



PROJECT BREAD - THE WALK FOR HUNGER, INC.

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Contents
September 30, 2021 and 2020

	<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
aafcpcpa.com

Independent Auditor's Report

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

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, 2021 and 2020, 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, 2021 and 2020, 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 20, 2022

PROJECT BREAD - THE WALK FOR HUNGER, INC.Statements of Financial Position
September 30, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash	\$ 8,237,427	\$ 7,325,085
Grants and contributions receivable	905,415	567,304
Prepaid expenses and other	446,018	124,856
Total current assets	9,588,860	8,017,245
Restricted Cash	263,094	151,225
Property and Equipment, net	1,693,041	1,822,469
Total assets	<u>\$ 11,544,995</u>	<u>\$ 9,990,939</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage notes payable	\$ 23,333	\$ 40,356
Accounts payable and accrued expenses	686,254	469,183
Cash advance	-	100,000
Total current liabilities	709,587	609,539
Mortgage Notes Payable, net	1,142,512	1,153,319
Contingent Debt	-	487,464
Total liabilities	<u>1,852,099</u>	<u>2,250,322</u>
Net Assets:		
Without donor restrictions:		
Operating	3,463,493	2,755,884
Board designated reserve	5,593,359	4,136,550
Property and equipment	527,196	780,019
Total without donor restrictions	9,584,048	7,672,453
With donor restrictions	108,848	68,164
Total net assets	<u>9,692,896</u>	<u>7,740,617</u>
Total liabilities and net assets	<u>\$ 11,544,995</u>	<u>\$ 9,990,939</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Contributions	\$ 6,760,401	\$ -	\$ 6,760,401	\$ 7,138,355	\$ -	\$ 7,138,355
Foundation grants	3,895,142	99,697	3,994,839	3,334,662	37,692	3,372,354
Government grants	1,945,647	-	1,945,647	1,024,488	-	1,024,488
In-kind donations	107,725	-	107,725	343,994	-	343,994
Interest and other income	1,026	-	1,026	2,648	-	2,648
Rental income	-	-	-	7,800	-	7,800
Net assets released from purpose restrictions	59,013	(59,013)	-	7,117	(7,117)	-
Total operating revenue and support	<u>12,768,954</u>	<u>40,684</u>	<u>12,809,638</u>	<u>11,859,064</u>	<u>30,575</u>	<u>11,889,639</u>
Expenses:						
Program expenses:						
Direct Service	4,082,781	-	4,082,781	1,703,306	-	1,703,306
Feeding Kids	2,124,622	-	2,124,622	1,558,763	-	1,558,763
Food Resource Outreach and Awareness	2,372,871	-	2,372,871	1,203,395	-	1,203,395
Community Education and Engagement	451,584	-	451,584	875,705	-	875,705
Advocacy and Research	577,578	-	577,578	342,553	-	342,553
Total program expenses	<u>9,609,436</u>	<u>-</u>	<u>9,609,436</u>	<u>5,683,722</u>	<u>-</u>	<u>5,683,722</u>
Supporting services:						
General and administrative	534,584	-	534,584	538,811	-	538,811
Fundraising and development	1,200,803	-	1,200,803	1,157,559	-	1,157,559
Total supporting services	<u>1,735,387</u>	<u>-</u>	<u>1,735,387</u>	<u>1,696,370</u>	<u>-</u>	<u>1,696,370</u>
Total expenses	<u>11,344,823</u>	<u>-</u>	<u>11,344,823</u>	<u>7,380,092</u>	<u>-</u>	<u>7,380,092</u>
Changes in net assets from operations	1,424,131	40,684	1,464,815	4,478,972	30,575	4,509,547
Non-Operating Revenue:						
Forgiveness of contingent debt	487,464	-	487,464	-	-	-
Changes in net assets	1,911,595	40,684	1,952,279	4,478,972	30,575	4,509,547
Net Assets:						
Beginning 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>
End of year	<u>\$ 9,584,048</u>	<u>\$ 108,848</u>	<u>\$ 9,692,896</u>	<u>\$ 7,672,453</u>	<u>\$ 68,164</u>	<u>\$ 7,740,617</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,952,279	\$ 4,509,547
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	147,769	133,000
Interest - amortization	1,986	1,692
Forgiveness of contingent debt	(487,464)	-
Loss from write-off of financing fees	6,108	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(338,111)	(379,619)
Prepaid expenses and other	(321,162)	(34,722)
Accounts payable and accrued expenses	224,749	231,524
Cash advance	(100,000)	100,000
Net cash provided by operating activities	<u>1,086,154</u>	<u>4,561,422</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(26,019)</u>	<u>(145,967)</u>
Cash Flows from Financing Activities:		
Principal payments on mortgage notes payable	(13,947)	(28,630)
Cash paid for financing fees	(21,977)	-
Proceeds from contingent debt	-	487,464
Net cash provided by (used in) financing activities	<u>(35,924)</u>	<u>458,834</u>
Net Change in Cash and Restricted Cash	1,024,211	4,874,289
Cash and Restricted Cash:		
Beginning of year	<u>7,476,310</u>	<u>2,602,021</u>
End of year	<u>\$ 8,500,521</u>	<u>\$ 7,476,310</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 45,523</u>	<u>\$ 54,101</u>
Property and equipment financed through accounts payable	<u>\$ -</u>	<u>\$ 7,678</u>

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2021

(With Summarized Comparative Totals for the Year Ended September 30, 2020)

	2021									2020	
	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		
Personnel and Related:											
Salaries	\$ 1,273,693	\$ 685,444	\$ 401,062	\$ 234,603	\$ 368,581	\$ 2,963,383	\$ 201,743	\$ 516,989	\$ 718,732	\$ 3,682,115	\$ 2,447,140
Payroll taxes and fringe benefits	289,402	155,887	89,824	53,084	79,994	668,191	58,257	116,203	174,460	842,651	527,159
Total personnel and related	<u>1,563,095</u>	<u>841,331</u>	<u>490,886</u>	<u>287,687</u>	<u>448,575</u>	<u>3,631,574</u>	<u>260,000</u>	<u>633,192</u>	<u>893,192</u>	<u>4,524,766</u>	<u>2,974,299</u>
Grants	<u>1,933,061</u>	<u>548,535</u>	<u>526,997</u>	<u>-</u>	<u>-</u>	<u>3,008,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,008,593</u>	<u>737,313</u>
Other:											
Printing and postage	15,550	456,032	434,013	56,556	1,244	963,395	5,254	156,324	161,578	1,124,973	515,897
Advertising	13,616	159,374	592,474	85,538	1,770	852,772	1,840	2,966	4,806	857,578	903,114
Professional fees	169,967	2,659	258,560	539	44,016	475,741	146,195	3,471	149,666	625,407	455,044
Communications	190,020	15,764	15,204	1,153	11,482	233,623	18,397	77,936	96,333	329,956	357,160
Office	27,368	4,303	8,256	2,097	2,787	44,811	25,290	138,654	163,944	208,755	213,174
Materials and supplies	23,058	6,769	7,338	13,286	8,838	59,289	10,921	87,685	98,606	157,895	758,975
Depreciation	52,134	28,056	11,864	-	18,689	110,743	6,263	30,763	37,026	147,769	133,000
Computer and office equipment	32,168	24,938	10,977	-	16,348	84,431	28,246	26,976	55,222	139,653	116,978
Facilities	40,968	22,297	9,323	4,728	14,688	92,004	15,765	24,248	40,013	132,017	126,379
Interest	17,976	9,673	4,091	-	6,445	38,185	2,839	10,607	13,446	51,631	54,101
Conferences and meetings	3,668	4,582	2,683	-	2,696	13,629	10,794	6,899	17,693	31,322	22,197
Travel and transportation	132	309	205	-	-	646	794	1,082	1,876	2,522	10,769
Interest - amortization	-	-	-	-	-	-	1,986	-	1,986	1,986	1,692
Total other	<u>586,625</u>	<u>734,756</u>	<u>1,354,988</u>	<u>163,897</u>	<u>129,003</u>	<u>2,969,269</u>	<u>274,584</u>	<u>567,611</u>	<u>842,195</u>	<u>3,811,464</u>	<u>3,668,480</u>
Total expenses	<u>\$ 4,082,781</u>	<u>\$ 2,124,622</u>	<u>\$ 2,372,871</u>	<u>\$ 451,584</u>	<u>\$ 577,578</u>	<u>\$ 9,609,436</u>	<u>\$ 534,584</u>	<u>\$ 1,200,803</u>	<u>\$ 1,735,387</u>	<u>\$ 11,344,823</u>	<u>\$ 7,380,092</u>

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2020

	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
Personnel and Related:										
Salaries	\$ 531,253	\$ 575,052	\$ 218,807	\$ 338,843	\$ 218,591	\$ 1,882,546	\$ 133,765	\$ 430,829	\$ 564,594	\$ 2,447,140
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
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>
Grants	-	504,769	232,544	-	-	737,313	-	-	-	737,313
Other:										
Printing and postage	9,885	171,473	58,726	7,900	859	248,843	9,103	257,951	267,054	515,897
Advertising	25,784	47,147	500,054	289,811	651	863,447	38,414	1,253	39,667	903,114
Professional fees	28,011	5,687	100,331	61,597	33,751	229,377	221,278	4,389	225,667	455,044
Communications	194,797	14,526	6,909	6,802	4,050	227,084	9,801	120,275	130,076	357,160
Office	3,638	1,261	586	17,638	444	23,567	18,975	170,632	189,607	213,174
Materials and supplies	720,182	4,951	967	13,467	864	740,431	10,222	8,322	18,544	758,975
Depreciation	26,256	32,959	12,811	19,226	11,633	102,885	6,504	23,611	30,115	133,000
Computer and office equipment	16,999	22,610	8,786	14,188	7,901	70,484	29,724	16,770	46,494	116,978
Facilities	23,579	26,817	10,574	22,798	9,691	93,459	11,918	21,002	32,920	126,379
Interest	10,914	12,991	5,102	7,796	4,634	41,437	2,984	9,680	12,664	54,101
Conferences and meetings	10	7,281	163	1,834	2,145	11,433	10,243	521	10,764	22,197
Travel and transportation	892	4,516	54	401	2,521	8,384	2,344	41	2,385	10,769
Interest - amortization	-	-	-	-	-	-	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>
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>

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

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. Project Bread's 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).

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.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Restricted Cash (Continued)

Restricted cash at September 30, 2020, represented amounts maintained on reserve until Project Bread demonstrated three consecutive years of compliance with the covenants related to the mortgage note payable (see Note 4). This account is included in cash at September 30, 2021, as the requirements have been met as of this date. Restricted cash at September 30, 2021, represents amounts held in a certificate of deposit (CD) which serves as collateral on Project Bread's credit card limit. The CD bears interest at 0.20% annually and matures in July 2022.

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 8,237,427	\$ 7,325,085
Restricted cash	<u>263,094</u>	<u>151,225</u>
	<u>\$ 8,500,521</u>	<u>\$ 7,476,310</u>

Grants and Contributions Receivable and Allowance for Uncollectible Accounts

Grants and contributions receivable are recorded at the stated unpaid balances 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, 2021 and 2020, 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. 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

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. The cash advance was paid back during fiscal year 2021.

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 4).

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

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:

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 at September 30, 2020, 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>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Healthy Kids' Strategic Campaign	\$ 99,697	\$ -
Healthcare Partnerships	9,151	32,692
SNAP UMASS	-	28,500
Other	-	5,000
CNOP - Summer Eats	-	1,972
	<u>\$ 108,848</u>	<u>\$ 68,164</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 12 for disclosure of Project Bread's conditional grants at September 30, 2021.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions, Government Grants and Foundation Grants (Continued)

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.

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

	<u>2021</u>	<u>2020</u>
Advertising - Walk for Hunger	\$ 84,300	\$ 285,164
Materials and supplies	23,425	-
Services	-	58,830
	<u>\$ 107,725</u>	<u>\$ 343,994</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's 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 are personnel and related, which are allocated on the basis of estimates of time and effort; printing and postage, communications, facilities, depreciation and amortization, office, and computer and office equipment, which are allocated based on the labor costs related to each program.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2021</u>	<u>2020</u>
Health Partnership grants	\$ 1,933,061	\$ -
Partnership grants	400,000	-
School Breakfast grants	295,505	366,663
Summer grants	251,930	138,106
Annual grants	122,097	231,334
Research grants	6,000	-
Other grants	<u>-</u>	<u>1,210</u>
	<u>\$ 3,008,593</u>	<u>\$ 737,313</u>

Fair Value Measurements

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

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

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

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

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

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

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Project Bread accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. Project Bread has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2021 and 2020. Project Bread's information returns are subject to examination by the Federal and state jurisdictions.

Statements of Activities and Changes in Net Assets

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

Subsequent Events

Subsequent events have been evaluated through January 20, 2022, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the accompanying financial statements.

3. PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 100,000	\$ 100,000
Condominium building and improvements	3,189,403	3,171,062
Computer and office equipment	440,412	440,412
Website	434,756	434,756
Furniture and fixtures	<u>36,551</u>	<u>36,551</u>
	4,201,122	4,182,781
Less - accumulated depreciation	<u>2,508,081</u>	<u>2,360,312</u>
	<u>\$ 1,693,041</u>	<u>\$ 1,822,469</u>

Depreciation expense was \$147,769 and \$133,000 for the years ended September 30, 2021 and 2020, respectively.

4. MORTGAGE NOTES PAYABLE

Project Bread had a mortgage note payable with a bank. The note was 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 was approximately \$1,020,000. The interest rate was fixed at 4.52%. The note was secured by a first mortgage on the land and condominium building and all permanent fixtures.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

4. MORTGAGE NOTES PAYABLE (Continued)

During fiscal year 2021, the original mortgage note payable was refinanced and Project Bread entered into a new mortgage note payable in the amount of \$1,200,000. The new note is payable in monthly principal and interest installments of \$5,422 based on a thirty-year amortization schedule, with all outstanding principal and accrued and unpaid interest due in February 2031, the new note's maturity. The balloon payment of the new note is approximately \$930,000. The interest rate is fixed at 3.50%. The new note is secured by a first mortgage on the premises and all business assets.

There was \$1,186,540 and \$1,200,487 outstanding under the above mortgage notes payable as of September 30, 2021 and 2020, respectively. The mortgages contain various covenants. Project Bread was in compliance with these covenants as of September 30, 2021 and 2020. Interest expense was \$51,631 and \$54,101 for the years ended September 30, 2021 and 2020, respectively.

Future minimum note payments for the next five fiscal years are as follows:

2022	\$ 23,333
2023	\$ 24,175
2024	\$ 24,935
2025	\$ 25,946
2026	\$ 26,882

Debt issuance costs related to the original mortgage note payable totaled \$16,974 are shown net of accumulated interest - amortization of \$10,162 as of September 30, 2020. Debt issuance costs related to the new mortgage note payable totaled \$21,977 are shown net of accumulated interest - amortization of \$1,282 as of September 30, 2021. 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. Amortization of debt issuance costs for the next five years is expected to be \$2,196 annually.

5. 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 were used to pay certain payroll costs, including benefits, as well as rent and 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%. There are no covenants with which to comply, and the note was not secured by any collateral as of September 30, 2020. There was no interest recorded on the note payable for the year ended September 30, 2020, as it would be immaterial to the overall financial statements.

During fiscal year 2021, Project Bread submitted the application for forgiveness and was legally released from the obligation, which is presented as forgiveness of contingent debt in the accompanying fiscal year 2021 statement of activities and changes in net assets.

6. 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 (3.25% at September 30, 2021 and 2020), 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, 2021 and 2020. This line of credit is renewable annually in February.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

7. 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, 2021 and 2020, and is included in computer and office equipment in the accompanying statements of functional expenses. Future minimum lease payment under this lease agreement are \$2,651 for fiscal year 2022.

8. 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 \$53,749 and \$38,849 to this plan for the years ended September 30, 2021 and 2020, respectively. These amounts are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

9. 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.

10. 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, 2021 and 2020, or on its changes in net assets for the years then ended.

Approximately 15% and 8% 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, 2021 and 2020, respectively.

Approximately 29% and 21% of grants and contributions receivable are due from the Commonwealth of Massachusetts at September 30, 2021 and 2020, respectively.

Approximately 60% and 75% of grants and contributions receivable are due from two agencies at September 30, 2021 and 2020, respectively.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2021 and 2020

11. CONTINGENCIES

During fiscal year 2020 and continuing through fiscal year 2021, the COVID-19 was recognized as a global pandemic. The impact of COVID-19 on Project Bread's future operations and the demand for its products/services will depend upon, among other things, the duration, spread and intensity of the pandemic; related government responses such as required physical distancing; restrictions on business operations and travel; the pace of recovery of economic activity; and the impact to consumers, all of which are uncertain and impossible to predict. The financial impact to Project Bread, if any, cannot be reasonably estimated at this time.

12. CONDITIONAL GRANTS AND COMMITMENTS

During fiscal year 2021, Project Bread was awarded three conditional grants totaling \$4,885,143 by three organizations. The remaining installments under these awards totaling \$2,696,457 are conditional upon Project Bread meeting certain milestones and thus are not included in the accompanying financial statements at September 30, 2021.

During fiscal years 2021 and 2020, Project Bread was awarded government contracts totaling \$2,971,801 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 remaining balances of these contracts totaling \$936,188 and \$1,122,727 at September 30, 2021 and 2020, respectively, are not included in the accompanying financial statements.

13. 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>2021</u>	<u>2020</u>
Cash	\$ 8,237,427	\$ 7,325,085
Grants and contributions receivable	905,415	567,304
	<u>9,142,842</u>	<u>7,892,389</u>
Less - Board designated reserves	5,593,359	4,136,550
Less - net assets with purpose restrictions	<u>108,848</u>	<u>68,164</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,440,635</u>	<u>\$ 3,687,675</u>

Project Bread's financial assets are available for use to cover its obligations as they become due. As of September 30, 2021 and 2020, Project Bread has financial assets equal to approximately four and six months, respectively, of operating expenses (excluding depreciation, 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 6) which allows for additional borrowings up to \$100,000.