectively. These amounts are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

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 banks that are 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, 2019 and 2018, or on its changes in net assets for the years then ended.

Approximately 16% and 15% of Project Bread's operating support and revenue without donor restrictions was derived from contracts with the Commonwealth of Massachusetts for the years ended September 30, 2019 and 2018, respectively.

Approximately 86% and 89% of accounts receivable are due from the Commonwealth of Massachusetts at September 30, 2019 and 2018, respectively.

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 and second installments of the grant were earned during fiscal years 2018 and 2019 and are included in foundation grants in the accompanying statements of activities and changes in net assets. The third installment is conditional upon certain outcomes as defined in the grant agreement and has 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 was earned in fiscal year 2018. The entire award was earned as of September 30, 2019, and both installments are included in foundation grants in the accompanying statements of activities and changes in net assets for the years ended September 30, 2019 and 2018.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2019 and 2018

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Project Bread's financial assets available within one year from the statement of financial position date for general operating expenses as of September 30, 2019, are as follows:

| | |
|---|-------------------|
| Cash | \$ 2,450,878 |
| Accounts receivable | <u>187,685</u> |
| | 2,638,563 |
| Less - Board designated reserves | (2,461,127) |
| Less - net assets with purpose and capital restrictions | <u>(37,589)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 139,847</u> |

Project Bread's financial assets are available for use to cover its obligations as they become due. As of September 30, 2019, Project Bread has financial assets equal to approximately a quarter month of operating expenses (excluding depreciation and amortization, interest - amortization, and in-kind expenses). Project Bread has approximately \$2,500,000 of Board designated reserves that could be utilized to cover operating costs at the approval of the Board of Directors. In addition, Project Bread has a line of credit agreement (see Note 7) which allows for additional borrowings up to \$100,000.