



**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

Contents  
September 30, 2020 and 2019

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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 the statements of financial position as of September 30, 2020 and 2019, 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, 2020 and 2019, 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  
February 23, 2021

**PROJECT BREAD - THE WALK FOR HUNGER, INC.**Statements of Financial Position  
September 30, 2020 and 2019

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Current Assets:		
Cash	\$ 7,325,085	\$ 2,450,878
Grants and contributions receivable	567,304	187,685
Prepaid expenses and other	124,856	90,134
Total current assets	8,017,245	2,728,697
Restricted Cash	151,225	151,143
Property and Equipment, net	1,822,469	1,801,824
Total assets	<u>\$ 9,990,939</u>	<u>\$ 4,681,664</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Current portion of mortgage note payable	\$ 40,356	\$ 38,518
Accounts payable and accrued expenses	469,183	229,981
Cash advance	100,000	-
Total current liabilities	609,539	268,499
Mortgage Note Payable, net	1,153,319	1,182,095
Contingent Debt	487,464	-
Total liabilities	<u>2,250,322</u>	<u>1,450,594</u>
Net Assets:		
Without donor restrictions:		
Operating	2,755,884	-
Board designated reserve	4,136,550	2,461,127
Property and equipment	780,019	732,354
Total without donor restrictions	7,672,453	3,193,481
With donor restrictions	68,164	37,589
Total net assets	<u>7,740,617</u>	<u>3,231,070</u>
Total liabilities and net assets	<u>\$ 9,990,939</u>	<u>\$ 4,681,664</u>

The accompanying notes are an integral part of these statements.

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**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support:</b>						
Contributions	\$ 7,138,355	\$ -	\$ 7,138,355	\$ 4,078,441	\$ -	\$ 4,078,441
Foundation grants	3,334,662	37,692	3,372,354	796,255	34,400	830,655
Government grants	1,024,488	-	1,024,488	1,170,794	-	1,170,794
In-kind donations	343,994	-	343,994	744,649	-	744,649
Rental income	7,800	-	7,800	7,275	-	7,275
Interest and other income	2,648	-	2,648	2,949	-	2,949
Net assets released from restrictions	7,117	(7,117)	-	97,137	(97,137)	-
Total operating revenue and support	<u>11,859,064</u>	<u>30,575</u>	<u>11,889,639</u>	<u>6,897,500</u>	<u>(62,737)</u>	<u>6,834,763</u>
<b>Expenses:</b>						
Program expenses:						
Direct Service	1,703,306	-	1,703,306	603,406	-	603,406
Feeding Kids	1,558,763	-	1,558,763	1,234,703	-	1,234,703
Food Resource Outreach and Awareness	1,203,395	-	1,203,395	1,346,670	-	1,346,670
Community Education and Engagement	875,705	-	875,705	1,828,157	-	1,828,157
Advocacy and Research	342,553	-	342,553	266,064	-	266,064
Total program expenses	<u>5,683,722</u>	<u>-</u>	<u>5,683,722</u>	<u>5,279,000</u>	<u>-</u>	<u>5,279,000</u>
Supporting services:						
General and administrative	538,811	-	538,811	465,963	-	465,963
Fundraising and development	1,157,559	-	1,157,559	905,913	-	905,913
Total supporting services	<u>1,696,370</u>	<u>-</u>	<u>1,696,370</u>	<u>1,371,876</u>	<u>-</u>	<u>1,371,876</u>
Total expenses	<u>7,380,092</u>	<u>-</u>	<u>7,380,092</u>	<u>6,650,876</u>	<u>-</u>	<u>6,650,876</u>
Changes in net assets	4,478,972	30,575	4,509,547	246,624	(62,737)	183,887
<b>Net Assets:</b>						
Beginning 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>
End of year	<u>\$ 7,672,453</u>	<u>\$ 68,164</u>	<u>\$ 7,740,617</u>	<u>\$ 3,193,481</u>	<u>\$ 37,589</u>	<u>\$ 3,231,070</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 4,509,547	\$ 183,887
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	133,000	153,740
Interest - amortization	1,692	1,692
Changes in operating assets and liabilities:		
Grants and contributions receivable	(379,619)	130,284
Prepaid expenses and other	(34,722)	(29,680)
Accounts payable and accrued expenses	231,524	(18,531)
Cash advance	100,000	-
Net cash provided by operating activities	<u>4,561,422</u>	<u>421,392</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	<u>(145,967)</u>	<u>(3,346)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on mortgage note payable	(28,630)	(36,148)
Proceeds from contingent debt	<u>487,464</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>458,834</u>	<u>(36,148)</u>
<b>Net Change in Cash and Restricted Cash</b>	4,874,289	381,898
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>2,602,021</u>	<u>2,220,123</u>
End of year	<u>\$ 7,476,310</u>	<u>\$ 2,602,021</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 54,101</u>	<u>\$ 58,861</u>
Property and equipment financed through accounts payable	<u>\$ 7,678</u>	<u>\$ -</u>

**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

Statement of Functional Expenses

For the Year Ended September 30, 2020

(With Summarized Comparative Totals for the Year Ended September 30, 2019)

	2020									2019	
	Programs					Supporting Services				Total Expenses	
	Direct Service	Feeding Kids	Food Resource Outreach and Awareness	Community Education and Engagement	Advocacy and Research	Total Programs	General and Administrative	Fundraising and Development	Total Supporting Services		
<b>Personnel and Related:</b>											
Salaries	\$ 531,253	\$ 575,052	\$ 218,807	\$ 338,843	\$ 218,591	\$ 1,882,546	\$ 133,765	\$ 430,829	\$ 564,594	\$ 2,447,140	\$ 2,279,518
Payroll taxes and fringe benefits	111,106	126,723	46,981	73,404	44,818	403,032	31,844	92,283	124,127	527,159	476,998
Total personnel and related	<u>642,359</u>	<u>701,775</u>	<u>265,788</u>	<u>412,247</u>	<u>263,409</u>	<u>2,285,578</u>	<u>165,609</u>	<u>523,112</u>	<u>688,721</u>	<u>2,974,299</u>	<u>2,756,516</u>
<b>Grants</b>	-	504,769	232,544	-	-	737,313	-	-	-	737,313	1,035,867
<b>Other:</b>											
Advertising	25,784	47,147	500,054	289,811	651	863,447	38,414	1,253	39,667	903,114	753,881
Materials and supplies	720,182	4,951	967	13,467	864	740,431	10,222	8,322	18,544	758,975	197,630
Printing and postage	9,885	171,473	58,726	7,900	859	248,843	9,103	257,951	267,054	515,897	279,510
Professional fees	28,011	5,687	100,331	61,597	33,751	229,377	221,278	4,389	225,667	455,044	582,154
Communications	194,797	14,526	6,909	6,802	4,050	227,084	9,801	120,275	130,076	357,160	252,972
Office	3,638	1,261	586	17,638	444	23,567	18,975	170,632	189,607	213,174	128,303
Depreciation and amortization	26,256	32,959	12,811	19,226	11,633	102,885	6,504	23,611	30,115	133,000	153,740
Facilities	23,579	26,817	10,574	22,798	9,691	93,459	11,918	21,002	32,920	126,379	226,338
Computer and office equipment	16,999	22,610	8,786	14,188	7,901	70,484	29,724	16,770	46,494	116,978	86,554
Interest	10,914	12,991	5,102	7,796	4,634	41,437	2,984	9,680	12,664	54,101	58,861
Conferences and meetings	10	7,281	163	1,834	2,145	11,433	10,243	521	10,764	22,197	33,210
Travel and transportation	892	4,516	54	401	2,521	8,384	2,344	41	2,385	10,769	103,648
Interest - amortization	-	-	-	-	-	-	1,692	-	1,692	1,692	1,692
Total other	<u>1,060,947</u>	<u>352,219</u>	<u>705,063</u>	<u>463,458</u>	<u>79,144</u>	<u>2,660,831</u>	<u>373,202</u>	<u>634,447</u>	<u>1,007,649</u>	<u>3,668,480</u>	<u>2,858,493</u>
Total expenses	<u>\$ 1,703,306</u>	<u>\$ 1,558,763</u>	<u>\$ 1,203,395</u>	<u>\$ 875,705</u>	<u>\$ 342,553</u>	<u>\$ 5,683,722</u>	<u>\$ 538,811</u>	<u>\$ 1,157,559</u>	<u>\$ 1,696,370</u>	<u>\$ 7,380,092</u>	<u>\$ 6,650,876</u>

**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

Statement of Functional Expenses  
For the Year Ended September 30, 2019

	Programs					Supporting Services			Total Expenses	
	Direct Service	Feeding Kids	Food Resource Outreach and Awareness	Community Education and Engagement	Advocacy and Research	Total Programs	General and Administrative	Fundraising and Development		Total Supporting Services
<b>Personnel and Related:</b>										
Salaries	\$ 373,598	\$ 550,203	\$ 263,919	\$ 340,821	\$ 145,281	\$ 1,673,822	\$ 199,792	\$ 405,904	\$ 605,696	\$ 2,279,518
Payroll taxes and fringe benefits	78,661	115,832	52,409	70,124	30,200	347,226	45,999	83,773	129,772	476,998
Total personnel and related	452,259	666,035	316,328	410,945	175,481	2,021,048	245,791	489,677	735,468	2,756,516
<b>Grants</b>	-	234,000	793,269	-	8,598	1,035,867	-	-	-	1,035,867
<b>Other:</b>										
Advertising	280	52,503	40,696	656,013	19	749,511	900	3,470	4,370	753,881
Materials and supplies	-	8,995	-	180,392	1,010	190,397	1,988	5,245	7,233	197,630
Printing and postage	3,782	110,047	2,040	16,118	120	132,107	3,829	143,574	147,403	279,510
Professional fees	44,409	15,236	109,142	235,498	49,680	453,965	123,189	5,000	128,189	582,154
Communications	27,751	16,894	37,507	3,655	1,336	87,143	14,790	151,039	165,829	252,972
Office	1,114	2,039	600	80,849	867	85,469	12,689	30,145	42,834	128,303
Depreciation and amortization	28,121	40,555	17,989	24,490	10,305	121,460	3,068	29,212	32,280	153,740
Facilities	20,299	29,355	13,024	122,060	7,940	192,678	11,215	22,445	33,660	226,338
Computer and office equipment	13,704	19,678	8,753	12,539	4,988	59,662	12,742	14,150	26,892	86,554
Interest	10,001	14,439	6,398	8,742	3,694	43,274	5,145	10,442	15,587	58,861
Conferences and meetings	150	8,759	309	1,950	716	11,884	21,062	264	21,326	33,210
Travel and transportation	1,536	16,168	615	74,906	1,310	94,535	7,863	1,250	9,113	103,648
Interest - amortization	-	-	-	-	-	-	1,692	-	1,692	1,692
Total other	151,147	334,668	237,073	1,417,212	81,985	2,222,085	220,172	416,236	636,408	2,858,493
Total expenses	<u>\$ 603,406</u>	<u>\$ 1,234,703</u>	<u>\$ 1,346,670</u>	<u>\$ 1,828,157</u>	<u>\$ 266,064</u>	<u>\$ 5,279,000</u>	<u>\$ 465,963</u>	<u>\$ 905,913</u>	<u>\$ 1,371,876</u>	<u>\$ 6,650,876</u>



## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2020 and 2019

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### 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 connect people and communities in Massachusetts to reliable sources of food while advocating for policies that make food more accessible—so that no one goes hungry.

Project Bread is a statewide organization that works to end hunger by connecting individuals and families in need with sustainable and scalable nutrition supports. Their efforts recognize and address the deeply rooted intersection of food insecurity, poverty, discrimination, and marginalization. Project Bread advocates for effective, data-driven solutions that address inequities and stigma, preserve autonomy and dignity, and ensure vulnerable and marginalized communities have access to compassionate, quality resources.

Project Bread is funded by diverse revenue streams, including government contracts, individual donors, corporate support and foundation grants, and their annual hunger awareness event, the Walk for Hunger. These sources provide funds to sustain a variety of programs and initiatives including direct services, awareness campaigns, community investments, advocacy, research, and various emergency vouchers.

#### 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 Standards

On October 1, 2019, Project Bread adopted FASB's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, with respect to its revenue recognition policies and was adopted using the modified retrospective method. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on Project Bread's financial statements as Project Bread's primary source of revenue is from grants and contributions, which includes Project Bread's government contracts. These contracts, which are reflected as government grants revenue in the accompanying statements of activities and changes in net assets, are not subject to this accounting standard.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Adoption of New Accounting Standards (Continued)

During fiscal year 2020, Project Bread adopted FASB's ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective method effective October 1, 2019. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of October 1, 2019. Based on Project Bread's evaluation of its grants and contributions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

Also during fiscal year 2020, Project Bread adopted FASB's ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash be added to cash for purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented.

#### 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 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 5).

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 7,325,085	\$ 2,450,878
Restricted cash	<u>151,225</u>	<u>151,143</u>
	<u>\$ 7,476,310</u>	<u>\$ 2,602,021</u>

#### Grants and contributions Receivable and Allowance for Uncollectible Accounts

Grants and contributions 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, 2020 and 2019, there was no allowance for uncollectible accounts.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2020 and 2019

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### 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 amortized over a five-year useful life using the straight-line method. Amortization expense was \$3,430 for the year ended September 30, 2019, when the intangible asset became fully amortized.

#### Cash Advance

During fiscal year 2020, Project Bread received a cash advance of \$100,000 from Community Care Cooperative, Inc. (C3) to fund startup costs of the Healthcare Partnership Program. The program was created to provide nutrition and housing support to C3's eligible members in accordance with the agreement. Per the agreement, the amount is to be paid back to C3 as services are provided and invoices submitted.

#### 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 5).

#### 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:

**Operating** - represent funds available to carry on the operations of Project Bread.

**Board designated reserve** - represents a reserve established by the Board of Directors which may be used for the short-term and long-term stability of Project Bread and strategic initiatives in support of Project Bread's mission.

**Property and equipment** - reflect the net book value of Project Bread's property and equipment and restricted cash, net of related debt.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2020 and 2019

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

**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>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Healthcare Partnerships	\$ 32,692	\$ -
SNAP UMASS	28,500	28,500
CNOP - Summer Eats	1,972	5,900
Other	<u>5,000</u>	<u>3,189</u>
	<u>\$ 68,164</u>	<u>\$ 37,589</u>

#### Revenue Recognition

##### *Contributions, Government Grants and Foundation Grants*

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, Project Bread must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that Project Bread should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. For contributions that have been recognized prior to adoption of Topic 958, the standard is not required to be retrospectively applied. See Note 13 for disclosure of Project Bread's conditional grants at September 30, 2020.

Contributions, government grants and foundation grants without donor restrictions are recognized as revenue when unconditionally committed or received. Donor restricted contributions, government grants and foundation grants are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions lapse. Contributions, government grants and foundation grants received with donor-imposed conditions and restrictions that are satisfied in the same period are included in net assets without donor restrictions.

##### *Other Revenues*

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, 2020 and 2019

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### 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>2020</u>	<u>2019</u>
Advertising - Walk for Hunger	\$ 285,164	\$ 630,267
Services	58,830	31,718
Supplies and materials - Walk for Hunger	-	80,514
Supplies and materials	-	2,150
	<u>\$ 343,994</u>	<u>\$ 744,649</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>2020</u>	<u>2019</u>
School Breakfast grants	\$ 366,663	\$ 123,000
Annual grants	231,334	780,404
Summer grants	138,106	111,000
Other grants	1,210	1,500
Partnership grants	-	19,963
	<u>\$ 737,313</u>	<u>\$ 1,035,867</u>

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, 2020 and 2019. Project Bread's information returns are subject to examination by the Federal and state jurisdictions.

#### Subsequent Events

Subsequent events have been evaluated through February 23, 2021, 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  
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### 3. RELATED PARTY TRANSACTIONS

During fiscal year 2020, there were no related party transactions. During fiscal year 2019, three members of the Board of Directors were on the Board of Directors of three nonprofit organizations to which Project Bread granted \$10,000 in total.

### 4. PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 100,000	\$ 100,000
Condominium building and improvements	3,171,062	3,171,062
Computer and office equipment	440,412	440,412
Website	434,756	281,111
Furniture and fixtures	<u>36,551</u>	<u>36,551</u>
	4,182,781	4,029,136
Less - accumulated depreciation	<u>2,360,312</u>	<u>2,227,312</u>
	<u>\$ 1,822,469</u>	<u>\$ 1,801,824</u>

Depreciation expense was \$133,000 and \$150,310 for the years ended September 30, 2020 and 2019, respectively.

### 5. 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 \$1,200,487 and \$1,229,117 outstanding as of September 30, 2020 and 2019, respectively. The mortgage contains various covenants. Project Bread was in compliance with these covenants as of September 30, 2020 and 2019. Interest expense was \$54,101 and \$58,861 for the years ended September 30, 2020 and 2019, respectively.

Future minimum note payments are as follows:

2021	\$ 40,356
2022	\$ 42,282
2023	\$ 44,299
2024	\$ 1,073,550

Debt issuance costs related to this mortgage note payable totaling \$16,974 are shown net of accumulated interest - amortization of \$10,162 and \$8,470 as of September 30, 2020 and 2019, 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 9). Amortization of debt issuance costs for the next three years is \$1,692, and \$1,736 in fiscal year 2024.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
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### 6. CONTINGENT DEBT

Project Bread applied for and was awarded a forgivable loan of \$487,464 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds will be used to pay certain payroll costs, including benefits as well as utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until the Small Business Administration notifies the lender of the amount of the loan that will be forgiven. The balance of the note that is not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral as of September 30, 2020.

There was no accrued interest on the note payable as of September 30, 2020, as it would be immaterial to the overall financial statements.

As of February 23, 2021, Project Bread has not submitted the application for forgiveness. However, Project Bread anticipates the note payable will be forgiven in full and, therefore, the balance has been classified as long-term in the accompanying statement of financial position as of September 30, 2020.

### 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 (4.25% and 5.00% at September 30, 2020 and 2019, 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, 2020 and 2019. 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, 2020 and 2019, and is included in computer and office equipment in the accompanying statements of functional expenses.

Future minimum lease payments under this lease agreement are \$2,651 for fiscal years 2021 and 2022.

### 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 \$38,849 and \$17,995 to this plan for the years ended September 30, 2020 and 2019, 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  
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### **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, 2020 and 2019, or on its changes in net assets for the years then ended.

Approximately 8% and 16% 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, 2020 and 2019, respectively.

Approximately 21% and 86% of accounts receivable are due from the Commonwealth of Massachusetts at September 30, 2020 and 2019, respectively.

### **12. CONTINGENCIES**

In March 2020, the COVID-19 coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on Project Bread, its operations and future financial statements.

Management of Project Bread is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, Project Bread is unable to accurately predict how COVID-19 will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

### **13. 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 second and third installments of the grant were earned during fiscal years 2019 and 2020 and are included in foundation grants in the accompanying statements of activities and changes in net assets.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
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### 13. CONDITIONAL GRANTS (Continued)

During fiscal year 2020, Project Bread was awarded government contracts totaling \$1,122,727 that contained funder-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. Project Bread recognizes related revenue from these government contracts when funder-imposed conditions are substantially met (see Note 2). The funder-imposed conditions for this contract revenue include the requirement for Project Bread to incur qualifying expenses. Given the aforementioned reasons, no amounts pertaining to these conditional commitments are included in the accompanying financial statements.

### 14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 7,325,085	\$ 2,450,878
Grants and contributions receivable	<u>567,304</u>	<u>187,685</u>
	7,892,389	2,638,563
Less - Board designated reserves	(4,136,550)	(2,461,127)
Less - net assets with purpose and capital restrictions	<u>(68,164)</u>	<u>(37,589)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,687,675</u>	<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, 2020 and 2019, Project Bread has financial assets equal to approximately six months and a quarter month, respectively, of operating expenses (excluding depreciation and amortization, interest - amortization, and in-kind expenses). Project Bread has approximately \$4,137,000 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.

### 15. RECLASSIFICATION

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.